



## Semi-Annual Report 2011

Announcement No.: 【CMPD】 2011-023

### Chapter 1. Important Notice, Definitions & Content

#### (I) Important Notice

Board of Directors, Supervisory Committee of China Merchants Property Development Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the authenticity, accuracy and integrality of the whole contents.

The Semi-annual Financial Report of the Company is not audited.

Lin Shaobin - Legal Representative, Huang Peikun –Chief Financial Officer, and Xu Yixia –Manager of Accounting Department hereby confirm that the Financial Report enclosed in the Semi-annual Report is true and complete.

This report has been prepared in Chinese and English version respectively. In the occurrence of differences due to interpretations of both versions, the Chinese report shall prevail.

#### (II) Definitions

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

1. CSRC: China Securities Regulatory Commission
2. The Company: China Merchants Property Development Co., Ltd.
3. China Merchants Group: China Merchants Group Ltd.
4. Top Chief: Top Chief Co., Ltd.
5. Shekou Industrial Zone: China Merchants Shekou Industrial Zone Co., Ltd.
6. Shenzhen CMRE: Shenzhen China Merchants Real Estate Co., Ltd.
7. CMPS: Shenzhen China Merchants Power Supply Co., Ltd.
8. Hong Kong Eureka: Eureka Investment Co., Ltd.
9. CMC: Shenzhen China Merchants Construction Co., Ltd.

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## Chapter 2. Company Profile

### (I) 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: Lin Shaobin

#### 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

Email: investor@cmpd.cn

Tel: (0755)26819600

Fax: (0755)26818666 26819680

#### 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

Email: [investor@cmpd.cn](mailto:investor@cmpd.cn)

#### V. Newspapers selected for Disclosing the Information of the Company: China Securities Journal, Securities Times, Shanghai Securities News and Hong Kong Commercial Daily

Official Website for Publishing Annual Report authorised by CSRC: <http://www.cninfo.com.cn>

Place Where the Semi-Annual Report is Prepared and Placed: Secretariat of the Board of Directors

#### VI. Stock listed in: Shenzhen Stock Exchange

Also listed with: Singapore Stock Exchange

Short Form of the Stock: CMPD, CMPD-B

Stock Code: 000024, 200024

#### VII. Other Relevant Information of the Company

1. Initial registration date: September 19th, 1990

2. Initial registration place: Shenzhen

3. Registration code for corporate business code: 440301503287841

4. Tax Registration No.: National Tax-Shen Zi 440300618845136

5. Code of Organization: 61884513-6

6. The certified public accountants hired by the Company:

Deloitte Touche Tohmatsu (Shanghai) CPA Ltd., 30/F, Bund Center, Yan An Road East, Shanghai

### (II) Main financial data and benchmarking (Unit: RMB)

	Ended of the report period	End of last year	Increase/decrease (%)
Total assets	65,703,246,899	59,818,240,763	9.84%
Shareholders' equity attributable to the listed company's shareholders	19,468,790,132	18,207,431,836	6.93%
Capital stocks	1,717,300,503	1,717,300,503	0.00%
Net assets per share attributable to shareholders of the listed company	11.34	10.60	6.93%
	This report period	The same period of last year	Increase/decrease in this report period year-on-year (%)
Total operating revenue	8,091,485,144	6,981,153,925	15.90%
Operating profit	2,405,752,401	1,829,861,942	31.47%

Total profit	2,406,464,972	1,833,668,498	31.24%
Net profit attributable to the listed company's shareholders	1,468,587,411	1,050,179,281	39.84%
Net profit attributable to the listed company's shareholders after deducting non-recurring gains and losses	1,468,615,071	1,051,236,135	39.70%
Basic earnings per share	0.86	0.61	40.98%
Diluted earnings per share	0.86	0.61	40.98%
Return on equity (weighted)	7.77%	6.25%	Up by 1.52
Weighted average of ROE after deducting non-recurring gains and losses	7.77%	6.25%	Up by 1.52
Net cash flow arising from operating activities	-3,024,942,771	-1,998,549,301	-51.36%
Net cash flow per share arising from operating activities	-1.76	-1.16	-51.72%

Non-recurring gain and loss items:

Non-recurring gain and loss items	Amount
Gains/losses from the disposal of non-current assets	-411,644
Government subsidies	1,619,000
Other non-operating income/expenditure	-494,786
Impact on income tax	-214,539
Influences on minority shareholders' gain and loss	-525,691
Total	-27,660

Differences between accounting standards at home and abroad (Unit: RMB)

	Net profit attributable to the shareholders of the listed company		Net assets attributable to the shareholders of the listed company	
	Report period	Corresponding period	Report period	End of last year
By International Accounting standards	1,468,587,411	1,050,179,281	20,808,619,361	19,547,261,065
By domestic Accounting standards	1,468,587,411	1,050,179,281	19,468,790,132	18,207,431,836
Difference between domestic and international standards			1,339,829,229	1,339,829,229
Of which: Adjustment of goodwill			1,339,829,229	1,339,829,229
Notes	<p>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 into capital reserves, whereas the goodwill generated by consolidation shall be recorded individually as assets according to the IAS.</p>			

### Chapter 3. Changes in Share Capital and Share-holding Status

#### (I) Chart of share change

	Before the change		Increase/decrease this time (+,-)				After the change	
	Amount	Proportion	bonus	Share transfer of accumulation fund	others	subtotal	Amount	Proportion
I. Shares with conditional trading	891,594,208	51.92%			90,349	90,349	891,684,557	51.92%
1. State-owned share-holding								
2. State-owned legal person's share-holding	693,419,317	40.38%					693,419,317	40.38%
3. Other domestic shares								
Including: Domestic nonstate-owned legal person's share-holding								
Domestic natural person's share-holding								
4. Foreign share-holding	197,709,440	11.51%					197,709,440	11.51%
Including: Foreign legal person's share-holding	197,709,440	11.51%					197,709,440	11.51%
Foreign natural person's share-holding								
5. Senior executives' share-holding	465,451	0.03%			90,349	90,349	555,800	0.03%
II. Shares with unconditional trading	825,706,295	48.08%			-90,349	-90,349	825,615,946	48.08%
1. RMB common shares	684,265,720	39.84%			-58,474	-58,474	684,207,246	39.84%
2. Domestically listed foreign shares	141,440,575	8.24%			-31,875	-31,875	141,408,700	8.24%
3. Overseas listed foreign shares								
4. Others								
III. Total shares	1,717,300,503	100%					1,717,300,503	100%

Note: Shares held by senior executives with conditional trading increased by 90,349 shares and it was derived by the company senior executives purchasing company stocks from secondary market within the report period.

II Status of shares held by the top ten shareholders (Unit: Share)

Total number of shareholders	74,854 shareholders (62,939 are A shareholders, 11,915 are B shareholders)					
Shareholding situation of top 10 shareholders						
Name of the shareholder	Category of the shareholders	Proportion of shareholding	Quantity of shares held	Quantity of shares with sales restriction condition held	Shares pledged or frozen	
China Merchants Shekou Industrial Zone Co., Ltd.	State-owned legal person	40.38%	693,419,317	693,419,317	None	
Full Space Investment Ltd.	Foreign legal person	5.48%	94,144,050	94,144,050	None	
China Merchants Securities Hong Kong Ltd.	Foreign legal person	2.91%	50,018,471	49,242,245	None	
China Merchants Zhangzhou Development Zone Co., Ltd	State-owned legal person	2.21%	37,878,788		None	
Penghua Value Advantage Stock-linked Security Investment Fund	Domestic non-state-owned legal person	1.63%	28,000,000		Unknown	
FOXTROT INTERNATIONAL LIMITED	Foreign legal person	1.61%	27,720,000	27,720,000	None	
ORIENTURE INVESTMENT LTD	Foreign legal person	1.55%	26,603,145	26,603,145	None	
National Social Insurance Fund 102 Combination	Domestic non-state-owned legal person	1.36%	23,436,423		Unknown	
CNCA A/C COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD	Foreign legal person	1.19%	20,446,608		Unknown	
China International Advantaged Security Investment Fund	Domestic non-state-owned legal person	1.11%	19,122,596		Unknown	
Top 10 holders of unconditional shares						
Name of the shareholder			Amount of unconditional shares held	Type of shares		
China Merchants Zhangzhou Development Zone Co., Ltd.			37,878,788	A shares		
Penghua Value Advantage Stock-linked Security Investment Fund			28,000,000	A shares		
National Social Insurance Fund 102 Combination			23,436,423	A shares		
CNCA A/C COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD			20,446,608	B shares		
China International Advantaged Security Investment Fund			19,122,596	A shares		
Nuo'an Value Increase Stock Security Investment Fund			18,635,299	A shares		
Full Goal Selected Mixed Open-ended Security Investment Fund			17,099,671	A shares		
Penghua Power Increase Mixed Security Investment Fund			15,549,801	A shares		
China International Internal Demand Stock-Linked Security Investment Fund			15,086,161	A shares		
China Life Insurance Company Co., Ltd.-traditional-ordinary insurance products -005L-CT001 Shen			14,159,919	A shares		
Explanation on associated relationship or unanimous action among the above shareholders	<p>1. Among the shares held by China Merchants Securities Hong Kong Ltd., 49,242,245 shares were purchased-in entrusted by Top Chief Co., Ltd.</p> <p>2. Top Chief Co., Ltd., Full Space Investment Ltd., FOXTROT INTERNATIONAL LIMITED and ORIENTURE INVESTMENT LTD are wholly-owned subsidiaries of China Merchants Shekou</p>					

	<p>Industrial Zone Co., Ltd. China Merchants Zhangzhou Development Zone Co., Ltd is wholly-owned subsidiaries of China Merchants Group.</p> <p>3. Penghua Value Advantaged Stock-linked Security Investment Fund and Penghua Power Mixed Growth Security Investment Fund belong to the same fund management company.</p> <p>4. China International Advantaged Security Investment Fund and China International Domestic Demand Drive Stock-Linked Security Investment Fund belong to the same fund management company.</p>
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### III Amount of shares held by shareholders with sales restrictions and reasons of such restrictions

Name of the shareholder	Amount of shares with sales restriction at the beginning period	Sales restriction on released in this period	Sales restriction increased in this period	Amount of shares with sales restriction at the period end	Sales restriction reason	Date of sales restriction released
China Merchants Shekou Industrial Zone Co., Ltd.	693,419,317			693,419,317	Sales Restriction Release Order not yet been placed	Promised sales restriction release date is September 24, 2010, but sales restriction release applications has not been filed
Full Space Investment Ltd.	94,144,050			94,144,050		
China Merchants Securities Hong Kong Ltd.	49,242,245			49,242,245		
FOXTROT INTERNATIONAL LIMITED	27,720,000			27,720,000		
ORIENTURE INVESTMENT LIMITED	26,603,145			26,603,145		
Lin Shaobin	106,627		7,500	114,127	Senior executives share-holding	Determined according to the related provisions on Senior executives share-holding
He Jianya	72,876		6,525	79,401	Senior executives share-holding	
Yang Zhiguang	57,971		5,250	63,221	Senior executives share-holding	
Huang Peikun	83,025		24,375	107,400	Senior executives share-holding	
Yang Baiqian	67,425		22,475	89,900	Leaving director share-holding	
Wang Li	22,640		6,300	28,940	Senior executives share-holding	
Zhu Wenkai			7,500	7,500	Senior executives share-holding	
Meng Cai	33,512		1,274	34,786	Senior executives share-holding	
Zhang Lin			1,650	1,650	Senior executives share-holding	

Wang Zhengde			7,500	7,500	Senior executives share-holding	
Liu Ning		10,125		10,125	Directors secretary share-holding	
Liu Ye		11,250		11,250	Supervisor share-holding	
Total	891,594,208		90,349	891,684,557		

① Shares with sales restrictions include: 693,419,317 A shares directly held and 197,709,440 B shares indirectly held by Shekou Industrial Zone, 330,650 A shares and 225,150 B shares held by senior executives.

② In 2007, because of increasing holding non public share offer of the Company, Shekou Industrial Zone promised not to sell shares of the Company held (including both directly and indirectly) by it before September 24th, 2010. Up till the date of this report, the Company has not received the notice of Shekou Industrial Zone requiring releasing sales restrictions.

#### Chapter 4. Info about Directors, Supervisors and Senior Executives

I Change in the Company's shares held by its directors, supervisors and senior executives during the report period

Unit: share

Name	Post	Share category	Shares held at the period beginning (share)	Shares increased holding in this period (share)	Shares held at the period end (share)	Reason for change
Lin Shaobin	Chairman	A share	41,670	10,000	51,670	Secondary market increased holding
		B share	100,500		100,500	
He Jianya	Managing director	A share	97,170	8,700	105,870	Secondary market increased holding
Yang Zhiguang	Vice General Manager	A share	44,295	7,000	51,295	Secondary market increased holding
		B share	33,000		33,000	
Huang Peikun	Managing CFO	B share	130,700	12,500	143,200	Secondary market increased holding
Wang Li	Vice General Manager	A share	30,187	8,400	38,587	Secondary market increased holding
Zhu Wenkai	Vice General Manager	A share		10,000	10,000	Secondary market increased holding
Meng Cai	Vice General Manager	A share	44,682	1,700	46,382	Secondary market increased holding
Zhang Lin	Vice General Manager	A share		2,200	2,200	Secondary market increased holding



Wang Zhengde	Chief economist	B share		10,000	10,000	Secondary market increased holding
Liu Ning	Secretary of the Board of Directors	B share	13,500		13,500	
Liu Ye	Employee supervisor	A share	15,000		15,000	
Total			550,704	70,500	621,204	

## II New appointment or dismissal of directors, supervisors and senior executives in the report period

According to the work arrangement of China Merchants Group, Sun Chengming resigned from Chairman of the Company, and Lin Shaobin resigned from the General Manager of the Company. On February 15th, 2011, the Company held the 19<sup>th</sup> conference of the sixth board of directors, electing Lin Shaobin as Chairman of the Company, and electing Yang Tianping as Vice Chairman of the Company. The Board of Directors employed He Jianya as General Manager of the Company.

According to the work arrangement of China Merchants Group, Yang Baiqian, Hua Li and Chen Gang resigned their posts as Director of the 6<sup>th</sup> Board of Directors, Fu Gangfeng, Ding Yong resigned their posts as Supervisor of the 6<sup>th</sup> Board of Supervisors. On April 12, 2011, after approval of 2010 annual shareholders' meeting of the Company, the Company employed Fu Gangfeng, He Jianya, Wang Hong and Hu Yong as Director of the 6<sup>th</sup> Board of Directors, and employed Liu Zhimin and Hua Li as Supervisor of the 6<sup>th</sup> Board of Supervisors. On the same day, the 12<sup>th</sup> conference of the 6<sup>th</sup> Board of Supervisors of the Company elected Wu Zhenqin as Chairman of the Board of Supervisors of the Company.

## Chapter 5 Report of the Board of Directors

### I Managerial discussion and analysis

#### 1. Analysis on the market situation

Half a year has passed in 2011, government housing control has been upgraded continuously, and policy additive effect has gradually appeared. Looking from investment, investment on development of real estate in China from January to June reaches to RMB 2630 billion Yuan, increasing 32.9% compared to the same period of the previous year; newly constructed area amounts to 0.994 billion square meters, increasing 23.6% over the same period of the previous year; the increase speed still keeps high level, but diminishes greatly over the same period of the previous year. Price of commercial housing is stable, and increase speed has slowed down. Looking from cities, housing price in first-tier cities has somewhat loosened and housing price in second-tier and third-tier cities present both rise and drop. Supply volume and trading volume of the land market withered gradually, and current average rate and premium rate level decrease.

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Under the current circumstances, real estate enterprises are facing big pressure, financing environment is increasingly intense, and many enterprises slow down their steps of expansion. Over stock of inventory, tight cash flow, rise of debt ratio become the common phenomena for real estate enterprises. At the same time, some active changes appear in the market. The government vigorously promotes construction of guarantee housing, accelerates implementation of policies such as adjustment of residence supply structure, purchase limitation and loan limitation etc., restraining irrational investment demand; real estate enterprises actively seek changes, innovate business mode, and seek the mode of changing traditional increase. This may become the catalyst promoting healthy growth of the Chinese real estate industry. The Company believes that adjustment is a compulsory stage of market development, and only enterprises that have experienced sharp grinding can be more mature.

## **2. Company operation and management condition**

It is the opening year for the new ten-year journey of China Merchants Group, under the guidance of the Group vigorously developing property business objective, China Merchants Property silently has changes under the drive of internal and external force of seeking breakthrough for itself and high expectation of the market.

Accelerate project development progress and enhancing turnover rate is one of the core management objectives of the Company. In the first half year, the Company adopted a series of pointed strategies and measures for this: improve project development template according to industry advanced standard and implement comprehensively; clarify rights and responsibilities of city companies, release authority to city companies, strengthen utilization of standardized products in project development, greatly compress project early stage positioning design period, intensify strategic cooperation and group procurement, adjust assessment and distribution mechanism, conduct assessment with project operation efficiency as the key index and closely link with reward and punishment distribution. Along with implementation of these measures, in the first half year, lagging behind of project progress in the first half year was reduced greatly, and enhancement of development progress of projects under construction and newly constructed projects was obvious.

Exploring new business mode and vigorously promoting resource integration is another vital aspect for the Company to seek changes. During the report period, the Company split the investment property division in Shenzhen China Merchants Real Estate Co., Ltd. and established Shenzhen China Merchants Commercial Property Investment Co., Ltd., stepping key step for integrating commercial property resources under the flag, opening up nation-wide commercial property business and promoting rapid development of the Company.

Under the background of continuous macro control and tightening borrowing environment, cash flow becomes an important standard for measuring the development strength of real estate enterprises. During the report period, the Company complied with the market changes, intensified research on financing channels and financial innovation products, strengthened good business relationship with financial institution cooperative partners, and actively explore

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and tried diversified financial innovation mode; under the support of the big shareholder, it raised fund through multiple channels, reasonably planned currency type period structure of interest-bearing debt, controlled debt comprehensive cost, and guaranteed capital demand for Company operation and development.

The Company paid close attention to market changes, utilized price strategy and sales promotion strategy flexibly, and adjusted sales promotion extent according to the market conditions at all time. During the report period, the Company had 24 buildings on sale in 12 cities in China, realized subscription area of 607,300 square meters and subscription amount of RMB 12.047 billion. After CM Guanyuan, Shenzhen King's Ville and Beijing 1872 project etc. were put into the market in June, they were pursued by the market, but due to slowing down of agreement signing speed, in the first half year, the Company realized sales area of 415,800 square meters and agreement signing sales amount of RMB 6.835 billion, increasing 45% and 62% respectively compared to the same period of the previous year.

The Company continued to insist on active and stable expansion strategy. In the first half year, the Company got five projects in Foshan, Wuhan and Zhenjiang etc., expanding project resource 1.03 million square meters, among which area of entitlement was 840,000 square meters. While sharing opportunities brought by market growth in first-line and second-line cities, the Company intensified expansion to third-line and fourth-line cities. Now it has entered 17 cities, and the total project resource is kept over 10 million square meters. Along with the enhancement of overall development ability, during the Company report period, there were 25 newly constructed projects, 2.07 million square meters of newly constructed area, at the end of the report period, there were 38 projects under construction and 4.51 million square meters of area under construction.

### **3. Forecast on the operation environment in the second half year by the Company an operation thinking of the Company.**

Real estate control has become a normal state, and control will inevitably be intensified. Along with large increase of market supply volume in the second half year, market competition will be very fierce. The Company will sell rapidly and realize capital withdrawal rapidly through working hard on sales of end buildings and winding up buildings, sales of projects on sale, building opening of new projects, agreement signing rate and received payments etc.

In terms of new project development, besides deeply ploughing the cities that it has entered, the Company will intensify tracking on new projects in second-line and third-line cities, try to grasp the opportunity brought by promoting urbanization construction and constructing high-speed railway network in the 12th "five-year plan" of the state, bring the advantage of industrial coordinated development of China Merchants Group, and actively participate in the construction of guarantee housing in related cities.

As one of the key companies in the Normative Internal Control Pioneers list recognized Shenzhen Securities Regulatory Bureau, the Company will comprehensively promote and finish establishment of risk prevention and control system, protect rapid development of the Company, continue to enhance the client service ability, deepen "Maple Leaves Act" nationwide, further enhance client satisfaction degree, with green technology research and development center as the

platform, accelerate promotion and application of green technology, finish construction of ERP and knowledge management system, further refinement of CRM system, achieving a new level of informative and efficient management.

## II Main operation in the report period

### 1. Main business

Unit: RMB'0,000

Classified according to industries	Operation income	Operation cost	Gross profit rate	Increase or decrease year-on-year in operation income ( % )	Increase or decrease year-on-year in operation cost ( % )	Increase or decrease year-on-year in gross profit rate ( % )
Development sales for real estate	712,212	353,060	50.43%	16.75%	1.11%	7.67
Rental property operation	29,458	14,820	49.69%	17.11%	11.08%	2.73
Property agency service	4,182	3,483	16.71%	-16.97%	-6.19%	-9.57
Power & water supply for parks and communities	28,341	20,637	27.18%	-11.78%	-12.82%	0.86
Property management	24,983	21,414	14.29%	25.51%	29.41%	-2.58
Engineering construction income	9,490	9,396	1.00%	77.88%	78.12%	-0.22

#### ① Business division of real estate development & sales:

In the reporting period, sales revenue increased 16.5% over the same period of last year, and the total gross profit rate also improved due to newly incurred revenue held relatively high profitability.

#### ② Business division of rental property operation:

In the report period, along with the rise of occupancy rate of properties such as Garden City Digital Building and 2<sup>nd</sup> phase of Technology Building, operation income increase on year-on-year basis. Because growth of operational cost in this period is slightly lower than the growth of operational income, gross profit rate in this period saw minor increase.

#### ③ Business division of power & water supply

Because water supply business was established in June 2010, during the reporting period, only power supply business was accounted. The total power sales decreased slightly comparing to the same period of last year, owing to the negative influence of restructuring of the industrial zone.

#### ④ Property management

In the reporting period, income increased significantly as a result of newly added properties under management, however the raise of labor cost compressed the gross profit margin.

⑤ Engineering construction income

In the report period, engineering construction income increased greatly because started projects of this period increased.

2. Main business classified according to area

Unit: RMB 0,000 Yuan

Area	Operation income	Increase or decrease year-on-year
Area around Pearl River Delta	413,381	3.61%
Area around Yangtze River Delta	90,389	-52.62%
Area around Bohai Sea	221,372	249.77%
Other areas	84,007	86.36%
Total	809,149	15.90%

In the report period, revenue of area around Bohai Sea increased greatly compared to the same period of the previous year due to Beijing Park 1872 etc., while operation income of Yangtze River Delta area decreased greatly for the realized sales revenue is smaller than the same period of the previous year.

3. Settlement for main real estate projects

Project	Area for settlement (square meter)	Amount for settlement (RMB 0,000)
Beijing Park • 1872 Phase 1 and 2	53,965	133,289
Shenzhen Buena Vista Phase 4	14,327	105,393
Zhuhai China Merchants Garden City Phase 1	76,314	81,593
Tianjin Star City	48,135	62,032
Chongqing Jiangwan City	78,145	61,047
Shenzhen Estate at waterside	30,808	39,171
Nanjing Yi Yun Xi Gu	14,325	38,030
Foshan Evian Up City	40,695	36,980
Shenzhen Mount Orchid Riverlet Phase 2	7,191	31,741
Shenzhen Mount Orchid Riverlet Phase 3	5,990	20,825
Zhangzhou China Merchants Garden City	22,040	14,052
Shanghai China Merchants Bay Garden	6,855	15,545
Shenzhen Garden City Phase 5	3,589	10,235

4. Financial condition

Unit: RMB 0,000

Items	June 30, 2011	December 31, 2010	Change scope	Reason for the difference
Tradable financial assets	264	85	211%	Decreased due to NDF contract completion of this period and market price fluctuation
Advance payment	11,621	560	1975%	Advance engineering payment increased
Other current assets	155,409	98,054	58%	Increase of real estate sales income caused increase of pre-paid tax
Short-term loan	243,306	117,213	108%	Expansion of business scale
Transactional financial debt	722	2,082	-65%	Decreased due to NDF contract completion of this period and market price fluctuation
Bills payable	-	27,562	-100%	Bill due decreased
Accrued Employee	10,791	20,723	-48%	Decreased for paying employee salary

salary				payable
Tax payable	89,205	61,479	45%	Increase of real estate sales income caused increase of tax payable
Dividends payable	37,553	12,421	202%	Dividend distribution increased
Non current debt due in one year	245,836	185,642	32%	Long-term loan due in one year increased
	January – June 2011	January – June 2010		
Sales tax and additionals	128,070	86,293	48%	Increase of real estate sales income caused increase of tax
Sales expense	15,995	11,215	43%	Business scale expanded
Management expense	14,309	10,118	41%	Business scale expanded
Financial expense	-7,228	305	-2470%	Exchange rate gain increased
Fair value flexible loss and profit	1,588	2,992	-47%	Decreased due to NDF market price fluctuation
Investment gain	5,126	2,545	101%	Investment income of associated company increased
Income tax expense	58,673	43,474	35%	Profit total amount increased

### III. Investment

(I) Progress and income of the project invested with raised funds

In the report period, Company is using the funds raised through the 2007 non-public share offering and the 2008 public share offering. 99.6% of the non-public share offering are current in use. And 96.7% of public share offering is also in use.

1. Progress of the project invested with funds raised through the 2007 non-public share offering, and application of the proceeds:

Unit: RMB'0,000

Total proceeds raised	229,217		Total raised proceeds used in this period		1,919	
			Total raised proceeds accumulatively used		228,331	
Commitment	Amount planned to input	Whether change projects	Amount actually input	Total profit accumulatively realized	Whether comply to planned progress	Whether comply to planned income
Purchase 5% equities of Shenzhen China Merchants Property Co., Ltd.	40,000	No	40,000	22,270	Yes	Yes
Purchase office building of New Times Square	88,000	No	88,000	8,852	Yes	Note 1
Purchase land use right of Meilun Apartment and develop for construction	25,000	No	24,114	-705	Note 2	Note 2
Haiyue Huating	33,000	No	33,000	18,332	Yes	Yes
Nanjing Xianlin (Evia Valley)	43,217	No	43,217	21,685	Yes	Yes
Total	229,217		228,331	70,434		
Notes on actual progress and projected income	Note 1: Income of RMB 12.79 million was realized by office building of New Times Square in this period. Because the actual depreciation life of the Company is shorter than the depreciation life used in the original listed company statement, annual depreciation amount of the building is RMB 7.82					

	<p>million Yuan higher than the annual depreciation amount related to the calculated profit in the original listed company statement. Tax rate used when calculating profit in the listed company statement is 15%, income tax rate applicable to the Company in 2011 already increased to 24%, if calculating according to depreciation and tax rate caliber in the listed company statement, in the first half of 2011, profit of New Times Square was RMB 17.63 million, reaching the expected profit level.</p> <p>Note 2: Up till the end of the report period, Meilun Apartment had been completed and put into use, because part of the engineering fund was not paid, raised proceeds was not used up. However, because Meilun Apartment is in the early stage of business at present, occupancy rate is low, fixed expenses are large, so it is not profiting yet.</p>
Reasons on procedure of change	Not change
Allocation of unused funds	The allocation of unused funds will stick to the original planning.

2. Progress of the project invested with funds raised through the 2008 public share offering, and application of the proceeds: (unit: RMB 0,000 Yuan)

Total proceeds raised	577,722		Total raised proceeds used in this period		19,293	
			Total raised proceeds accumulatively used		558,896	
Commitment	Whether change projects	Amount planned to input	Amount actually input	Total profit accumulatively realized	Whether comply to planned progress	Whether comply to planned income
Garden City Syber Port	No	22,722	22,722	1,397	Yes	Note 2
Garden City Phase 5	No	22,000	22,000	20,687	Yes	Yes
Technology Building Phase 2	No	16,000	16,000	-95	Yes	Note 3
China Merchants Square	No	44,000	44,000	-	Yes	Note 1
Woods Apartment	No	34,000	34,000	-	Yes	Note 1
Kings Ville	No	130,000	115,936	-	Note 10	Note 1
CM Guanyuan	No	40,000	40,000	-	Yes	Note 1
CM Lanyuan	No	70,000	70,000	30,196	Yes	Note 4
Tianjin Star City	No	60,000	60,000	26,702	Yes	Note 5
CM Jiangwan City	No	40,000	40,000	23,993	Yes	Note 6
Evian Town phase 3	No	26,000	21,238	7,610	Note 10	Note 7
CM Nanqiao Yayuan	No	35,000	35,000	18,409	Yes	Note 8
CM Yong Hua Yuan	No	38,000	38,000	4,139	Yes	Note 9
Total		577,722	558,896	133,038		
Notes on actual progress and projected income	<p>Note 1: The project didn't realize profit.</p> <p>Note 2: The project was on rental in November 2009, it was making profit in 2010, and it is estimated that the internal yield can reach the expected profit.</p> <p>Note 3: It was completed and put into use in March 2010, it began to profit in 2011, and it is estimated that internal yield can reach the expected rate.</p> <p>Note 4: CM Lanyuan accumulatively carried over 99% by the end of the report period, and made a net profit of RMB301.96 million Yuan, slightly lower than the expected profit. If influence of income tax rate difference is eliminated, it can reach the expected profit.</p> <p>Note 5: Tianjin Star City accumulatively carried over 29% by the end of the report period, realizing net profit of RMB 267.02 million Yuan, and it is estimated that expected profit can be reached when it carries over all.</p> <p>Note 6: CM Jiangwan City accumulatively carried over 37% by the end of the report period, realizing net profit of RMB 239.93 million Yuan, and it is estimated that expected profit could be reached when it carries over all.</p> <p>Note 7: accumulative carried over sales area proportion of Evian Town Phase 3 is 100% by the end of the report period, realizing net profit of RMB 76.1 million Yuan. Evian Town phase 3 was opened for sale in August 2008, because 2008 annual economic situation is contrary to expected, actual profit of the project did</p>					

	not reach the expected. Note 8: CM Nanqiao Yayuan accumulatively carried over 100% by the end of the report period, realizing net profit of RMB 184.09 million Yuan, basically reaching the expected profit. Note 9: CM Yonghuayuan accumulatively carried over 41% by the end of the report period, realizing net profit of RMB 41.39 million Yuan, and it is estimated that expected benefit can be reached when it carries over all. Note 10: Because up-to-position time of the raised proceeds is later than expected, use progress of the raised proceeds of such projects is later than expected.
Reasons on procedure of change	No Change
Allocation of unused funds	The allocation of unused funds will stick to the original planning.

(II) Actual progress and benefit of the significant projects invested with non-raised proceeds (unit: RMB 0,000 Yuan)

Project	Investment amount in this period	Investment amount increased compared to the previous year	Progress	Benefit received in this period
Zhenjiang Dadong Project	305,854	-	Construction started	
Nanjing G54 Project	187,000	-	Construction started	
Wuhan P022 Project	41,535	-	Construction started	
Beijing Park-1872	29,622	42%	Completed and in partnership	Realized gross profit of RMB 435.54 million
Shenzhen Xicheng phase 4 to 5	24,130	13%	Phase 4 completed and in partnership, phase 5 construction started	Realized gross profit of RMB 439.90 million
Shanghai Sheshan Longyuan Project	21,177	11%	Construction started	
Chongqing Tanzishi Project	18,766	8%	Early stage planning	
Shenzhen Chuanqian Square	17,758	-	Construction started	
Guangzhou Jinshan Valley	17,326	16%	Phase 2 and 3 completed and in partnership, phase 4 foundation in construction	Realized gross profit of RMB 2.22 million
Shenzhen CM Guoling Garden	15,574	31%	Main body in construction	
Shenzhen Yong Jing Wan	15,015	14%	Structure roof sealed	
Foshan Evian Up City	11,631	6%	Part completed and in partnership	Realized gross profit of RMB 7.81 million
Nanjing G67 Project	11,517	8%	Main body in construction	
Beijing Xicheng Homestead and Longyuan Project	10,933	7%	Phase 1 completed and in partnership, phase 2 in main body construction	Realized gross profit of RMB 11.92 million
Suzhou Xiaoshi City	10,143	8%	Phase 1, 2 and 3 completed and in partnership, phase 4 in main body construction	Realized gross profit of RMB 26,12 million
Zhuhai CM Garden City phase 1	9,339	17%	Completed and in partnership	Realized gross profit of RMB 292.02 million
Zhuhai CM Garden City phase 2 to 3	9,322	15%	Main body in construction	
Shenzhen Lanxi Valley phase 3	8,463	41%	Completed and in partnership	Realized gross profit of RMB 71.30 million
Tianjin Yong Hua Fu Project	7,840	10%	Main body in construction	
Foshan Evian Tianhui	7,293	6%	Foundation in construction	
Shenzhen Jingshan phase 9	6,341	752%	Foundation in construction	
Shanghai CM Bay Garden	6,099	8%	Main body in construction	
Foshan Evian Xicheng	5,799	8%	Main body in construction	
Chongqing CM Garden City	5,449	4%	Foundation in construction	
Chengdu CM Yong Hua Fu (former Chengdu Chenghua District Zhaojue Temple South Road Project)	5,392	3%	Construction started	
Xiamen Jimei P08 Project	5,385	5%	Foundation in construction	
Zhangzhou Cadaques Project	5,345	8%	Foundation in construction	



Shanghai Haide Garden phase 2 and 4	4,765	6%	Construction started	
Beijing Conrad Hotel	4,500	9%	Main body in construction	
Xiamen Jimei P01 project	4,195	4%	Foundation in construction	
Chengdu East City International Business Square	4,076	17%	Foundation in construction	
Shenzhen Seaworld Hotel	3,868	567%	Construction started	
Zhangzhou CM Garden City	2,048	14%	Phase 1 completed and in partnership	Realized gross profit of RMB 40.76 million

### (III) Companies newly invested

1. In January 2011, subsidiary company of the Company China Merchants Property (Nanjing) Co., Ltd. invested to establish Nanjing China Merchants Ruisheng Real Estate Co., Ltd., registered capital of the company was RMB 30 million, the Company indirectly holds 100% shares of it, and includes it in the consolidated financial statement.

2. In February 2011, the Company invested to establish China Merchants Property (Wuhan) Co., Ltd., registered capital of the company was RMB 30 million, the Company holds 100% shares of it, and includes it in the consolidated financial statement.

3. In March 2011, the Company invested to establish China Merchants Property (Zhenjiang) Co., Ltd., registered capital of the company was RMB 50 million, the Company holds 100% shares if it, and includes it in the consolidated financial statement.

4. In May 2011, the Company invested to establish Zhenjiang Yingsheng Real Estate Development Co., Ltd., registered capital of the Company was U.S. dollar 93 million, the Company directly and indirectly holds 100% shares of it, and includes it in the consolidated financial statement.

5. In June 2011, the Company invested to establish Shenzhen China Merchants Commercial Property Investment Co., Ltd., registered capital of the Company was RMB 200 million, the Company held 100% shares of it, and includes it in the consolidated financial statement.

## IV. Modification plan for the operation plan for the later half year

N/A

### Chapter 6 Significant Events

#### I. Corporate governance condition

During the report period, the company insisted on complying with the requirements of securities laws and regulations such as *Company Law*, *Securities Law* and *Code of Corporate Governance for Listed Companies*, continuously perfected the Company legal person governance structure, standardized Company operation, optimize internal control system, so as to continuously enhance the Company governance level and strengthen scientificity of decision-making.

The Company has always been focusing on the perfection and standardization of internal control. The Company deeply knows that perfecting internal control system is the important guarantee for the enterprise to tamping development foundation; enhance ability and level of preventing and resisting risks. When Enterprise Internal Control Basic Criterion released by five ministries and commissions such as the Ministry of Finance etc. began to be

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implemented, the Company arranged relative work, with the help of Company processes reconstruction, according to the requirements of *Enterprise Internal Control Basic Criterion*, the Company conducted comprehensive combing to the internal control system and all rules and regulations, revised, supplemented and perfected the internal control system in time.

During the report period, the Company was nominated as one of the 26 key listed companies that are pioneers of internal control implementation criterion in Shenzhen. According to the requirements of Enterprise Internal Control Basic Criterion and Enterprise Internal Control Matching Guidance issued by the five ministries and commissions such as the Ministry of Finance etc. and Notice about Getting to one Work about Pilot of Internal Control Criterion for Listed Companies in Shenzhen, in order to guarantee smoothly developing work related to internal control, the Company attached great importance, established internal control criterion work group in March 2011, and Chairman and General manager served as the leader and vice leader of the work group. As the leading department of internal control criterion, the Law Department coordinated with Company Enterprise Management Department, Finance Department, Human Resources Department, Office, Information Technology Department, Chairman's Secretary Office, and Auditing Department to develop organization internal control construction work. At the same time, the Company invited specialized consultation institution with rich experiences to assist the Company combing, constructing and perfecting internal control overall structure, help the Company identify weak links and main risks existing in internal control, design key processes and content of design control pointedly and assist the Company developing internal control and self-evaluation work.

## **II. Execution of profit distribution plan for year 2010**

The proposal of profit distribution in 2010 was approved at the Annual General Meeting 2010 held on April 12, 2011.

According to 10% of the net profit of the parent company RMB 1,136,695,740, statutory surplus capital reserve RMB 113,669,574 was withdrew;

Taking the total capital shares 1,717,300,503 shares as of year-end as the radix, cash RMB 1.2 (tax included) would be sent for each 10 shares, that was to say, RMB 206,076,060 cash dividend would be sent.

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

The Company did not conduct converting capital reserve into share capital this year.

The Company issued the *Announcement on Dividend Distribution and Implementation of Converting Capital Reserve into Share Capital of 2010* on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, *Hong Kong Wen Wei Po* and <http://www.cninfo.com.cn> on July 6, 2010. A share equity registration day would be June 2, 2011, and the ex-interest day would be June 3, 2011 (Final transaction day of B shares would be June 2, 2011, ex-interest day would be June 3, 2011, and B share equity registration day would be June 8, 2011). Up till the disclosure date of this report, carry out of the above-mentioned dividend and interest distribution scheme has been completed.

### III. Profit distribution plan of semi-annual 2011

Neither profit distribution nor converting capital reserve into share capital will be implemented for semi-annual 2011.

### IV. Material Lawsuits and Arbitration

The Company has not involved in any material lawsuit or arbitration in the report period.

### V. Status of shareholding in other listed companies

N/A

### VI. Material purchase, sale or asset restructuring

In the report period, the Company did not have material purchase, sale or asset restructuring.

### VII. Major related transactions

#### 1. Related transactions concerning daily operation

(1) Shenzhen China Merchants Power Supply Co., Ltd. supplies power to its controlling shareholder Shekou Industrial Zone and its subsidiaries. Utility bills Calculated and charged according to the regulations of Bureau of Commodity Price. As part of the power bills of related transaction were calculated and billed by other property management companies, the related power transaction is untraceable.

#### (2) Related transactions concerning land use

The facilities, equipments, and office locations of supplying electricity and water business of the Company were located in Shekou. Most of the leasing properties in real estate business were built in Shekou. Therefore, the Company and the subsidiaries engaging in aforementioned business have rented land of Shekou Industrial Zone since they were founded. In the report period, land using expenses of the Company and controlling subsidiaries paid to Shekou Industrial Zone totaled to RMB 11.68 million.

#### (3) Guarantee and assurance

A. Up till June 30, 2011, condition of associated party providing bank loan guarantee for the Company and its subsidiaries is as follows:

Name of the associated party	Guaranteed party	Guarantee amount	
Shekou Industrial Zone	The Company	RMB	940,000,000
Shekou Industrial Zone	Shenzhen China Merchants Property	RMB	78,000,000
China Merchants Group	The Company	RMB	2,000,000,000
Dafeng Co., Ltd.	Hong Kong Eureka	USD	50,000,000
China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Eureka	USD	297,000,000

B. The wholly owned subsidiary company of Shekou Industrial Zone – Top Chief Ltd. provided liquidation guarantee for long-term foreign exchange business engaged in ING Bank N.V., Hong Kong Branch of the Company's

subsidiary-Hong Kong Eureka.

(4) Rental income

<u>term</u>	<u>Accumulated in the same period of the previous year</u>		<u>Accumulated in this</u>
RMB Yuan	RMB Yuan		RMB Yuan
China Merchants Shekou Industrial Zone Co., Ltd.	5,317,001		5,946,918
China Merchants International (China) Investment Co., Ltd.	2,263,627		2,266,634
China Merchants International Information Technology Co., Ltd.	589,056		
	-		
Shenzhen Beike Venture Co., Ltd.	333,330		335,000
China Merchants Group Shenzhen Major Projects Coordination Office	250,542		-
Shenzhen China Merchants International Ship Agency Co., Ltd.	218,963		-
Shenzhen China Merchants Landmark Co., Ltd.	-		-
1,076,120			
China Merchants Logistics Holding Co., Ltd.	-		763,896
Total	8,972,519		
10,388,568			
Proportion accounting for in the rental income of the report period	3.05%	4.13%	

The above mentioned rental income is the building rental fee that subsidiary company of the Company, Shenzhen China Merchants Commercial Property Investment Co., Ltd. collected from the related parties such as Shekou Industrial Zone etc., and the transaction is conducted according to the agreement price.

2. Other related transactions

Up till June 30, 2011, subsidiary of the Company China Merchants Construction altogether undertook general contracting engineering of Front Bay Garden phase 1 to 4 invested by Shenzhen China Merchants Front Bay Property Co., Ltd. (hereinafter referred to as "China Merchants Front Bay Property") indirectly controlled by Shekou Industrial Zone. Phase 1 and 2 engineering contract prices are estimated to be RMB 140.62 million and RMB 117.81 million, and now the two projects have been completed and accepted and are entering completion settlement stage. Phase 3 and 4 engineering contract prices are estimated to be RMB 69.83 million and RMB 65.35 million. So far progress of the two projects is normal, and under estimation civil engineering operation can be finished by the end of this year. China Merchants Construction can get general contracting management fee of 1% of the total contracting price. China Merchants Construction undertaking Front Bay Garden engineering of China Merchants Front Bay Property can accumulate housing construction achievement; create conditions for the Company promoting qualification as soon as possible, thus better meeting development demand of the Company, meeting the overall interest of the Company.

3. Credit, debts between the Company and associated parties at the report period-end

Item name	Associated party	June 30, 2011	December 31, 2010
Other receivable account	Foshan China Merchants Longyuan Real Estate Co., Ltd.	672,924,122	-
Other receivable account	Shenzhen TCL Optical-Electronics Technologies Ltd.	227,159,525	291,155,457
Other receivable account	China Merchants Guangming Science Park Co., Ltd.	-	13,960,000

Long-term account receivable	Huizhou Taitong Property Investment Co., Ltd.	141,577,000	134,579,000
Account payable	China Merchants Shekou Industrial Zone Co., Ltd.	111,751,800	-
Other account payable	China Merchants Zhangzhou Development Zone Co., Ltd.	393,929,535	393,929,535
Other account payable	Shenzhen Nanshan Real Estate Development Co., Ltd.	259,201,912	344,987,895
Other account payable	Shenzhen Shekou Dazhong Investment Co., Ltd.	138,235,302	138,235,302
Other account payable	China Merchants Guangming Science Park Co., Ltd.	74,095,728	1,055,028
Other account payable	CM Financing	71,770,000	53,440,000
Other account payable	Shenzhen CM Landmark Co., Ltd.	693,279	1,838,494
Other account payable	China Merchants Hanghua Technologies and Trade Center Co., Ltd.	528,151	528,151
Other account payable	Tianjin Xinhai Real Estate Development Co., Ltd.	-	133,081,399
Other account payable	Shenzhen CM Landmark Co., Ltd.	1,200,000	1,200,000
Dividend payable	Shenzhen Nanshan Real Estate Development Co., Ltd.	39,604,987	39,604,987

The aforementioned issues had no major influences on the Company.

### VIII. Significant contracts and execution

1. In the report period, there were no other significant trusts, contracts or lease events.

2. Execution of significant contracts in the report period:

In the report period, the Company signed bank loan contracts with Bank of China, Agricultural Bank of China and China Merchants Bank etc. in succession, up till the end of the report period, the sum of loans contracted equals to RMB 20.168 billion Yuan

3. Capital occupation by associated parties and guarantee issues

#### (1) Capital occupation by associated parties

According to the requirements of regulations on Capital Flow between the Listed Companies and Associated parties as well as on External Guarantee of Listed Companies ruled by CSRC, the Company made internal inspection on the current fund with the associated parties and external guarantee and report to Shenzhen Securities Regulatory Bureau. Relevant details were as follows:

Name of the parties	Relationship with the Company	Accounting items calculated by listed company	Amount at period begin	Amount in this period	Amount in period end	Reason	Nature
Foshan China Merchants Longyuan Real Estate Co., Ltd.	Associated company	Other account receivable	-	672,924,122	672,924,122	Current fund	Non-operational occupancy
Shenzhen TCL Optical-Electronics Technologies Ltd.	Associated company	Other account receivable	291,155,457	63,995,932	227,159,525	Current fund	Non-operational occupancy
Huizhou Taitong Property Investment Co., Ltd.	Joint venture	Long-term account receivable	134,579,000	6,998,000	141,577,000	Current fund	Non-operational occupancy

#### (2) Guarantee issues

Up till June 30, 2011, external guarantee sum of the Company and its holding subsidiary companies (excluding sales mortgage guarantee provided by the subsidiary company to the client) was RMB 1840.65 million, accounting for 10.11% of the parent company shareholders' net assets after the latest audit report, and the guarantee issue is the guarantee provided by the Company for bank loan of the subsidiary company. There was no overdue guarantee amount, litigated guarantee amount or any loss that should be accounted for the guarantee due to lawsuit.

Up till June 30, 2011, the Company continued to provide interim guarantee for purchasers of commercial properties within the period from the date the bank offering the loan to the date the bank finalizing the *Property Ownership Certificate*. If the purchaser doesn't fulfill the responsibility to the debtor in the aforesaid period, the Company is entitled to take back the sold properties, so the guarantee would not cause actual loss of the Company. At the end of the period, the Company provided a total guarantee amount of RMB 74.89 millions.

In the report period, besides the above-mentioned guarantee issues, the Company and the Company held subsidiaries do not have other external guarantee and has not provided guarantee for the shareholder, actual controller and its associated parties.

4. Special statements and independent opinions of the independent directors regarding capital occupation by the associated parties and providing of external guarantees.

Independent Directors of the Company – Meng Yan, Chen Yanping, Gong Xinglong and Chai Qing checked the conditions of capital occupation by controlling shareholders and associated parties and providing of external guarantees, comment that:

The Company that provides development fund for joint venture as shares holding proportion and provide loan guarantees for subsidiaries as shares holding proportion meets the demands of normal operation and rational use of fund. Decision-making procedures are in accordance with laws and regulations without jeopardizing shareholders' interests.

5. In the report period, there was none occurrence of the Company entrusting other parties to conduct cash assets management.

**IX. Inspections, visits and interviews received and communication functions held during the report period are as follows:**

During the reporting period, the Company treats every individual investor with fairness, equitableness and good will throughout all receptions on inspections, visits and interviews, maintaining a consistent fine relationship with our investors. We strictly followed the Directory to Fair Disclosure of Public Listed Companies and Guidelines to Reception and PR Rules, and had suspended any forms of reception one month before semi-annual report disclosure. Inspections, visits and interviews received during the reporting period are as follows:

Reception date	Reception place	Reception way	Object received	Content discussed and information provided
January 6, 2011	Hong Kong	Strategic seminar	ICBC Credit Suisse	
January 7, 2011	Hong Kong	Strategic seminar	JEFFERIES	
January 10, 2011	Shekou,	Field	Client of CITIC securities	

	Shenzhen	investigation		① Introducing operation of the Company ② Discussing the industry development; ③ Providing the information announced and brochure for projects of the Company. ④ Visiting the Company on-sale buildings, and providing building sales brochure.
January 11, 2011	Shekou, Shenzhen	Telephone inquiry	Investor	
January 13, 2011	Shekou, Shenzhen	Telephone inquiry	Investor	
January 18, 2011	Shanghai	Field inspection	UBS	
January 26, 2011	Shekou, Shenzhen	Field inspection	JEFFERIES	
February 16, 2011	Shekou, Shenzhen	Field inspection	United securities	
February 16, 2011	Shekou, Shenzhen	Field inspection	Dacheng Fund	
February 17, 2011	Shekou, Shenzhen	Written inquiry	Investor	
February 18, 2011	Shekou, Shenzhen	Field inspection	Client of Deutsche Bank	
February 21, 2011	Shekou, Shenzhen	Field inspection	Client of Haitong Securities	
March 9, 2011	Shekou, Shenzhen	Telephone inquiry	Investor	
March 14, 2011	Shekou, Shenzhen	Telephone inquiry	Investor	
March 21, 2011	Shekou, Shenzhen	Investment discussion forum	40 institutions such as Guotai Junan, CICC and CITIC etc.	
April 6, 2011	Shekou, Shenzhen	Telephone inquiry	Investor	
April 8, 2011	Shekou, Shenzhen	Telephone inquiry	JEFFERIES	
April 12, 2011	Tianjin	Field inspection	Client of Pingan Securities	
April 22, 2011	Shekou, Shenzhen	Telephone inquiry	Investors	
April 25, 2011	Wuhan	Field inspection	Shenyin Wanguo strategy meeting	
April 27, 2011	Shekou, Shenzhen	Telephone inquiry	JEFFERIES	
May 2, 2011	Shekou, Shenzhen	Field inspection	CITIC Securities	
May 3, 2011	Shekou, Shenzhen	Field inspection	Goldman Sachs-Gaohua	
May 5, 2011	Shekou, Shenzhen	Field inspection	Guangfa Funds	
May 9, 2011	Shekou, Shenzhen	Telephone inquiry	JEFFERIES	
May 11, 2011	Shekou, Shenzhen	Field inspection	First Capital Securities, Goldstate Securities, Guangzhou Securities	
May 13, 2011	Shekou, Shenzhen	Field inspection	Capital World Investor Group	
May 16, 2011	Shekou, Shenzhen	Field inspection	Yuanta Securities	
May 18, 2011	Shekou, Shenzhen	Project inspection	China Merchants Securities, Houde Investment, Shuimutong Investment	
May 19, 2011	Shekou, Shenzhen	Field inspection	Pingan Securities, Yinhua Fund, Dacheng Fund	
May 19, 2011	Shekou, Shenzhen	Field inspection	E Fund	
May 19, 2011	Shekou, Shenzhen	Field inspection	Client of Shenyin Wanguo	
May 20, 2011	Shekou, Shenzhen	Field inspection	Credit Suisse	
May 25, 2011	Shekou, Shenzhen	Field inspection	Huatai United, GTJA Allianz Funds	

May 25, 2011	Shekou, Shenzhen	Field inspection	First capital securities
June 7, 2011	Shekou, Shenzhen	Telephone inquiry	JEFFERIES
June 8, 2011	Beijing	Orient Securities Strategic seminar	Orient securities
June 14, 2011	Shekou, Shenzhen	Field inspection	Goldstate Securities
June 16, 2011	Shenzhen	China Merchants Securities Strategic seminar	China Merchants Securities
June 16, 2011	Shenzhen	Pingan Securities Strategic seminar	Pingan Securities
June 20, 2011	Shekou, Shenzhen	Field inspection	Penghua Fund
June 20, 2011	Shekou, Shenzhen	Field inspection	Huatai Group
June 21, 2011	Shekou, Shenzhen	Telephone inquiry	Individual investor
June 22, 2011	Shekou, Shenzhen	Field i inspection	CITIC securities
June 22, 2011	Shekou, Shenzhen	Telephone inquiry	Guotai Junan
June 22, 2011	Shekou, Shenzhen	Telephone inquiry	Orient Securities
June 22, 2011	Shekou, Shenzhen	Telephone inquiry	Chang Xin Asset Management
June 23, 2011	Shekou, Shenzhen	Field inspection	Orient Securities
June 23, 2011	Shekou, Shenzhen	Telephone inquiry	JEFFERIES
June 23, 2011	Qingdao	UBS Strategic seminar	UBS
June 23, 2011	Taiyuan	BOC international Strategic seminar	BOC international
June 23, 2011	Chongqing	Credit Suisse Strategic seminar	Credit Suisse
June 24, 2011	Shekou, Shenzhen	Field inspection	Chang Xin Asset Management
June 25, 2011	Beijing	Field inspection	Guotai Junan
June 28, 2011	Shekou, Shenzhen	Telephone inquiry	China Investment Securities
June 29, 2011	Shekou, Shenzhen	Field inspection	Minsheng Securities
June 30, 2011	Shekou, Shenzhen	Telephone inquiry	Goldmand Sachs Gaohua
June 30, 2011	Shekou, Shenzhen	Telephone inquiry	Guotai Junan
June 30, 2011	Chengdu	CITIC securities Strategic seminar	CITIC Securities

#### X. Fulfill of commitment made by shareholders with holding 5% or more

Subsidiary company of the Company Shenzhen China Merchants Real Estate (short for “CMPD Shenzhen”) indirectly participated in the investment and construction of Shenzhen Jingyuan Building in the previous year. Due to the subsequent bankruptcy of the previous project developer, CMPD Shenzhen



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undertook the settlement of Jingyuan Building project (sales and registration of property rights etc.), entrusted by the project settlement authorities. Since the bankrupted developer hadn't contributed to building maintenance fund of Jingyuan Building, CMPD Shenzhen recovered the fund of RMB 1,277,096.68 for the project in the name of the original developer according to the investment share of Jingyuan Building project indirectly held by it on July 7, 2011.

**XI. In the report period, there was no criticism or condemnation targeting the Company, the Board of Directors, or the directors.**

N/A

### **XII. Appointment or dismissal of CPAs**

On April 12, 2011, Shareholders' General Meeting of 2010 of the Company approved relevant proposal on continuing hiring Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as external audit institution.

### **XIII. Other significant events**

Subsidiary companies of the Company Shenzhen China Merchants Real Estate indirectly participated in the investment and construction of Shenzhen Jingyuan Building in the previous year. Due to the subsequent bankruptcy of the previous project developer, Shenzhen China Merchants Property undertook the settlement of Jingyuan Building project (sales and registration of property rights etc.), entrusting by the project settlement authorities. Since the bankrupted developer hadn't contributed to building maintenance fund of Jingyuan Building, Shenzhen China Merchants property recovered the fund of RMB 1,277,096.68 for the project in the name of the original developer according to the investment share of Jingyuan Building project indirectly held by it on July 7, 2011.

### **Chapter 7. Financial Report (unaudited)**

**The Semi-annual Financial Report of the Company is not audited. For the details, please refer to Appendix (Interim Financial Report 2011)**

### **Chapter 8. Documents Available for Reference**

I . Financial statements carrying the signatures and seals of Legal Representative, Person in Charge of Accounting Works and Person in Charge of Accounting Department;

II . Originals of all disclosed documents and notices published on newspapers authorised by CSRC in the first half of 2011;

The Board of Directors of China Merchants Property Development Co., Ltd.

August 9, 2011



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China Merchants Property Development Co., Ltd.

Financial Statements

The period from January 1, 2011 to June 30, 2011

China Merchants Property Development Co., Ltd.

Financial Statements

The period from January 1, 2011 to June 30, 2011

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China Merchants Property Development Co., Ltd.

The period from January 1, 2011 to June 30, 2011

Consolidated Balance Sheet

RMB Yuan

Items	Note	Balance at the end of term	Balance at the beginning of term	Items	Note	Balance at the end of term	Balance at the beginning of term
<b>Current asset:</b>				<b>Current liabilities</b>			
Monetary capital	(V)1	8,967,712,438	9,676,385,052	Short-term loans	(V)16	2,433,062,956	1,172,132,283
Transactional financial assets	(V)2	2,640,628	846,539	Trade off financial liabilities	(V)2	7,218,100	20,824,615
Account receivable	(V)3	88,878,553	102,603,093	Notes payable	(V)17	-	275,616,189
Prepayment		116,205,959	5,598,968	Account payable	(V)18	4,922,342,738	4,757,667,163
Other account receivable	(V)4	4,276,608,466	4,144,714,137	Prepayment received	(V)19	11,948,189,849	11,268,654,826
Inventories	(V)5	44,470,273,077	38,699,347,411	Employees' wage payable	(V)20	107,910,392	207,232,511
Non-current asset due in 1 year		969,987	936,793	Tax payable	(V)21	892,048,600	614,789,018
Other current asset	(V)6	1,554,093,471	980,538,674	Interest payable	(V)22	84,337,866	109,123,639
				Dividend payable	(V)23	375,533,977	124,209,948
				Other account payable	(V)24	6,347,908,156	5,743,381,514
				Non-current liability due in 1 year	(V)26	2,458,362,972	1,856,422,159
				Other current liability	(V)27	2,432,328,579	2,357,741,683
<b>Total current asset</b>		<b>59,477,382,579</b>	<b>53,610,970,667</b>	<b>Total current liability</b>		<b>32,009,244,185</b>	<b>28,507,795,548</b>
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Long-term receivable	(V)7	1,297,613,656	1,260,737,445	Long-term borrowings	(V)28	10,829,222,300	9,995,835,344
Long-term share equity investment	(V)8,9	764,694,976	597,610,091	Long-term payable	(V)29	72,703,760	58,587,176
Investment properties	(V)10	3,362,465,250	3,438,215,323	Expectible liabilities	(V)25	102,501,835	106,289,589
Fixed assets	(V)11	255,945,948	260,939,762	Differed income tax liability	(V)14	-	-
Construction in process	(V)12	36,085,981	23,327,061	Other non-recurring liabilities	(V)30	3,816,700	3,816,700
Long-term amortizable expenses	(V)13	164,590,917	165,985,049	<b>Total non-current liabilities</b>		<b>11,008,244,595</b>	<b>10,164,528,809</b>
Differed income tax asset	(V)14	344,467,592	460,455,365	<b>Total liability</b>		<b>43,017,488,780</b>	<b>38,672,324,357</b>
<b>Total non-current assets</b>		<b>6,225,864,320</b>	<b>6,207,270,096</b>	<b>Shareholders' equity</b>		<b>-</b>	<b>-</b>
				Share capital	(V)31	1,717,300,503	1,717,300,503
				Capital reserves	(V)32	8,478,831,944	8,484,453,421
				Surplus reserves	(V)33	899,462,584	899,462,584
				Retained profit	(V)34	8,203,418,576	6,940,907,225
				Different of foreign currency translation		169,776,525	165,308,103
				Total shareholders' equity attributable to the parent company		19,468,790,132	18,207,431,836
				Minor shareholders' equity		3,216,967,987	2,938,484,570
				<b>Total shareholders' equity</b>		<b>22,685,758,119</b>	<b>21,145,916,406</b>
<b>Total assets</b>		<b>65,703,246,899</b>	<b>59,818,240,763</b>	<b>Total owners' equity and liabilities</b>		<b>65,703,246,899</b>	<b>59,818,240,763</b>

The Notes to the Financial Statements are essential parts of the Financial Statements  
The Financial Statements presented on page 2 to 107 are signed by the following persons:

Legal representative

Financial superior

Head of accounting dept.

China Merchants Property Development Co., Ltd.

The period from January 1, 2011 to June 30, 2011

**Balance Sheet of the Company**

RMB Yuan

Items	Note	Balance at the end of term	Balance at the beginning of term	Items	Note	Balance at the end of term	Balance at the beginning of term
<b>Current asset:</b>				<b>Current liabilities</b>			
Monetary capital		2,262,424,051	3,701,866,661	Short-term loans	(XII)3	2,216,506,000	998,021,500
Prepayments		232,797	-	Employees' wage payable		207,258	5,371,108
Dividend receivable		1,986,481,527	2,169,117,072	Tax payable		14,222,374	5,240,509
Other account receivable	(XII)1	22,503,788,230	19,692,350,788	Interest payable		23,139,307	83,065,942
<b>Total current asset</b>		<b>26,752,926,605</b>	<b>25,563,334,521</b>	Dividend payable		87,755,772	-
				Other account payable		6,231,964,635	5,825,384,664
				Non-current liability due in 1 year	(XII)4	864,716,000	500,000,000
				Other current liability		-	-
				<b>Total current liability</b>		<b>9,438,511,346</b>	<b>7,417,083,723</b>
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Available-for-sale financial asset		-	-	Long-term borrowings	(XII)5	6,412,228,000	6,783,316,000
Long-term receivable		1,007,059,987	981,013,052	Differed income tax liability		-	-
Long-term share equity investment	(XII)2	3,720,267,935	3,538,956,943	<b>Total non-current liabilities</b>		<b>6,412,228,000</b>	<b>6,783,316,000</b>
Fixed assets		377,924	367,487	<b>Total liability</b>		<b>15,850,739,346</b>	<b>14,200,399,723</b>
Long-term amortizable expenses		-	-	Shareholders' equity			
<b>Total non-current assets</b>		<b>4,727,705,846</b>	<b>4,520,337,482</b>	Share capital		1,717,300,503	1,717,300,503
				Capital reserves		8,927,054,193	8,927,054,193
				Surplus reserves		848,511,191	848,511,191
				Retained profit		4,137,027,218	4,390,406,393
				<b>Total shareholders' equity</b>		<b>15,629,893,105</b>	<b>15,883,272,280</b>
<b>Total assets</b>		<b>31,480,632,451</b>	<b>30,083,672,003</b>	<b>Total owners' equity and liabilities</b>		<b>31,480,632,451</b>	<b>30,083,672,003</b>

China Merchants Property Development Co., Ltd.

The period from January 1, 2011 to June 30, 2011

**Consolidated Income Statement**

RMB Yuan

Items	Note	Amount of the Current Term	Amount of the same period of last year
I. Total revenue	(V)35	8,091,485,144	6,981,153,925
Incl. Business income		8,091,485,144	6,981,153,925
II. Total business cost		5,752,879,119	5,206,663,811
Incl. Business cost	(V)35	4,241,421,711	4,127,363,733
Business tax and surcharge	(V)36	1,280,704,062	862,925,247
Sales expense		159,949,829	112,145,064
Administrative expense		143,092,729	101,179,394
Financial expenses	(V)37	(72,284,595)	3,053,234
Asset impairment loss	(V)40	(4,617)	(2,861)
Plus: Income from change of fair value	(V)38	15,884,266	29,917,874
Investment income	(V)39	51,262,110	25,453,954
Incl. Investment gains from affiliates		45,609,319	(592,236)
III. Business profit		2,405,752,401	1,829,861,942
Plus: Non business income	(V)41	3,359,735	8,910,241
Less: Non-business expenses	(V)42	2,647,164	5,103,685
Incl. Loss from disposal of non-current assets		442,593	276,647
IV. Gross profit		2,406,464,972	1,833,668,498
Less: Income tax expenses	(V)43	586,733,180	434,742,205
V. Net profit		1,819,731,792	1,398,926,293
Net profit attributable to the owners of parent co.		1,468,587,411	1,050,179,281
Minor shareholders' equity		351,144,381	348,747,012
VI. Earning per share			
(I) Basic earnings per share	(V)44	0.8552	0.6115
(II) Diluted earnings per share	(V)44	0.8552	0.6115
VII. Other misc. incomes	(V)45	(1,153,055)	38,546,181
VIII. Total misc. incomes		1,818,578,737	1,437,472,474
Total misc gains attributable to the parent company		1,467,434,356	1,072,475,141
Total misc gains attributable to the minor shareholders		351,144,381	364,997,333

China Merchants Property Development Co., Ltd.

The period from January 1, 2011 to June 30, 2011

**Income Statement of the Company**

RMB Yuan

Items	Note	Amount of the Current Term	Amount of the same period of last year
I. Turnover		-	-
Less: Operation cost		-	-
Business tax and surcharge		-	-
Sales expense		-	-
Administrative expense		12,926,397	9,215,964
Financial expenses		54,209,759	(14,086,134)
Asset impairment loss		-	-
Plus: Income from change of fair value		-	-
Investment income	(XII)6	19,847,934	20,005,859
Incl. Investment gains from affiliates		(2,734,008)	(2,403,251)
II. Operation profit		(47,288,222)	24,876,029
Plus: Non business income		-	-
Less: Non-business expenses		-	-
Incl. Loss from disposal of non-current assets		-	-
III. Total profit		(47,288,222)	24,876,029
Less: Income tax expenses		14,893	6,001,441
IV. Net profit		(47,303,115)	18,874,588
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		-	(650,978)
VII. Total integrated income		(47,303,115)	18,223,610



China Merchants Property Development Co., Ltd.

The period from January 1, 2011 to June 30, 2011

**Consolidated Cash Flow Statement**

RMB Yuan

Items	Note	Amount of the Current Term	Amount of the same period of last year
<b>I. Net cash flow from business operation</b>			
Cash received from sales of products and providing of services		8,808,595,910	5,779,743,718
Tax returned		801	15,311,948
Other cash received from business operation	(V)46(1)	2,399,907,299	1,457,432,262
Sub-Total cash inflow from business activities		11,208,504,010	7,252,487,928
Cash paid for purchasing of merchandise and services		9,336,184,478	6,182,133,125
Cash paid to staffs or paid for staffs		490,222,480	367,569,007
Taxes paid		2,302,125,348	1,621,816,124
Other cash paid for business activities	(V)46(2)	2,104,914,475	1,079,518,973
Sub-Total cash outflow from business activities		14,233,446,781	9,251,037,229
Cash flow generated by business operation, net		(3,024,942,771)	(1,998,549,301)
<b>II. Cash flow generated by investing</b>			
Cash received from investment retrieving		-	-
Cash received as investment gains		724,434	-
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		22,752	33,971
Net cash received from disposal of subsidiaries or other operational units		-	-
Other investment-related cash received	(V)46(3)	-	12,887
Sub-Total cash inflow due to investment activities		747,186	46,858
Cash paid for purchasing of fixed assets, intangible assets and other long-term assets		22,562,917	6,321,512
Cash paid as investment		127,821,477	28,125,469
Net cash received from subsidiaries and other operational units		-	-
Other cash paid for investment activities	(V)46(4)	22,597,418	-
Sub-Total cash outflow due to investment activities		172,981,812	34,446,981
Net cash flow generated by investment		(172,234,626)	(34,400,123)
<b>III. Cash flow generated by financing</b>			
Cash received as investment		51,250,000	475,673,905
Incl. Cash received as investment from minor shareholders		51,250,000	475,673,905

China Merchants Property Development Co., Ltd.

Cash received as loans		4,240,989,406	5,730,487,074
SubTotal cash inflow from financing activities		4,292,239,406	6,206,160,979
Cash to repay debts		1,445,159,864	1,507,153,645
Cash paid as dividend, profit, or interests		638,348,637	239,851,792
Incl. Dividend and profit paid by subsidiaries to minor shareholders		279,455,136	61,556,629
Other cash paid for financing activities		-	882,889,738
SubTotal cash outflow due to financing activities		2,083,508,501	2,629,895,175
Net cash flow generated by financing		2,208,730,905	3,576,265,804
<b>IV. Influence of exchange rate alternation on cash and cash equivalents</b>		(18,808,577)	(3,610,150)
<b>V. Net increase of cash and cash equivalents</b>		(1,007,255,069)	1,539,706,230
Plus: Balance of cash and cash equivalents at the beginning of term	(V)47(2)	8,914,595,308	8,775,661,067
<b>VI. Balance of cash and cash equivalents at the end of term</b>	(V)47(2)	7,907,340,239	10,315,367,297

China Merchants Property Development Co., Ltd.

The period from January 1, 2011 to June 30, 2011

**Cash Flow Statement of the Company**

RMB Yuan

Items	Note	Amount of the Current Term	Amount of the same period of last year
<b>I. Net cash flow from business operation</b>			
Other cash received from business operation		318,519,847	552,707,036
Sub-Total cash inflow from business activities		318,519,847	552,707,036
Cash paid to staffs or paid for staffs		8,657,061	5,860,756
Taxes paid		642,724	5,024,297
Other cash paid for business activities		2,705,554,780	2,277,673,432
Sub-Total cash outflow from business activities		2,714,854,565	2,288,558,485
Cash flow generated by business operation, net		(2,396,334,718)	(1,735,851,449)
<b>II. Cash flow generated by investing</b>			
Cash received from investment retrieving		-	-
Cash received as investment gains		182,635,544	-
Net cash received from disposal of subsidiaries or other operational units		-	-
Sub-Total cash inflow due to investment activities		182,635,544	-
Cash paid for construction of fixed assets, intangible assets and other long-term assets		9,400	40,900
Cash paid as investment		184,045,000	10,000,000
Sub-Total cash outflow due to investment activities		184,054,400	10,040,900
Net cash flow generated by investment		(1,418,856)	(10,040,900)
<b>III. Cash flow generated by financing</b>			
Cash received as loans		2,331,076,500	1,318,282,000
SubTotal cash inflow from financing activities		2,331,076,500	1,318,282,000
Cash to repay debts		1,098,021,500	627,909,000
Cash paid as dividend, profit, or interests		274,296,425	124,762,027
SubTotal cash outflow due to financing activities		1,372,317,925	752,671,027
Net cash flow generated by financing		958,758,575	565,610,973
<b>IV. Influence of exchange rate alternation on cash and cash equivalents</b>		(447,611)	(416,613)
<b>V. Net increase of cash and cash equivalents</b>		(1,439,442,610)	(1,180,697,989)
Plus: Balance of cash and cash equivalents at the beginning of term		3,701,866,661	6,268,540,841
<b>VI. Balance of cash and cash equivalents at the end of term</b>		2,262,424,051	5,087,842,852

The period from January 1, 2011 to June 30, 2011

## 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 shareholders' equity	Shareholders' equity attributable to the parent company					Minor shareholders' equity	Total 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	8,484,453,421	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
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correcting of previous errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	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
III. Changed in current term	-	(5,621,477)	-	1,262,511,351	4,468,422	278,483,417	1,539,841,713	-	(3,473,483)	113,669,574	1,725,997,615	92,501,376	915,184,847	2,843,879,929
(I) Net profit	-	-	-	1,468,587,411	-	351,144,381	1,819,731,792	-	-	-	2,011,397,239	-	472,589,734	2,483,986,973
(II) Other integrated income	-	(5,621,477)	-	-	4,468,422	-	(1,153,055)	-	(3,473,483)	-	-	92,501,376	64,143,209	153,171,102
Total (I) and (II)	-	(5,621,477)	-	1,468,587,411	4,468,422	351,144,381	1,818,578,737	-	(3,473,483)	-	2,011,397,239	92,501,376	536,732,943	2,637,158,075
(III) Shareholder input and withdraw of share capital	-	-	-	-	-	255,534,324	255,534,324	-	-	-	-	-	631,850,102	631,850,102
1. Capital input by shareholders	-	-	-	-	-	255,534,324	255,534,324	-	-	-	-	-	632,387,198	632,387,198
2. Share payment accounted into shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	(537,096)	(537,096)
(IV) Profit distribution	-	-	-	(206,076,060)	-	(328,195,288)	(534,271,348)	-	-	113,669,574	(285,399,624)	-	(253,398,198)	(425,128,248)
1. Providing of surplus reserves	-	-	-	-	-	-	-	-	-	113,669,574	(113,669,574)	-	-	-
2. Common risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Dividend to shareholders	-	-	-	(206,076,060)	-	(328,195,288)	(534,271,348)	-	-	-	(171,730,050)	-	(253,398,198)	(425,128,248)
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	8,478,831,944	899,462,584	8,203,418,576	169,776,525	3,216,967,987	22,685,758,119	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

## 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 shareholders' equity	Share capital	Capital reserves	Surplus reserves	Retained profit	Total shareholders' equity
I. Balance at the end of last year	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
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-
Correcting of previous errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	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
III. Changed in current term	-	-	-	-253,379,175	-253,379,175	-	(3,473,483)	113,669,574	851,296,116	961,492,207
(I) Net profit	-	-	-	-47,303,115	-47,303,115	-	-	-	1,136,695,740	1,136,695,740
(II) Other integrated income	-	-	-	-	-	-	(3,473,483)	-	-	(3,473,483)
Total (I) and (II)	-	-	-	-47,303,115	-47,303,115	-	(3,473,483)	-	1,136,695,740	1,133,222,257
(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	-	-	-	-206,076,060	-206,076,060	-	-	113,669,574	(285,399,624)	(171,730,050)
1. Providing of surplus reserves	-	-	-	-	-	-	-	113,669,574	(113,669,574)	-
2. Providing of common risk provisions	-	-	-	-	-	-	-	-	-	-
3. Dividend to shareholders	-	-	-	-206,076,060	-206,076,060	-	-	-	(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	4,137,027,218	15,629,893,105	1,717,300,503	8,927,054,193	848,511,191	4,390,406,393	15,883,272,280

**(I) Company Profiles**

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

On February 23 1993, the Company raised finance by issuing 27,000,000 A shares to the 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 have 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

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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1,267,300,503 shares.

**(I) Company Profiles – cont.**

Under “Approval of issuing 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 have increased up to 1,717,300,503 shares since then.

The Company’s headquarter is 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 Retrospection 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 June 30, 2011 of both the company and consolidated, as well as the operation results and cash flow in the period from January 1, 2011 to June 30, 2011 of the Company and consolidated as well.

**3. Accounting period**

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

**4. Standard currency for bookkeeping**

RMB is the primary currency in main economic environments, thus the Company and its domestic subsidiaries adopt RMB as the standard currency for bookkeeping. The business of the subsidiaries of the Company in Hong Kong and other countries shall be accounted in the local



China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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currencies. 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 merging are recounted 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 merging 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 individually in the consolidated financial statements, and measured at cost less impairment provisions. Goodwill shall be verified at least annually for impairment.

Verifying of goodwill is performed along with the asset portfolio or combination of asset portfolios to which the goodwill is related. I.e. the book value of goodwill shall be reasonably amortized to the related asset portfolio since the day acquired. Those can hardly be amortized to the related asset portfolio shall be amortized to the combination of asset portfolios. Impairment loss is recognized when the retrievable value of the asset portfolio or combination of asset portfolios including the goodwill is lower than its book value. Impairment losses shall be firstly amortized to the book value of goodwill of the asset portfolio or combination of asset portfolios, then amortized to other assets in the portfolio or combination of portfolios 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, freightage, and other direct expenses occurred in purpose of make the asset usable.

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 "Minority 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 "Minority 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 over original subsidiary is lost for disposal of partial equity or other reasons, the retained equity shall be recounted for fair value at the date of such change was happened. The sum of consideration obtained from disposal of equity and the fair value of retained equities are accounted into investment gains of the term when the disposal was happened. Other gains related to the investment shall be transferred to investment gains of the term.

**7. Recognition basis of cash and cash equivalents**

Cash refers to in-stock cash and bank savings that 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 recounted 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 control power is lost for disposal of partial equity or other reasons, the fair value of retained shares shall be recounted 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 each due interest at actual interest rate of financial assets or liabilities (including a portfolio 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 Company is managing this portfolio by way of short term gain;(3) Belongs to derivative financial instrument, however except for those be recognized as effective hedging instruments, derivative instruments belongs to financial guarantee contract, connected to option instruments without quotation in active market and cannot be reliably measured for their fair value and can only be settled by delivery of this option instrument.

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

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

## **(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 Disposable financial assets

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

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

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

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 is not able to be traded in the active market because the issuer is in significant financial difficulty;
- (6) It is hard to tell whether the cash flow of a particular asset in a portfolio has been declining, whereas upon overall evaluation, the Company discovered that the predicted cash flow of the portfolio has practically decreased since the initial recognition, and the decrease is quantifiable, including:
  - The debtor of the portfolio is becoming worse in ability of making payments;
  - Particular situation happened with the country or area where the debtor is located, which may cause obstructions for payment of the financial asset;
- (7) Major negative change occurred with the technical, market, economical, or legal environment of the debtors' business scope, 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 costs or retained costs after amortization are written down to the current value of anticipated 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 portfolio 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 portfolio of financial assets with similar risk characteristics. Financial assets confirmed for impairment individually shall not be tested along with the portfolio 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 sellable financial assets

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

If practical evidence showing that the value of a particular financial asset has recovered in value after an 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 accounted to capital reserves, and the impairment loss of disposable liability instrument will be restored to current gain/loss account.

- Impairment of financial assets counted by costs

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 set out 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 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 are instrument settled by fixed amount of cash or exchanged of other financial assets for fixed amount with own equity, which is 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, which 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 Rights instruments

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

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

**10. Account receivable**

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

Recognition criteria of bad debt provision on receivable accounts with large amount	The Group recognizes receivable accounts over RMB10 million as receivable accounts with large amount
Provision of bad debt provision on receivable accounts with large amount	The Company performs impairment test separately on individual financial assets with large amounts; those financial assets tested separately with no impairment found shall be tested again along with the portfolio of financial assets with similar risk characteristics. Financial assets confirmed for impairment shall not be tested along with the portfolio of financial assets with similar risk characteristics.

*10.2 Receivables recognized and providing bad debt provisions upon along with the portfolio with similar characteristics*

Recognition basis of credit risk portfolio	Receivable accounts with minor amount individually and those with large amount but tested no impairment, are grouped in portfolios 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 portfolios.
Providing method decided on the portfolios 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 portfolios.

**(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	Rate for receivables (%)	Rate for other receivables (%)
Age		
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 be 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 accumulated actual cost and accumulated recognized gross profit (loss)” over the “settled price” is demonstrated as inventory. The balance of “settled price” over “Total 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 day, 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 Group 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 have 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 real estate, 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 Group 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 real estate deducting the book value and relevant taxes shall be included in the gains and losses in the current period.

**14. Fixed assets**

***14.1 Recognition of fixed assets***

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one year of service life. 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 expenses 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 predicted 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 recovered, it is recognized separated as asset. But the compensated amount should not greater than the book value of the estimated 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 is 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 investing rental properties is 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 allowance**

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 differed income and accounted into current income evenly upon their useful life.

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

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

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

### **22. Differed income tax assets/ differed income tax liabilities**

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

Whereas for the provisional deductible differences, the Group may possibly recognize differed income tax asset to the limit of taxable income could be used to neutralize the provisional differences. Those taxable provisional differences relating to initial recognition of goodwill, not causing by enterprise mergers transaction, also making no influence on the accounting profit and

taxable income (or deductible losses) when initial recognition of assets or liabilities generated by trades occurs are not recognized as relative differed income tax liabilities.

Deductible losses and tax deduction which could be transferred to successive years are recognized as differed 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 differed income tax liabilities. Deductible provisional differences related to investment in subsidiaries, affiliates, and joint ventures, are recognized as differed 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 differed income tax assets and income tax liabilities, according to the tax law, calculation will be on tax rate applicable to retrieving period of assets or clearing of liabilities.

Except for those current income taxes and differed income taxes related to trades which are directly accounted into shareholders' equity are accounted into other incomes, and differed income tax generated by merger of businesses are adjusted in the book value of goodwill, all current income taxes and differed 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 differed income tax assets. If it is not possible to obtain enough taxable income to neutralize the benefit of differed income tax assets, then the book value of the differed income tax assets shall be reduced.

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

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. Differed income tax assets/ differed 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 differed income tax asset and liabilities with great importance, and tending to account with net amount or acquire of asset and clearing of debts are performed simultaneously, the income tax asset and liabilities of the current term are accounted at net amount after neutralization.



### 23. Operational leasing and financial leasing

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

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

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

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

Rental income from operational rental property are recognized as current gain/loss at straight basis to periods in the rental period. Initial direct expenses with large amount are capitalized as occurred, and accounted into current income account at the same base periods same as recognition of rental income to the whole rental period. Initial direct expenses 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. 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 a employee is dismissed before expiring of the employment contract, or proposed compensation for voluntary disengaging, if the Group has produced an official disengagement scheme or voluntary disengaging proposal and will implement them, and these scheme or proposal are irrevocable, predicted liability shall be recognized and accounted into current income account.

## (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%

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

VAT	Income from sales of goods (Note 2)	17%
	Income from power supply (Note 2)	17%
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)	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>Notes</u>
Shenzhen and Zhuhai	24%	(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 24% of corporation tax in 2011. Therefore the subsidiaries of the Company located in Shenzhen and Zhuhai are subject to 24% 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 7% and 3% respectively on VAT, consuming tax, and operational tax since December 1, 2010 (included).

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

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(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 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
Eureka 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	39,894,400	-
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	Ltd. liability	Guangzhou	Property	RMB50,000	Specialized property	50,000	-	100%	100%	Yes	Not	Not

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

China Merchants Real-estate Co., Ltd.			development		development, leasing and sales						applicable	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 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
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	16,754,490	-
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	5,946,669	-
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

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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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
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**(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
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	(1,494,074)	1,494,074
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	527,333,870	-

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

Huipeng Property Development Co., Ltd. (Note 1)	Ltd. liability	HK	Property development	HKD 10	Property development, sales, and services	5	-	50%	50%	Yes	(40,760,870)	40,760,870
Suzhou Shuanghu Property Co., Ltd. (Note 1)	Ltd. liability	Suzhou	Property development	USD244,000	Property development, sales, and services	867,300	-	50%	50%	Yes	798,292,001	69,007,999
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 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
Shenzhen CM Anye Investment Development Co., Ltd.	Ltd. liability	Shenzhen	Investment	RMB10,000	Industrial investment, domestic commerce	5,100	-	51%	51%	Yes	2,856,887	2,043,113
Shanghai CM Minsheng Property Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development, interior decoration, trade of construction materials	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, trade of construction materials	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	92,041,576	-
Guangzhou Qidi Tech & Science Investment Co., Ltd.	Ltd. liability	Guangzhou	Property development	RMB30,000	Venture Investment	21,777	-	72.59%	72.59%	Yes	4,786,544	3,436,456
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	Ltd. liability	British Virgin Island	Investment	USD0.002	Investment	11	-	100%	100%	Yes	Not applicable	Not applicable
Converage	Ltd. liability	British	Investment	USD0.002	Investment	11	-	100%	100%	Yes	Not applicable	Not

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

Holdings Limited		Virgin Island	t									applicable
China Merchants Properties (Chongqing) Co., Ltd.	Ltd. liability	Chongqing	Property development	RMB30,000	Property development, interior decoration service, trade of construction materials	30,000	-	100%	100%	Yes	Not applicable	Not applicable

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

(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
China Merchants Jiaming (Beijing) Property Development Co., Ltd.	Ltd. liability	Beijing	Property development	RMB350,000	Property development, interinal decoration service, trade of construction materials	175,000	-	50%	50%	Yes	231,246,948	5,895,183
Shenzhen CM Commercial Development Co., Ltd. (Note 3)	Ltd. liability	Shenzhen	Property development	RMB100,000	Developing of commercial property, operation, management, leasing, investment in industry	100,000	-	51%	51%	Yes	47,647,377	1,333,438
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	9,125,898	2,874,102
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

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

Shenzhen China Merchants OCT Investment Co., Ltd. (Note 2)	Ltd. liability	Shenzhen	Property development	RMB100,000	Property development, management, agency, and decoration	50,000	-	50%	50%	Yes	240,710,341	-
Pride Oasis Limited (Note 1)	Ltd. liability	British Virgin Island	Investment	USD0.002	Investment	0.007	-	50%	50%	Yes	55,061,750	-
Chongqing China Merchants Property Development Co., Ltd. (Note 4)	Ltd. liability	Chongqing	Property development	USD399,960	Developing, leasing, sales and management of property	2,712,784	-	100%	100%	Yes	Not applicable	Not applicable

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

(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 Huidefeng Property Co., Ltd. (Note 1)	Ltd. liability	Foshan	Property development	USD99,900	Property development, property management, project investment, property agency	340,978	-	50%	50%	Yes	340,326,933	651,068
Shanghai Jingyuan Property Development Co., Ltd. (Note 5)	Ltd. liability	Shanghai	Property development	RMB555,000	Property development, rent of properties, property management, interior decoration	279,000	-	55%	55%	Yes	247,442,187	2,307,813
Foshan Yiyun Property Co., Ltd. (Note 6)	Ltd. liability	Foshan	Property development	RMB30,000	Property development, construction, sales, rent, and property management	15,000	-	50%	50%	Yes	14,696,159	4,462
Yunnan CM Chengtuo Property Co., Ltd.	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 7)	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	22,879,161	2,120,839

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

CM Property Xiamen Co., Ltd.	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.	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

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

(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
Nanjing China Merchants Ruisheng Property Co., Ltd. (Note 8)	Ltd. liability	Nanjing	Property development	RMB30,000	Property development, property management, project investment, property agency	30,000	-	100%	100%	Yes	Not applicable	Not applicable
China Merchants Property (Wuhan) Co., Ltd. (Note 9)	Ltd. liability	Wuhan	Property development	RMB30,000	Property development, property management, project investment, property agency	30,000	-	100%	100%	Yes	Not applicable	Not applicable
Yingze Development Co., Ltd. (Note 10)	Ltd. liability	HK	Investment	HKD 10	Investment	0	-	100%	100%	Yes	Not applicable	Not applicable
China Merchants Property (Zhenjiang) Co., Ltd. (Note 11)	Ltd. liability	Zhenjiang	Property development	RMB50,000	Property development, property management, project investment, property agency	50,000	-	100%	100%	Yes	Not applicable	Not applicable
Zhenjiang Yingsheng Property Development Co., Ltd. (Note 12)	Ltd. liability	Zhenjiang	Property development	USD93,000	Property development, property management, project investment, property agency	600,651	-	100%	100%	Yes	Not applicable	Not applicable
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB200,000	Property development, property management, project investment, property agency	2,076,481	-	100%	100%	Yes	Not applicable	Not applicable

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

(Note 13)												
Tianjin China Merchants Taida Property Co., Ltd. (Note 14)	Ltd. liability	Tianjin	Property development	RMB30,000	Property development, property management, project investment, property agency	18,000	-	60%	60%	Yes	12,000	Not applicable

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

1. Particulars of the subsidiaries – cont.

(2) Subsidiaries acquired from merger of enterprises under common control

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
Shenzhen CM Property Co., Ltd. (Note 13)	Ltd. liability	Shenzhen	Property development	RMB300,000	Property development and sales	1,415,831	-	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	166,514,413	-
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	14,443,156	271,215
China Merchants Property Management	Ltd. liability	Shenzhen	Property	RMB25,000	Property management, decoration, consultancy,	169,200	-	100%	100%	Yes	Not applicable	Not applicable



China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

Co., Ltd.					property facility sales, maintenance, property leasing and agency							
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 acquired from merger of enterprises 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 service, trade of construction materials	10,000	-	100%	100%	Yes	Not applicable	Not applicable
Zhuhai China Merchants 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	109,447,898	-
Shanghai Fengyang Property Development Co., Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development and sales	353,250	-	60%	60%	Yes	267,804,077	-
Shenzhen Meiyue Properties Consultants Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB1,000	Property consultancy, planning and brokerage	88,287	-	100%	100%	Yes	Not applicable	Not applicable
Shenzhen City Main Plaza Investment Co.,	Ltd. liability	Shenzhen	Investment	RMB10,000	Industry and domestic commerce	-	-	100%	100%	Yes	Not applicable	Not applicable

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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

**1. Particulars of the subsidiaries – cont.**

Note 1: Through its subsidiary Eureka Investment & Industry Co., Ltd., the Company is holding 50% of the equity capital of Foshan Xincheng Real Estate Co., Ltd., Huipeng Real Estate Co., Ltd., Suzhou Shuanghu Real Estate Co., Ltd., Pride Oasis Limited, Foshan China Merchants Defeng Property Co., Ltd. respectively. Because these subsidiaries are holding the major amount of voting capital in these companies, they are substantially controlling over the financial and business operations of these companies. Thus the Company incorporates them in the consolidate range of the consolidated financial statements. As for 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 incorporated into 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: In January 2011, Shenzhen China Merchants Business Development Co., Ltd. increased its capital. Its registered capital was increased from RMB51 million to RMB100 million. The increased capital was inputted in one payment of cash by Shenzhen Marine World Industrial Development Co., Ltd. Upon completion of this, the Company is still holding 51% equity of Shanghai Jingyuan Property Development. Therefore the Company is holding substantial power on financial and business decisions of the company, and it was included in the consolidated financial statements.

Note 4: In May 2011, Cosmo City Limited – one of the subsidiaries of the Company, increased its investment in Chongqing China Merchants Property Development Co., Ltd. by USD50 million. Cosmo City Limited still holds 100% of its equity. Therefore Chongqing China Merchants Property Development Co., Ltd. was incorporated in the consolidated financial statements.

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

**1. Particulars of the subsidiaries – cont.**

Note 5: In february 2011, Shanghai Jingyuan Property Development Co., Ltd. increased its capital. Its registered capital was increased from RMB30 million up to RMB555 million. Shanghai China Merchants Property Co., Ltd. and Shanghai Langda Industry Co., Ltd. inputted capital in original share portions. Upon completion of this, the Company is still holding 55% equity of Shanghai Jingyuan Property Development. Therefore the Company is holding substantial power on financial and business decisions of the company, and it was incorporated in the consolidated financial statements.

Note 6: The Company invested through Guangzhou China Merchants Real-Estate Co., Ltd. to take 50% of capital shares of Foshan Yiyun Property Co., Ltd. For the Company is holding major voting rights in the board of the company through Shenzhen CM Property, thus take control over the financial and business decisions. Therefore it was incorporated in the consolidation range.

Note 7: Fujian Zhongliansheng Property Development Co., Ltd. was founded by the Company and Guangzhou Jindi Property Development Co., Ltd., in which the Company is holding 50% of the capital shares. For the Company is holding the majority votes in the board of Fujian Zhongliansheng Property Development Co., Ltd., thus it has practical control over the financial and business decisions of the company. Therefore the Company includes it in the consolidated financial statements.

Note 8: In January 2011, China Merchants Property (Nanjing) Co., Ltd. invested to establish Nanjing China Merchants Ruisheng Property Co., Ltd. with registered capital of RMB30 million. The Company is indirectly holding 100% of the equity and voting power over this company, therefore it is incorporated in the consolidated financial statements.

Note 9. In February 2011, the Company invested to establish China Merchants Property (Wuhan) Co., Ltd. with registered capital of RMB30 million. The Company is holding 100% of the equity and voting power over this company, therefore it is incorporated in the consolidated financial statements.

Note 10. In February 2011, Hong Kong Eureka Investment – one of the subsidiaries of the Company invested to establish Yingze Development Co., Ltd. with registered capital of HKD10 thousand. The Company is holding 100% of the equity and voting power over this company, therefore it is incorporated in the consolidated financial statements.

Note 11: In March 2011, the Company invested to establish China Merchants (Zhenjiang) Co., Ltd. with registered capital of RMB50 million. The Company is holding 100% of the equity and voting power over this company, therefore it is incorporated in the consolidated financial statements.

Note 12. In May 2011, Yingze Development Co., Ltd. – the subsidiary of the Company, and the Company invested jointly to setup Zhenjiang Yingsheng Property Development Co., Ltd. with registered capital of USD93 million, in which Yingze Development Co., Ltd. invested USD92.07 million and take 99% of the share equity; the Company invested

## China Merchants Property Development Co., Ltd.

### Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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USD930 million and take 1% of the equity. The Company and the subsidiary is jointly holding 100% of the equity and voting power over this company, therefore it is incorporated in the consolidated financial statements.

Note 13. In March 2011, by means of derivate split, Shenzhen China Merchants Property Co., Ltd. was split to Shenzhen China Merchants Property Co., Ltd. (registered capital: RMB300 million) and the newly incorporated Shenzhen China Merchants Property Investment Co., Ltd. (registered capital: RMB200 million). The Company is holding 100% of the equity and voting power over this company, therefore it is incorporated in the consolidated financial statements.

Note 14: Tianjin China Merchants Taida Property Co., Ltd., was founded by the Company's subsidiary Shenzhen China Merchants Property Co., Ltd. and Tianjin Taida Development Co., Ltd., in which the Company is holding 60% of the capital shares. For the Company is holding the majority votes in the board of Tianjin China Merchants Taida Property Co., Ltd., thus it has practical control over the financial and business decisions of the company. Therefore the Company includes it in the consolidated financial statements.

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

##### **2. Entities newly consolidated in current term**

Name	RMB Yuan	
	Net asset at end of term	Net profit of the current term (loss)
Zhenjiang Yingsheng Property Development Co., Ltd.	600,534,115	(117,359)
China Merchants Property (Zhenjiang) Co., Ltd.	49,868,176	(131,824)
Nanjing China Merchants Ruisheng Property Co., Ltd.	30,031,890	31,890
China Merchants Property (Wuhan) Co., Ltd.	29,826,130	(173,870)
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	2,333,779,991	216,331,570
Yingze Development Co., Ltd.	13,906,056	13,897,547
Tianjin China Merchants Taida Property Co., Ltd.,	30,000,000	-

(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	99,949	1.00	99,949	53,947	1.00	53,947
HKD	4,244	0.83	3,530	6,069	0.85	5,164
Bank account:						
RMB	7,609,327,445	1.00	7,609,327,445	8,214,811,543	1.00	8,214,811,543
USD	44,216,925	6.47	286,154,253	104,384,274	6.62	690,772,033
HKD	14,135,477	0.83	11,755,062	10,521,355	0.85	8,952,621
Other monetary fund (Note)						
USD	8,356,665	6.47	54,080,994	10,088,740	6.62	66,738,549
RMB	1,006,291,205	1.00	1,006,291,205	695,051,195	1.00	695,051,195
Total			8,967,712,438			9,676,385,052

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

2. Transactional 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. Transactional bond investment	-	-
2. Transactional equity instruments	-	-
3. Financial assets defined to measured at fair value and fluctuation accounted into current gain/loss account	-	-
4. Derivate financial assets	2,640,628(Note)	846,539
5. Hedge instruments	-	-
6. Others	-	-
Total	2,640,628	846,539
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	7,218,100(Note)	20,824,615
5. Others	-	-
Total	7,218,100	20,824,615

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

2. Transactional financial assets / liabilities – cont.

Note: This was the fair value at end of the contract year by which Eureka Investment Industrial Co., Ltd. and ING Bank N.V., Hong Kong Branch engaged for future foreign currency trading without transferring of principal. As of June 30, 2011, the nominal principal has amounted to USD180,000,000 (December 31, 2010: USD353,410,000). Such contracts will due amongst the period from October 12, 2011 to April 30, 2012.

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 (note)	-	-	-	-	-	-	-	-
No major amount individually but with great risk after combined with others with similar credit risk	3,502,304	4	2,915,689	83	5,350,608	5	4,001,444	75
Other non-material receivables	94,783,873	96	6,491,935	7	106,667,364	95	5,413,435	5
Total	98,286,177	100	9,407,624	10	112,017,972	100	9,414,879	8

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	88,751,840	90	5,521,722	83,230,118	97,589,029	86	3,748,574	93,840,455
1-2 years	2,918,859	3	142,392	2,776,467	8,485,365	8	1,083,870	7,401,495
2-3 years	3,113,174	3	827,821	2,285,353	592,970	1	580,990	11,980
Over 3 yrs	3,502,304	4	2,915,689	586,615	5,350,608	5	4,001,445	1,349,163
Total	98,286,177	100	9,407,624	88,878,553	112,017,972	100	9,414,879	102,603,093

(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	6,674,615	within 1 yr	7
Client II	5,568,797	within 1 yr	6
Client III	2,376,283	Over 2 yrs	2
Client IV	1,890,000	within 1 yr	2
Client V	1,800,000	within 1 yr	1
Total	18,309,695		18

(4) No accounts 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 (Note)	4,156,121,234	97	-	-	3,930,452,175	95	-	-
No major amount individually but with great risk after combined with others with similar credit risk	14,623,648	-	2,237,391	15	6,486,798	-	2,083,365	32
Other minor other receivables	109,933,122	3	1,832,147	2	211,842,064	5	1,983,535	1
Total	4,280,678,004	100	4,069,538	-	4,148,781,037	100	4,066,900	-

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	3,878,584,858	91	346,458	3,878,238,400	3,221,925,971	77	186,740	3,221,739,231
1-2 years	278,411,120	6	820,467	277,590,653	899,212,085	22	940,655	898,271,430
2-3 years	109,058,378	3	665,222	108,393,156	21,156,183	1	856,140	20,300,043
Over 3 yrs	14,623,648	-	2,237,391	12,386,257	6,486,798	-	2,083,365	4,403,433
Total	4,280,678,004	100	4,069,538	4,276,608,466	4,148,781,037	100	4,066,900	4,144,714,137

(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	1,493,471,702	within 1 yr	35
Client II	Affiliate of the Company	672,924,122	within 1 yr	16
Client III	Shareholder of subsidiary	639,324,894	within 1 yr	15
Client IV	Non-related	360,000,000	within 1 yr	8
Client V	Affiliate of the Company	227,159,525	1-2 years	5
Total		3,392,880,243		79

(4) Receivables from related parties

RMB Yuan

Name of the companies	Relation with the Company	Amount	Portion in total other receivables (%)
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China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

Foshan China Merchants Longyuan Property Co., Ltd.	Affiliate of the Company	672,924,122	16
Shenzhen TCL Optical-Electronics Technologies Ltd.	Affiliate of the Company	227,159,525	5
Total		900,083,647	21

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

5. Inventories

(1) Categories of inventory

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
	Real property development costs	41,940,052,016	296,210,000	41,643,842,016	36,376,901,757	296,210,000
Property products	2,729,379,502	-	2,729,379,502	2,524,202,875	-	2,524,202,875
Raw materials	4,314,642	-	4,314,642	4,292,763	-	4,292,763
Low-value consumables and others	4,899,899	162,982	4,736,917	2,322,998	162,982	2,160,016
Sub-total	44,678,646,059	296,372,982	44,382,273,077	38,907,720,393	296,372,982	38,611,347,411
Inventory formed by construction contract						
Completed but not settled (Note)	88,000,000	-	88,000,000	88,000,000	-	88,000,000
Sub-total	88,000,000	-	88,000,000	88,000,000	-	88,000,000
Total	44,766,646,059	296,372,982	44,470,273,077	38,995,720,393	296,372,982	38,699,347,411

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	Expected total investment RMB'000	Balance at the beginning of term RMB Yuan	Balance at the end of term RMB Yuan
Development costs of real estate under construction:					
Zhenjiang Dadong Project	2011.05	2015.11	597,110	-	3,058,541,166
Shanghai Sheshan Longyuan Project	2010.10	2013.12	303,342	1,871,326,873	2,083,098,122
Nanjing G54 project	2011.05	2013.07	328,236	-	1,870,001,688
Shenzhen CM Guanyuan	2008.08	2011.10	195,073	1,564,201,188	1,687,773,326
Chengdu China Merchants Yonghuafu (original Chengdu Chenghuaqu Zhaojuesi Road South project)	2011.05	2013.04	384,231	-	1,661,817,567
Foshan Yiyunshui'an	2008.04	2012.12	324,049	1,428,916,623	1,633,672,097
Foshan Yiyun Shangcheng	2008.08	2013.08	274,271	1,857,000,180	1,630,359,908
Nanjing G67 project	2010.08	2012.11	234,919	1,514,628,824	1,629,803,340
Beijing Xicheng Home and Longyuan Projects	2008.10	2013.05	540,555	1,484,891,572	1,546,263,883
Chongqing CM Garden City	2010.10	2015.05	425,195	1,353,107,713	1,407,598,462
Suzhou Xiaoshicheng	2008.04	2016.12	538,344	1,275,198,927	1,376,633,104
Shenzhen Yongjinwan	2009.07	2012.08	176,059	1,111,636,624	1,261,555,127
Jinshan Valley, Guangzhou	2008.02	2016.03	482,973	1,078,338,580	1,251,595,683

## Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

Foshan Yiyun Tianhui	2011.02	2015.06	228,192	-	1,213,715,218
Shenzhen Xicheng phase IV, V	2010.02	2012.10	220,661	1,821,242,252	1,136,631,594
Xiamen Jimei P01 Project	2011.03	2014.06	256,949	-	1,085,621,209
Xiamen Jimei P08 Project	2011.03	2014.08	238,435	-	1,082,509,146
Suzhou Yongjingwan	2011.03	2013.04	214,234	-	1,077,396,865

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

## 5. Inventories – cont.

## Cost of property development - continues

Projects	Start date	Planned finish date	Expected total investment RMB0'000	Balance at the beginning of term RMB Yuan	Balance at the end of term RMB Yuan
Tianjin Star City	2007.10	2014.09	356,494	1,389,194,614	935,230,957
Shanghai Haide Garden phase II and IV	2006.05	2013.08	150,842	841,406,982	889,051,193
Tianjing Yonghua Project	2010.03	2012.06	129,031	754,907,374	833,311,559
Zhangzhou Kadalansi	2010.12	2020.07	363,103	706,876,674	819,615,337
Foshan Yunxi Town	2010.12	2015.06	218,372	719,491,596	777,481,522
Zhuhai CM Garden City Phase II and III	2009.12	2012.12	151,667	608,624,656	701,842,529
Shanghai CM Haiwan Garden	2008.10	2013.12	163,139	781,851,979	658,142,630
Shenzhen CM Guoling Garden	2010.05	2013.05	143,588	498,973,326	654,493,652
Shanghai CM Yonghua Garden	2008.07	2011.09	132,539	566,644,098	653,070,407
Beijing Park 1872	2006.10	2013.12	422,646	708,620,374	620,961,748
Shenzhen CM Plaza	2010.06	2012.11	121,232	524,210,113	594,918,211
Beijing Kanglade Hotel	2009.12	2012.06	120,419	520,783,345	565,782,536
Shenzhen Xicheng Phase VI	2011.02	2012.08	82,814	-	557,420,245
Chongqing China Merchants, Jiangwan Town	2007.10	2013.10	209,617	819,190,312	531,711,148
Shenzhen Wuzi Apartment	2010.04	2012.12	75,530	368,973,403	426,228,862
Chengdu CM Dongcheng International Business Plaza	2010.12	2012.09	60,255	236,957,219	277,716,989
Shenzhen Ship-front Plaza	2010.10	2012.04	39,977	7,624,267	177,573,847
Zhangzhou CM Garden City	2008.07	2012.11	65,806	144,340,564	164,822,254
Zhangzhou Holiday 365	2010.07	2013.12	44,205	103,562,309	122,679,534
Shenzhen Jingshan Phase IX	2011.05	2014.04	328,268	8,434,400	71,842,865
Shenzhen Sanyo Workshop 2# and 6# reconstruction	2010.07	2011.07	8,350	40,460,923	66,438,138
Shenzhen Marine World Hotel	2010.12	2013.02	83,903	6,823,777	45,495,708
Shenzhen Ship-tail Plaza	2010.12	2012.06	41,488	479,981	27,410,248
Shenzhen Behind-ship Plaza	2011.04	2012.09	29,960	381,149	23,426,098
Shenzhen Lanxigu phase III	2008.08	2011.05	29,115	206,523,541	-
Zhangzhou CM Garden City Phase I	2008.12	2011.05	68,467	561,120,439	-
Others				38,101,774	93,633,443
Sub-total				27,525,048,545	38,984,889,165
Land to be developed:					
Chongqing Danzishi Project	2011.07	2019.10	1,311,183	2,352,153,521	2,539,815,467
Wuhan P022 project	2011.07	2013.07	107,600	-	415,347,384
Chengdu China Merchants Yonghua Project (original Chengdu Chonghuaqu Zhaojuesi Road South project)	2011.05	2013.04	384,231	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	2011.03	2013.04	214,234	1,036,497,375	-

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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Xiamen Jimei P08 Project	2011.03	2014.08	238,435	1,028,657,965	-
Shenzhen Xicheng Phase VI	2011.02	2012.08	82,814	549,490,259	-
Zhangzhou Kadakaisi Hotel	2011.03	2012.04	30,602	92,700,000	-
Sub-total				8,851,853,212	2,955,162,851
Total				36,376,901,757	41,940,052,016

**(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
Shenzhen Xicheng Phase IV	2011.06	-	925,907,607	280,750,799	645,156,808
Beijing Park 1872, phase I, II	2011.06	673,895,625	383,882,751	713,563,064	344,215,312
Beijing Xicheng Jiayuan	2010.09	365,750,246	-	56,363,597	309,386,649
Zhangzhou CM Garden City Phase I	2011.05	-	654,514,748	401,546,584	252,968,164
Shenzhen Lanxigu phase III	2011.05	-	291,153,146	55,250,105	235,903,041
Chongqing China Merchants Jiangwan City	2011.03	75,676,058	434,310,900	326,725,832	183,261,126
Shanghai Haide Garden Phase I to III	2010.12	238,291,732	-	76,490,351	161,801,381
Guangzhou Jinshangu Phase II, III	2010.05	95,471,774	-	1,959,979	93,511,795
Shanghai CM Haiwan Garden	2011.03	-	184,688,513	91,594,989	93,093,524
Shenzhen CM Lanyuan	2010.06	321,382,065	-	242,845,508	78,536,557
Shenzhen Xicheng Phase III	2010.03	56,481,438	-	-	56,481,438
Shenzhen Lanxigu Phase II.	2007.06	106,463,463	-	51,177,990	55,285,473
Tianjin Star City	2011.03	-	534,679,854	495,147,023	39,532,831
Nanjing Yunxigu	2009.12	174,052,830	-	148,261,729	25,791,101
Foshan Yiyunshui'an	2010.06	54,094,313	-	30,311,221	23,783,092
Shanghai CM Yonghua Garden	2010.02	24,975,132	-	3,362,355	21,612,777
Suzhou Xiaoshicheng phase I to III	2010.12	75,273,267	-	55,437,300	19,835,967
Shenzhen YishanJun phase II, III	2009.10	14,910,467	-	-	14,910,467
Phase V. Garden City	2010.11	52,272,781	-	39,519,742	12,753,039
Zhangzhou Sun Garden Phase I	2006.06	11,479,422	-	-	11,479,422
Zhangzhou CM Garden City	2009.12	101,603,058	-	92,166,986	9,436,072
Zhangzhou CM Jianzhu	2007.12	7,347,721	-	-	7,347,721
Shenzhen Haiyue Huating	2009.09	8,043,595	-	1,028,212	7,015,383
Zhangzhou Yinshanhai Phase II	2007.12	5,023,065	-	-	5,023,065
36 Xikang Road Tianjin	2009.11	37,861,640	17,179,435	52,103,470	2,937,605
Zhangzhou JinshanJiao Apartment	2004.12	1,439,657	-	-	1,439,657
Shanghai CM Nanqiao Yayuan	2010.01	5,521,635	-	4,907,353	614,282
Foshan Yiyun Shangcheng	2011.06	-	342,945,678	342,945,678	-
Others		16,891,891	-	626,138	16,265,753
Total		2,524,202,875	3,769,262,632	3,564,086,005	2,729,379,502

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

5. Inventories – cont.

Property development products: - continues

Note 1: As of June 30, 2011, China Merchants Jiaming (Beijing) Property Development Co., Ltd. – one of the subsidiaries of the Company, entered the Pledge Contract with the bank, by which the 106,700 square meters of land of Beijing Xicheng Jiayuan (Land CY-09 in Dongxiaokou Town, Changping) was pledged to the bank for the loan of RMB139,000,000. Except for this, there is no inventory under pledge, guarantee, suspension, or abandoned.

Note 2: As of June, 30, the land using agreements for Chongqing Danzishi Project, and Xiamen Jimei P08 totaled to 427,844 square meters has been engaged, and the land using certificate is under process.

Loan expense capitalized in current year was RMB230,191,509 (2010: RMB267,277,090).

(2) Inventory impairment provision

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

Items	RMB Yuan	
	End of term	Beginning of term
Operation tax and surcharges prepaid	612,007,427	476,534,168
Prepaid income tax	684,028,846	283,586,580
Prepaid land VAT (Note)	237,801,778	192,505,466
Prepaid rent	2,242,028	8,968,112
Others	18,013,393	18,944,348
Total	1,554,093,471	980,538,674

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.

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

**7. Long-term receivables**

Items	RMB Yuan	
	End of term	Beginning of term
Entrusted loan (Note 1)	1,148,636,986	1,115,590,052
Balance of share equity transfer (Note 2)	148,976,670	145,147,393
<b>Total</b>	<b>1,297,613,656</b>	<b>1,260,737,445</b>

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 June 30, 2011, the principal was RMB886,921,083, and entrusting loan interest receivable was RMB120,138,903.

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 June 30, 2011, the principal of loan was RMB141,577,000 and entrusted loan interest received was RMB9,701,834.

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 RMB3,930,303 with reference to the bank loan rates at the similar period. It was added to the long-term receivables.

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

**8. Investment in affiliates and joint ventures**

Name of the Companies	Share portion	Voting right portion	RMB Yuan				
			Total asset at end of term	Total liability at end of term	Total net asset at end of term	Total turnover at current term	Net profit (loss) of the year
<b>I. Joint ventures</b>							
Guangzhou Panyu Innovation Technology Garden Co., Ltd.	70%	70%	609,728,084	18,389,974	591,338,110	783,257	-
Shenzhen China Merchants OCT Investment Co., Ltd.	50%	50%	8,476,269	2,990,534	5,485,735	6,379,272	324,433
Huizhou Taitong Property Investment Co., Ltd.	50%	50%	291,652,151	283,940,311	7,711,840	-	(11,315)
<b>II. Affiliates</b>							
Beijing Tianping Property Management Co., Ltd.	49%	49%	4,898,867	492,016	4,406,850	3,832,522	391,275
China Merchants Guangming Technologies Garden Ltd.	49%	49%	591,606,851	226,733,111	364,873,741	3,510,227	(5,579,609)
Shenzhen Haitao Hotel Co., Ltd.	45%	45%	16,348,835	4,391,592	11,957,243	5,135,492	567,000
Tianjin Xinhai real Estate Development Co., Ltd.	45%	45%	315,451,799	76,273,963	239,177,836	-	-
Shenzhen TCL Optical-Electronics Technologies Ltd.	40%	40%	768,530,038	510,623,295	257,906,743	386,274,098	119,349,713
Shenzhen DeHan Investment Development Co., Ltd.	70%	70%	19,924,667	50,737	19,873,930	-	-
Foshan China Merchants Longyuan Property Co., Ltd.	50%	50%	10,200,000	-	10,200,000	-	-

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

9. 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	337,461,874	-	337,461,874	70	70	Note 1	-	-	-
Tianjin Xinhai real Estate Development Co., Ltd.	Equity basis	6,750,000	100,628,537	-	100,628,537	45	45	-	-	-	-
China Merchants Guangming Technologies Garden Ltd.	Equity basis	196,000,000	83,522,141	95,265,992	178,788,133	49	49	-	-	-	-
Shenzhen TCL Optical-Electronics Technologies Ltd.	Equity basis	42,010,652	59,851,731	47,739,893	107,591,624	40	40	-	-	-	-
Shenzhen DeHan Investment Development Co., Ltd.	Equity basis	14,000,000	-	14,000,000	14,000,000	70	70	注 2	-	-	-
Foshan China Merchants Longyuan Property Co., Ltd.	Equity basis	10,200,000	-	10,200,000	10,200,000	50	50	注 3	-	-	-
Shenzhen Haitao Hotel Co., Ltd.	Equity basis	4,996,675	5,932,561	255,150	6,187,711	45	45	-	-	-	-
Huizhou Taitong Property Investment Co., Ltd.	Equity basis	4,900,000	4,801,249	-5,657	4,795,592	50	50	-	-	-	-
Shenzhen China Merchants OCT Investment Co., Ltd.	Equity basis	2,500,000	3,414,144	-562,218	2,851,926	50	50	-	-	-	724,434
Beijing Tianping Property Management Co., Ltd.	Equity basis	490,000	1,997,854	191,725	2,189,579	49	49	-	-	-	-
Total			597,610,091	167,084,885	764,694,976	-	-	-	-	-	724,434
Less: Impairment provision			-	-	-	-	-	-	-	-	-
Long-term equity investment (net)			597,610,091	167,084,885	764,694,976	-	-	-	-	-	-

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 incorporated in the consolidation range.



China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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Note2: Shenzhen DeHan Investment Development Co., Ltd. is co-founded by CMPD Shenzhen Company and Guangdong Outsourcing Company, and the Company holds 70% of its equity shares. According to the Organizational Code of Conduct of DeHan Investment Company, its financial and managerial decisions need to be made by both parties on mutually agreeing basis; therefore, CMPD Shenzhen Company holds no controlling power over Dehan's operating activities. Additionally, CMPD Shenzhen Company is not including DeHan into consolidating subsidiaries.

Note3: In April 2011, CMPD Shenzhen Company set up Foshan China Merchants Longyuan Property Co., Ltd. with registered capital of 10.2 million Chinese Yuan. CMPD Shenzhen Company holds 100% of its equity shares. In June, CMPD Shenzhen Company agreed upon a capital increase deal with Foshan Shunde District Polly Real Estate Development Company to increase the capital to 100 million Chinese Yuan. After the increase, CMPD Shenzhen holds an equal share of 50%. According to the Organizational Code of Conduct of Foshan China Merchants Longyuan Property Company, its financial and managerial decisions need to be made by both parties on mutually agreeing basis; thus, CMPD Shenzhen Company holds no controlling power over Longyuan's operating activities. Additionally, CMPD Shenzhen Company is not including Longyuan into consolidating subsidiaries. Currently, the capital change registration procedures are under processing with government authorities.

(2) The ability of the long-term invested subsidiaries in transferring fund to the Company was not restricted as of June 30, 2011.

**(V) Notes to the consolidated financial statements – cont.****10. 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 original book value	4,360,579,304	1,632,983	-	4,362,212,287
1. House and buildings	3,039,355,806	1,632,983	-	3,040,988,789
2. Land using rights	1,321,223,498	-	-	1,321,223,498
II. Total accumulated depreciation and amortizing	922,363,981	77,383,056	-	999,747,037
1. House and buildings	791,895,915	60,270,244	-	852,166,159
2. Land using rights	130,468,066	17,112,812	-	147,580,878
III. Total net book value of investment property	3,438,215,323			3,362,465,250
1. House and buildings	2,247,459,891			2,188,822,630
2. Land using rights	1,190,755,432			1,173,642,620
IV. Total impairment provision	-	-	-	-
1. House and buildings	-	-	-	-
2. Land using rights	-	-	-	-
V. Total book value of investment property	3,438,215,323			3,362,465,250
1. House and buildings	2,247,459,891			2,188,822,630
2. Land using rights	1,190,755,432			1,173,642,620

Note 1: RMB77,383,056 amortized this term.

Note 2: As of June 30, 2011, **none of the Company's investment properties is on pledge.**

**(V) Notes to the consolidated financial statements – cont.****10. Investment property – cont.**

Note 3: As of June 30, 2011, the Company still has investment properties of RMB708,784,003 which are not granted property certifications. They are Beike Building, Technologies Building Stage II, Meilun Apartment. Among them, Technologies Building phase II and Meilun Apartment were 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.

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

Items	RMB Yuan			
	Balance of book value at beginning of	Increased this term	Decreased this term	Balance of book value at end of term

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

	term				
I. Total original book value	529,485,994	10,353,217	5,704,972		534,134,239
Incl. House & Buildings	218,174,894	-	-		219,546,688
Equipment & machinery	193,267,833	1,577,831	3,303,720		191,541,944
Transportation equipment	59,324,819	3,633,469	2,337,316		59,249,178
Electronics, furniture, appliances	58,718,448	5,141,917	63,936		63,796,429
		Increased this term	Provided current term		
II. Total accumulative depreciation	268,546,232	-	14,913,285	5,271,226	278,188,291
Incl. House & Buildings	58,999,188	-	4,273,319	-	63,272,507
Equipment & machinery	135,341,500	-	4,407,465	2,973,348	136,775,617
Transportation equipment	37,561,900	-	2,918,400	2,092,345	38,387,955
Electronics, furniture, appliances	36,643,644	-	3,314,101	205,533	39,752,212
III. Total net book value of fixed assets	260,939,762				255,945,948
Incl. House & Buildings	159,175,706				156,274,181
Equipment & machinery	57,926,333				54,766,327
Transportation equipment	21,762,919				20,861,223
Electronics, furniture, appliances	22,074,804				24,044,217
IV. Total impairment provisions	-	-	-	-	-
Incl. House & Buildings	-	-	-	-	-
Equipment & machinery	-	-	-	-	-
Transportation equipment	-	-	-	-	-
Electronics, furniture, appliances	-	-	-	-	-
V. Total fixed asset book value	260,939,762				255,945,948
Incl. House & Buildings	159,175,706				156,274,181
Equipment & machinery	57,926,333				54,766,327
Transportation equipment	21,762,919				20,861,223
Electronics, furniture, appliances	22,074,804				24,044,217

Note 1: The depreciation of the term was RMB14,913,285

Note 2: No construction-in-process transferred to fixed asset in the report period.

Note 4: As of June 30, 2011, the Company still has houses and buildings of RMB33,133,974 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.

**12. Construction-in-process**

Details of construction in process:

RMB Yuan

Items	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	33,149,938	-	33,149,938	20,391,018	-	20,391,018
Total	36,085,981	-	36,085,981	23,327,061	-	23,327,061

**13. Long-term expenses to be amortized**

RMB Yuan

Items	At beginning of term	Increased this term	Amortized this term	At end of term	Reason of other decreasing
Renewing of fixed assets for rent	162,520,199	-	6,433,702	156,086,497	
Outdoor advertisement facilities	98,776	3,600,000	1,190,137	2,508,639	
Others	3,366,074	4,133,454	1,503,747	5,995,781	
Total	165,985,049	7,733,454	9,127,586	164,590,917	

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

14. Differed income tax assets/ differed income tax liabilities

(1) Differed income tax assets and differed income tax liabilities recognized

Items	RMB Yuan	
	End of term	Beginning of term
Differed income tax assets:		
Land VAT drawn in advance	324,690,916	449,165,509
Anticipated liabilities	6,251,570	6,251,570
Neutralizable losses	11,559,626	2,280,706
Amortizing of other long-term assets	1,017,993	1,017,993
Bad debt provision on receivables	601,445	965,114
Reserved expenses	-	772,832
Bad debt provision on other receivables	298,479	1,641
Depreciation of fixed assets	47,563	-
Sub-total	344,467,592	460,455,365
Differed income tax liabilities:		
Fluctuation of fair value of disposable financial assets accounted into capital reserves	-	-
Sub-total	-	-

(2) Details of income tax assets not recognized

Items	RMB Yuan	
	End of term	Beginning of term
Deductible provisional differences	310,825,970	838,088,182
Neutralizable losses	340,659,410	331,289,596
Total	651,485,380	1,169,377,778

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

Year	RMB Yuan		
	End of term	Beginning of term	Note
2012	6,517,747	7,355,671	
2013	8,296,126	11,805,761	
2014	55,993,218	120,120,170	
2015	169,490,022	192,007,994	
2016	100,362,297	-	
Total	340,659,410	331,289,596	

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

14. Differed income tax assets/ differed income tax liabilities – cont.

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

RMB Yuan

Items	Amount of temporary differences
End of term:	
Deductible provisional difference and deductible losses:	
Land VAT drawn in advance	1,298,763,662
Neutralizable losses	46,238,504
Amortizing of other long-term assets	4,071,972
Bad debt provision on receivables	2,405,779
Anticipated liabilities	26,048,209
Bad debt provision on other receivables	1,193,918
Depreciation of fixed assets	190,252
Sub-total	1,378,912,296
Taxable provisional difference:	
Fluctuation of fair value of disposable financial assets accounted into capital reserves	-
Sub-total	-
Beginning of term:	
Deductible provisional difference and deductible losses:	
Land VAT drawn in advance	1,874,421,859
Anticipated liabilities	26,048,209
Neutralizable losses	9,139,865
Amortizing of other long-term assets	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 disposable financial assets accounted into capital reserves	-
Sub-total	-

**(V) Notes to the consolidated financial statements – cont.****15. Detail of asset impairment provision**

RMB Yuan

Items	Balance of book value at beginning of term	Increased this term	Decreased this term		Exchange rate adjustment	Balance of book value at end of term
			Written back	Transferred		
I. Bad debt provision	13,481,779	4,002	8,619	-	-	13,477,162
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	-	-	-	-	-	-
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	309,854,761	4,002	8,619	-	-	309,850,144

**16. Short-term loans**

RMB Yuan

Items	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan	-	-
Guarantee loan	216,556,956	-
Credit loan	2,216,506,000	1,172,132,283
Total	2,433,062,956	1,172,132,283

Note 1: Shenzhen CM Power Supply Co., Ltd. – one of the subsidiaries of the Company, raised USD21, 410,000 (RMB138, 556,956) from the bank, which was secured by the Company.

Shenzhen China Merchants Property Co., Ltd. – the subsidiary of the Company, raised RMB78, 000,000 of loan from the bank, which was secured by China Merchants Shekou Industry Zone Co., Ltd.

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

17. Notes payable

Categories	RMB Yuan	
	End of term	Beginning of term
Commercial acceptance	-	-
Bank acceptance	-	275,616,189
Total	-	275,616,189

18. Account payable

(1) Details of payable accounts:

Items	RMB Yuan	
	End of term	Beginning of term
Project payment	1,916,573,726	2,051,849,132
Land price	2,804,618,260	2,529,091,908
Payment for purchasing of share equity	70,650,000	70,650,000
Warrant fee	89,851,992	34,572,057
Others	40,648,760	71,504,066
Total	4,922,342,738	4,757,667,163

(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	2-3 years	Payment condition not satisfied yet	-
Shanghai Meiyang Property Co., Ltd.	70,650,000	2-3 years	Payment condition not satisfied yet	-
Shenzhen OCT Construction and Installation Co., Ltd.	64,002,147	2-3 years	Project quality deposit, pay on due.	-
Total	206,844,147			



**(V) Notes to the consolidated financial statements – cont.****19. Account received in advance****(1) Age analyze of prepayment received**

Age	End of term		Beginning of term	
	Amount	%	Amount	%
	within 1 yr	11,874,014,925	99	11,245,023,346
1-2 years	66,386,482	1	23,184,800	-
2-3 years	7,754,665	-	446,680	-
Over 3 yrs	33,777	-	-	-
Total	11,948,189,849	100	11,268,654,826	100

RMB Yuan

## Including: presale of properties:

Projects	End of term	Beginning of term	Date of completion (anticipated)	Presell portion
Foshan Yiyunshui'an Phase I - IV	2,733,740,403	1,686,286,477	2012	56%
Beijing Xicheng Home and Longyuan Projects	1,614,919,435	992,697,243	completed	49%
Guangzhou Jinshangu phase II	1,413,788,762	957,034,244	completed	99%
Shanghai CM Yonghuayuan phase I	1,376,884,547	703,029,613	completed	100%
Beijing Park 1872 Phase I,II	844,823,623	1,907,866,683	completed	57%
Shenzhen Lanxigu phase III	573,472,007	496,043,699	completed	70%
Tianjin Xincheng phase I	485,841,035	876,104,628	completed	96%
Suzhou Xiaoshicheng Phase IV	484,459,543	-	2011	60%
Chongqing CM Jiangwancheng phase I, II	483,713,089	834,160,111	2011	92%
Foshan Yiyun Shangcheng phase I	288,935,068	499,079,745	2011	79%
Tianjing Yonghuafu	281,226,112	-	2012	35%
Shenzhen Yongjingwan Garden	209,808,516	-	2012	2%
Zhangzhou CM Garden City	153,334,168	167,359,485	completed	100%
Shenzhen CM Guanyuan	152,140,827	-	2011	11%
Shenzhen Xicheng Phase IV	127,329,164	559,576,579	2011	49%
Zhuhai CM Garden City Phase I	120,440,288	670,216,271	completed	72%
Zhuhai China Merchants Garden City Phase II	114,841,242	-	2012	12%
Shanghai CM Haiwan Garden	79,253,136	145,086,710	2013	32%
Shenzhen Xicheng Phase III	77,181,711	77,181,711	completed	96%
Shanghai Haide Garden Phase III	46,998,290	41,376,464	completed	68%
Nanjing Yiyunxigu Phase III	42,230,373	322,461,693	completed	100%
Zhangshou Holiday 365, phase I	41,980,314	-	2012	30%
Xiamen Jimei P01 Project	38,943,972	-	2014	5%
Shenzhen CM Lanyuan	35,088,953	84,756,830	completed	97%
Shenzhen Lanxigu Phase II.	26,411,745	82,296,586	completed	97%
Suzhou Xiaoshicheng Phas II, III	18,458,658	43,558,381	completed	100%
Phase V. Garden City	7,486,460	15,253,943	completed	98%
Shenzhen Haijing Plaza	1,327,409	1,327,894	completed	100%
Shenzhen Haiyue Huating	485,500	1,845,847	completed	100%
Shenzhen Yishanjuan phase II, III	259,995	894,469	completed	100%
Shanghai CM Nanqiao Yayuan	180,000	3,508,642	completed	100%
Zhangzhou CM Jianzhu	147,089	147,089	completed	100%
Tianjin 36 Xikang Road	-	8,658,000	completed	100%
Others	21,943,185	15,891,487		
Total	11,898,074,619	11,193,700,524		

RMB Yuan

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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

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

20. Wage payable

RMB Yuan

Items	Balance of book value at beginning of term	Increased this term	Other decrease this term	Balance of book value at end of term
I. Wage, bonus, allowances	166,245,620	323,112,763	413,291,233	76,067,150
II. Employees' welfare	541,895	14,932,659	12,267,971	3,206,583
III. Social security	1,843,461	28,473,062	28,625,901	1,690,622
IV. Housing fund	15,740,645	13,103,325	28,463,457	380,513
V. Dismissing welfare	1,280,000	77,046	57,865	1,299,181
VI. Others	21,580,890	11,259,371	7,573,918	26,546,343
Incl. Trade union fee and training fee	20,193,804	7,238,513	4,862,895	22,569,422
Total	207,232,511	390,958,226	490,280,345	107,910,392

Note: Balance of union fund and employee training fund is RMB22,569,422. Balance of dismissing compensation is RMB563,434.

21. Tax payable

RMB Yuan

Items	End of term	Beginning of term
Enterprise income tax	561,031,616	365,498,608
Land VAT (Note)	165,200,572	118,920,233
Business tax	116,424,433	86,918,764
Personal income tax	36,460,868	20,155,272
VAT	5,040,130	6,364,197
City maintenance and construction tax	4,328,418	4,733,034
Land using tax	189,722	4,547,650
Others	3,372,841	7,651,260
Total	892,048,600	614,789,018

Note: See Note (V)6.

22. Tax disburseable

RMB Yuan

Items	End of term	Beginning of
Long-term loan interest with installments	60,038,666	106,863,476
Short-term borrowing interests payable	24,299,200	2,260,163
Total	84,337,866	109,123,639

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

23. 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)	228,195,288	54,627,032	
Shenzhen Nanshan Property Development Co., Ltd. (Note 2)	39,604,987	39,604,987	
Tianjin Shenmiao Investment Group Co., Ltd. (Note 3)	19,692,329	29,692,329	
Shenzhen Huayuan Seafood Restaurant	285,600	285,600	To be neutralized
CMSIZ. (Note 4)	83,210,318	-	
CM Zhangzhou Development Co., Ltd. (Note 4)	4,545,455	-	
Total	375,533,977	124,209,948	

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 March 22, 2011, 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.

Note 4: This was the dividend of common shares to China Merchants Shekou Industrial Zone Co., Ltd. and China Merchants Zhangzhou Development Zone Co., Ltd. in accordance with the profit distribution plan of 2010 adopted at the Annual General Meeting.

24. Other account payable.

(1) Details of other payable accounts

Items	End of term	Beginning of term	RMB Yuan
Interchange with co-operative companies	4,156,440,178	4,082,251,898	
Interchange with related parties	981,653,978	1,067,095,804	
Deposit	574,647,856	418,765,712	
Temporary payment	560,334,878	154,437,315	
Others	74,831,266	20,830,785	
Total	6,347,908,156	5,743,381,514	

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

24. Other account payable – cont.

(2) No other account payable to shareholders with 5% or over of the Company's shares or any related parties. See Note (VI)6.

(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	1,294,210,760	1-2 years	Payment made by shareholder
Client II	711,302,408	1-3 years	Payment made by shareholder
Client III	617,373,350	1-2 years	Payment made by shareholder
Client IV	269,191,275	1-2 years	Deposit for limited property
Client V	163,304,045	1-3 years	Payment made by shareholder
Client VI	138,235,302	1-2 years	Payment made by shareholder

25. Anticipated liabilities

RMB Yuan

Items	Beginning of term	Increased this term	Decreased this term	End of term
Providing of external guarantees	-	-	-	-
Unsettled lawsuit	26,048,209	-	3,787,754	22,260,455
Including: Lawsuit of Yishanjun (Note 1)	26,048,209	-	3,787,754	22,260,455
Lawsuit of Garden City phase III	-	-	-	-
Dismissing policy	-	-	-	-
Loss contract to be executed	-	-	-	-
Predicted expenses (Note 2)	80,241,380	-	-	80,241,380
Total	106,289,589	-	3,787,754	102,501,835

Note 1: Some of the owners of Shenzhen Yishanjun, which was developed by Shenzhen CM Property Co., Ltd., sued to the court claiming for compensation of delayed property certification in 2009. The compensation was predicted to RMB27,810,000 basing on 0.03% to 0.05% of the contract amount and was provided as anticipated liabilities. As of June 30, 2011, RMB5,549,545 of compensate has been paid.

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 International Finance Center held by Nanjing Fucheng Property Development Co., Ltd.

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

26. Non-current liabilities due in one year

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

RMB Yuan

Items	End of term	Beginning of term
Long-term loans due in 1 year	2,458,362,972	1,856,422,159
Bond payable due in one year	-	-
Long-term payable due in 1 year	-	-
Other non-current liabilities due in 1 year	-	-
Total	2,458,362,972	1,856,422,159

(2) Long-term loans due in 1 year

(a) Long-term loans due in one year

RMB Yuan

Items	End of term	Beginning of term
Entrusted loan (Note 1)	152,906,972	152,906,972
Pledged loan	-	122,000,000
Guaranteed loan (Note 2)	1,540,740,000	781,515,187
Credit loan	764,716,000	800,000,000
Total	2,458,362,972	1,856,422,159

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)28;

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

RMB Yuan

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	End of term	
					Amount of foreign currency	Amount of original currency
Financial Institution I	2008.11.24	2011.11.28	USD	Float	150,000,000	970,740,000
Financial Institution II	2009.04.13	2012.06.10	RMB	4.86		400,000,000
Financial Institution III	2008.10.30	2011.10.29	RMB	5.265		300,000,000
Financial Institution IV	2009.05.26	2012.05.26	RMB	4.86		300,000,000
Financial Institution V	2009.04.24	2012.04.24	RMB	4.86		300,000,000
Total						2,270,740,000

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

27. 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)	2,398,239,888	2,331,464,209
Outsourced cleaning and security guard services	18,655,149	13,048,065
Agencies	76,304	3,012,000
Garments	3,823,668	2,510,750
Water and electricity	769,719	-
Improving of intelligent system	244,151	-
Others	10,519,700	7,706,659
Total	2,432,328,579	2,357,741,683

Note: Land VATs are calculated and provided in accordance with State Taxation [2006] No.187 with the heading of circular about Settlement of Land VAT of Property Development Enterprises issued by State Taxation 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.

28. Long-term loans

(1) Categories of long-term loans

Items	RMB Yuan	
	End of term	Beginning of term
Pledged loan (Note 1)	139,000,000	49,000,000
Guaranteed loan (Note 2)	5,687,651,600	5,753,519,344
Credit loan	4,430,226,700	4,193,316,000
Consigned loans	572,344,000	-
Total	10,829,222,300	9,995,835,344

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 RMB139,000,000.

Note 2: The Company borrowed loan of RMB940,000,000 from the bank, which was secured by China Merchants Shekou Industry Zone Co., Ltd., including RMB400,000,000 will due in one year; and another RMB2,000,000,000 was secured by China Merchants Group Co., Ltd.

China Merchants Property Development Co., Ltd.

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Shenzhen China Merchants Property Co., Ltd. – the subsidiary of the Company, raised RMB78,000,000 of loan from the bank, which was secured by China Merchants Shekou Industry Zone Co., Ltd. which will due in one year.

Zhuhai Yuanfeng Property Co., Ltd. raised RMB170, 000,000 of loan from the bank. The Company provided guarantee covering 51% of the overdue part of the loan. RMB170, 000,000 will due in one year.

Fujian Zhongliansheng Property Development Co., Ltd. – the subsidiary of the Company, raised RMB150, 000,000 of loan from the bank, which was secured by the Company covering 50% of the overdue part of the loan.

Shanghai Jingyuan Property Development Co., Ltd. – subsidiary of the Company, raised RMB165, 000,000 of loan, which was secured by the Company covering 51% of the overdue part of the loan.

Shenzhen China Merchants Power Supply Co., Ltd. – subsidiary of the Company, raised USD30, 000,000 (RMB194, 148,000) of loan from the bank, which was secured by the Company.

Eureka Investment Industry Co., Ltd. – subsidiary of the Company raised USD541,000,000 (RMB3,501,135,600) and HKD130,000,000 (RMB108,108,000) of loan from the bank, in which USD297,000,00 (RMB1,922,065,200) and HKD130,000,000 (RMB108,108,000) were secured by China Merchants Group (HK) Co., Ltd., USD50,000,000 (RMB323,580,000) was secured by Dafeng International Holdings Co., Ltd., the rest loans are secured by the Company. In which, the loan of USD150,000,000 (RMB970,740,000) secured by China Merchants Group (HK) Co., Ltd. and Dafeng International Holdings Co., Ltd. will due in one year.

Note 3: According to the “Contract of Consigned Loan” engaged by Foshan Yiyun Property Co., Ltd. – the subsidiary of the Company and Huidefeng Property (Guangzhou) Co., Ltd., it was the loan provided to Foshan Yiyun Property Co., Ltd. by the bank as consigned by Huidefeng Property (Guangzhou) Co., Ltd.



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

28. 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		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	Float	130,000,000	841,308,000	130,000,000	859,969,743
Financial Institution IV	2009.07.27	2012.07.27	RMB	4.86		470,000,000		470,000,000
Financial Institution V	2010.01.04	2013.12.23	USD	Float	64,000,000	414,182,400	64,000,000	423,369,720
Total						4,725,490,400		4,753,339,463

29. Long term payables

RMB Yuan

Subjects	Term	Initial amount	Interest rates %	Interest payable	Balance at the end of term	Condition
Main body maintaining fund	-	71,503,760	-	-	71,503,760	-
Shenzhen China Merchants Landmark Co., Ltd.	-	1,200,000	-	-	1,200,000	-
Total	-	72,703,760	-	-	72,703,760	-

30. Other non-current liabilities

RMB Yuan

Items	Balance of book	Balance of book
Differed rental income	2,316,700	2,316,700
Special grant for culture development	1,500,000	1,500,000
Total	3,816,700	3,816,700
Less: Other non-current liabilities due in 1 year	-	-
Non-current liabilities due beyond 1 year	3,816,700	3,816,700

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

31. Capital Share

RMB Yuan

Items	Beginning of term	Changed this term					End of term
		Issuing of new shares	Bonus shares	Transferred from reserves	Others	Sub-total	
<b>June 30, 2011:</b>							
I. Shares with trading limited conditions							
1. State-owned shares	-	-	-	-	-	-	-
2. National legal person shares	693,419,317	-	-	-	-	-	693,419,317
3. Other domestic shares	-	-	-	-	-	-	-
4. Foreign shares	197,709,440	-	-	-	-	-	197,709,440
5. Management shares	465,451	-	-	-	90,349	90,349	555,800
Total conditional shares	891,594,208	-	-	-	90,349	90,349	891,684,557
II. Shares without trading limited conditions							
1. RMB common shares	684,265,720	-	-	-	(58,474)	(58,474)	684,207,246
2. Foreign shares placed in domestic exchange	141,440,575	-	-	-	(31,875)	(31,875)	141,408,700
3. Foreign shares listed overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total unconditional shares	825,706,295	-	-	-	(90,349)	(90,349)	825,615,946
III. Total capital shares	1,717,300,503	-	-	-	-	-	1,717,300,503

RMB Yuan

Items	Beginning of term	Changed this term					End of term
		Issuing of new shares	Bonus shares	Transferred from reserves	Others	Sub-total	
<b>December 31, 2010:</b>							
I. Shares with trading limited conditions							
1. State-owned shares	-	-	-	-	-	-	-
2. National legal person shares	731,298,105	-	-	-	(37,878,788)	(37,878,788)	693,419,317
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 conditional shares	929,439,484	-	-	-	(37,845,276)	(37,845,276)	891,594,208
II. Shares without trading limited conditions							
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 unconditional shares	787,861,019	-	-	-	37,845,276	37,845,276	825,706,295
III. Total 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.

## 32. Capital reserves

RMB Yuan

Items	Beginning of term	Increased this term	Decreased this term	End of term
<b>June 30, 2011:</b>				
Share capital premium	8,369,949,610	-	-	8,364,328,133
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)	-	(5,621,477)	(390,488,433)
Capital reserves capitalized	(168,973,400)	-	-	(168,973,400)
Other misc. incomes	10,092,053	-	-	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	8,484,453,421	-	(5,621,477)	8,478,831,944
<b>December 31, 2010:</b>				
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)
Purchasing of shares from minor shareholders of subsidiaries (Note 1)	(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

**(V) Notes to the consolidated financial statements – cont.****33. Surplus reserves**

Items	RMB Yuan			End of term
	Beginning of term	Increased this term	Decreased this term	
<b>June 30, 2011:</b>				
Statutory surplus reserves	759,342,546	-	-	759,342,546
Optional surplus reserves	140,120,038	-	-	140,120,038
Preserved fund	-	-	-	-
Enterprise development fund	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>899,462,584</b>	<b>-</b>	<b>-</b>	<b>899,462,584</b>
<b>December 31, 2010:</b>				
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	-	-	-	-
<b>Total</b>	<b>785,793,010</b>	<b>113,669,574</b>	<b>-</b>	<b>899,462,584</b>

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

**34. Retained profit**

Items	RMB Yuan	
	Amount	Percentage of drawing or allocation
<b>June 30, 2011:</b>		
Before adjustment: Retained profit at end of last year	6,940,907,225	
Adjusted: Total retained profit at beginning of year	-	
Adjusted: Retained profit at beginning of year	6,940,907,225	
Plus: Net profit attributable to owners of the parent company	1,468,587,411	
Less: Statutory surplus reserves	-	
Optional surplus reserves	-	
Common risk provisions	-	
Common share dividend payable	206,076,060	Note 1
Common share dividend transferred to capital share	-	
Retained profit at the end of term	8,203,418,576	
<b>December 31, 2010:</b>		
Before adjustment: Retained profit at end of last year	5,214,909,610	
Adjusted: Total retained profit at beginning of year	-	
Adjusted: 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	
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	6,940,907,225	

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

**34. Retained profit - continues**

Note 1: Cash dividend approved by the Shareholders' Annual Meeting

According to the resolutions adopted at the Shareholders' Meeting 2010 held in April 2011, on the basis of 1,717,300,503 shares at December 31, 2010, the Company distributed RMB1.20 to each 10 shares, and totally RMB206,076,060 was distributed.

Note 2: Surplus reserves drawn by subsidiaries

As of June 30, 2011, there were RMB507,712,376 of surplus reserves provided by the subsidiaries which has been incorporated in the retained profit of the Group. (December 31, 2010: RMB507,712,376).

**35. Operational turnover and cost**

(1) Turnover

Items	Occurred current term	RMB Yuan
		Amount occurred in same period last year
Major business turnover	8,091,485,144	6,980,394,887
Other business income	-	759,038
Operation cost	4,241,421,711	4,127,221,400
Other business cost	-	142,333

(2) Main businesses (on industries)

Name of industry	RMB Yuan		RMB Yuan	
	Occurred current term		Amount occurred in same period last year	
	Turnover	Operation cost	Turnover	Operation cost
Property development	7,558,252,607	3,820,931,126	6,460,083,143	3,725,031,407
Public Utilities	283,410,271	206,370,877	321,265,272	236,716,661
Property management	249,822,266	214,119,708	199,046,472	165,473,332
Total	8,091,485,144	4,241,421,711	6,980,394,887	4,127,221,400

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

35. Operational turnover and cost – cont.

(3) Income from top 5 clients

Name of clients	Turnover	RMB Yuan
		Percentage in total turnover of the Company %
Client I	42,149,597	0.52
Client II	40,341,965	0.50
Client III	39,958,467	0.49
Client IV	37,945,237	0.47
Client V	37,087,823	0.46
Total	197,483,089	2.44

36. Business tax and surcharge

Items	Occurred current term	Amount occurred in same period last year	RMB Yuan
			Rate
Land VAT	792,752,288	509,082,873	Note
Business tax	442,386,064	335,311,052	Note
City maintenance and construction tax	29,219,269	10,008,345	Note
Education surtax	13,714,010	7,158,099	Note
Others	2,632,431	1,364,878	
Total	1,280,704,062	862,925,247	

Note: See Note (III).

37. Financial expenses

Items	Occurred current term	RMB Yuan
		Amount occurred in same period last year
Interest expense	334,107,729	195,007,097
Less: Interest expenses capitalized	230,191,509	173,094,565
Less: Interest income	51,023,401	48,785,129
Exchange differences	(156,152,499)	26,152,464
Less: Exchange difference capitalized	(26,652,607)	8,392,352
Others	4,322,478	12,165,719
Total	(72,284,595)	3,053,234

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

**38. Income from fair value fluctuation**

Source of income from fluctuation of fair value	Occurred current term	RMB Yuan
		Amount occurred in same period last year
Transactional financial assets	1,773,595	19,394,866
Incl. Gains from fluctuation of fair value of derivate financial instruments	1,773,595	19,394,866
Trade off financial liabilities	14,110,671	10,523,008
Investment property measured at fair value	-	-
Others	-	-
<b>Total</b>	<b>15,884,266</b>	<b>29,917,874</b>

**39. Investment income**

(1) Detailed investment gains

Items	Occurred current term	RMB Yuan
		Amount occurred in same period last year
Long-term equity investment gains on cost basis	-	-
Long-term equity investment gains on equity basis	45,609,319	(592,236)
Investment gains from disposal of long-term equity investment	-	-
Investment gains on the date of maturity of financial assets	-	-
Investment gains from disposal of tradable financial assets	(19,295,749)	3,637,080
Investment gains from disposal of investment hold to expiration	-	-
Investment gains from disposal of available-for-sale financial assets	-	-
Others (Note 1)	24,948,540	22,409,110
<b>Total</b>	<b>51,262,110</b>	<b>25,453,954</b>

Note 1: Interest income from entrusted loans was RMB24, 948,540 after deducting of taxes. See Note (V) 7 for details.

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

39. Investment gains – cont.

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

RMB Yuan

Company invested in	Occurred current term	Amount occurred in same period last year	Causation of change
Shenzhen TCL Optical-Electronics Technologies Ltd.	47,739,893	-	
Tianjin Xinhai real Estate Development Co., Ltd.	-	2,094,709	

40. Asset impairment loss

RMB Yuan

Items	Occurred current term	Amount occurred in same period last year
I. Bad debt loss	(4,617)	(2,861)
II. Inventory impairment loss	-	-
III. Disposable financial asset impairment	-	-
IV. Impairment loss from investment held till expiration	-	-
V. Impairment loss from long-term stock investment	-	-
VI. Property investment impairment loss	-	-
VII. Fixed asset impairment loss	-	-
VIII. Engineering goods impairment loss	-	-
IX. Construction-in-process impairment loss	-	-
X. Production goods impairment loss	-	-
XI. Gas and fuel asset impairment loss	-	-
XII. Intangible asset impairment loss	-	-
XIII. Goodwill impairment loss	-	-
XIV. Other	-	-
Total	(4,617)	(2,861)



**(V) Notes to the consolidated financial statements – cont.****41. Non-business income**

## (1) Details of non-operational income

Items	Occurred current term	RMB Yuan
		Amount occurred in same period last year
Total gains from disposal of non-current assets	31,599	66,174
Incl. Gains from disposal of fixed assets	31,599	66,174
Gains from disposal of intangible assets	-	-
Gains from debt reorganization	-	-
Gains from exchange of non-monetary assets	-	-
Donation received	-	-
Government subsidy	1,619,000	7,088,493
Write back of predicted debts	-	-
Income from penalties	891,329	599,948
Others	817,807	1,155,626
Total	3,359,735	8,910,241

## (2) Details of government subsidy

Items	Occurred current term	RMB Yuan	
		Amount occurred	Remarks
VAT refund for electric power import	-	4,862,063	
Subsidy for solar energy application	-	1,020,600	
Tax refund	367,000	556,129	
Industrial development special fund	-	600,000	
Award for great tax payer	1,252,000	-	
Subsidy for culture and sport center	-	-	
Supporting fund for financial crisis	-	-	
Government financing for pipe	-	49,701	
Others	-	-	
Total	1,619,000	7,088,493	

**42. Non-business expenditures**

Items	Occurred current term	RMB Yuan
		Amount occurred in same period last year
Total loss from disposal of non-current assets	442,593	276,647
Incl. Loss from disposal of fixed assets	442,593	276,647
Loss from disposal of intangible assets	-	-
Losses from debt restructuring	-	-
Loss from exchange of non-monetary assets	-	-
Expected liability expense	-	-
Donations	-	2,232,000
Others	2,204,571	2,595,038
Total	2,647,164	5,103,685

**(V) Notes to the consolidated financial statements – cont.****43. Income tax expenses**

Items	RMB Yuan	
	Occurred current term	Amount occurred in same period last year
Income tax calculated according to the law and regulations of current term	470,745,407	582,418,590
Adjustment of differed income tax	115,987,773	(147,676,385)
<b>Total</b>	<b>586,733,180</b>	<b>434,742,205</b>

Adjustments on income tax expenditure and accounting profit:

	RMB Yuan	
	Occurred current term	Amount occurred in same period last year
Accounting profit	2,406,464,972	1,833,668,498
Income tax at 24% (22% last year)	577,551,593	403,407,070
Influence of taxes may not be neutralized by expenses	4,628,073	16,484,665
Influence of tax-free income	(12,302,906)	(2,229,334)
Influence of taxes not confirmed to neutralize loss and neutralizable provisional differences	35,116,990	(45,150,629)
Tax influence by using of unrecognized previous loss and deductible provisional differences	(22,660,693)	43,672,028
Influence of change in timing of writing back differed income tax asset/liability	-	-
Influence of inconsistency in tax rates of subsidiaries in other region	4,400,123	18,558,405
Others	-	-
<b>Income tax expenses</b>	<b>586,733,180</b>	<b>434,742,205</b>

**44. 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	Amount occurred in same period last year
Net profit of current term attributable to common shareholders	1,468,587,411	1,050,179,281
Incl. Net profit attributable to continuous operation	1,468,587,411	1,050,179,281
Net profit attributable to terminating operation	-	-

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

	RMB Yuan	
	Occurred current term	Amount occurred in same period last year
Net profit of current term attributable to common shareholders	1,468,587,411	1,050,179,281
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	1,468,587,411	1,050,179,281
Net profit attributable to terminating operation	-	-

**(V) Notes to the consolidated financial statements – cont.****44. 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	Amount occurred in same period last year
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	Amount occurred in same period last year
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	Amount occurred in same period last year
Calculated according to net profit attributable to the shareholders of the parent company		
Basic earnings per share	0.86	0.61
Diluted earnings per share	0.86	0.61
Calculated according to continuous operation net profit attributable to the shareholders of parent company		
Basic earnings per share	0.86	0.61
Diluted earnings per share	0.86	0.61
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.****45. Other miscellaneous income**

Items	RMB Yuan	
	Occurred current term	Amount occurred in same period last year
1. Gain(loss) generated by sellable financial assets	-	(769,024)
Less: Income tax influence of available-for-sale financial assets	-	(118,046)
Net amount written into other gains and transferred into gain/loss in previous terms	-	-
Sub-total	-	(650,978)
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	4,468,422	39,197,159
Less: Net amount of disposing overseas business and transferred to current gain/loss	-	-
Sub-total	4,468,422	39,197,159
5. Others	(5,621,477)	-
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	(5,621,477)	-
Total	(1,153,055)	38,546,181

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

Items	RMB Yuan	
	Occurred current term	Amount occurred in same period last year
Operational trade money received	2,039,455,447	965,050,266
Project deposit received	143,199,977	337,179,945
Interest received	70,082,500	50,537,793
Operational provisional money received	147,169,375	104,664,258
Total	2,399,907,299	1,457,432,262

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

46. Notes to cash flow statements – cont.

(2) Other cash paid relating to business operation

Items	Occurred current term	RMB Yuan
		Amount occurred in same period last year
Operational trade money paid	1,719,041,536	478,606,354
Project deposit refunded	237,536,195	477,206,606
Cash paid for sales expenses	106,561,289	71,933,008
Cash paid for administrative expenses	41,775,455	51,773,005
Total	2,104,914,475	1,079,518,973

(3) Other cash received relating to investment operation

Items	Occurred current term	RMB Yuan
		Amount occurred in same period last year
Cash received from trade of foreign currency future contract	-	12,887
Total	-	12,887

(4) Other cash paid relating to investment operation

Items	Occurred current term	RMB Yuan
		Occurred in previous term
Cash paid for NDF trade loss	22,597,418	-

**(V) Notes to the consolidated financial statements – cont.****47. Supplementary data of cash flow statement****(1) Supplementary cash flow statement**

	RMB Yuan	
Supplementary Info.	Amount of the Current Term	Amount of the same period of last year
<b>1. Net profit adjusted to cash flow of business operation</b>		
Net profit	1,819,731,792	1,398,926,293
Plus: Asset impairment provision	(4,617)	(2,861)
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	14,913,285	16,924,895
Amortizing of intangible assets and investment properties	77,383,056	68,873,765
Amortizing of long-term expenses	9,127,586	9,611,584
Loss from disposal of fixed assets, intangible assets and other long-term assets	410,994	210,473
Loss of disposing fixed assets	-	-
Loss (gain) from fair value fluctuation	(15,884,266)	(29,917,874)
Financial expenses	(72,284,595)	3,053,234
Investment loss (gains)	(51,262,110)	(25,453,955)
Decrease of differed income tax assets (increase)	115,987,773	(147,676,385)
Increase (decrease) of differed income tax liabilities	-	(118,047)
Decreasing (increase) of inventory	(5,771,433,459)	(3,339,843,203)
Decrease (increase) of operational receivables	(802,331,577)	888,747,172
Increase (decrease) of operational payable items	1,650,703,367	(841,884,392)
Others		
Cash flow generated by business operation, net	(3,024,942,771)	(1,998,549,301)
<b>2. Major investment and financing operation not involving with cash</b>		
Liabilities converted to capital	-	-
Convertible bond expire in 1 year	-	-
Fixed assets leased through financing	-	-
<b>3. Net change of cash and cash equivalents</b>		
Balance of cash at period end	7,907,340,239	10,315,367,297
Less: Initial balance of cash	8,914,595,308	8,775,661,067
Plus: Balance of cash equivalents at the period end	-	-
Less: Initial balance of cash equivalents	-	-
Net increasing of cash and cash equivalents	(1,007,255,069)	1,539,706,230

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

**47. Supplementary data of cash flow statement – cont.**

(2) Composition of cash and cash equivalents

Items	RMB Yuan	
	End of term	Beginning of term
I. Cash	7,907,340,239	8,914,595,308
Incl: Cash in stock	103,479	59,111
Bank savings could be used at any time	7,907,236,760	8,914,536,197
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	7,907,340,239	8,914,595,308



China Merchants Property Development Co., Ltd.

Notes to Financial Statements

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**(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
China Merchants Group Co., Ltd. is the ultimate controlling party of the Group.										

**2. Particulars of the subsidiaries**

See Note (IV)

**3. Joint-ventures and affiliates**

See Note (V) 8

(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 ultimate controlling shareholder	Not applicable
China Merchants Securities Co., Ltd.	Under common ultimate controlling shareholder	19218149 - 0
Huajian Transportation Economic Development Center	Under common ultimate controlling shareholder	10171700 - 0
Shenzhen Nanshan Property Development Co., Ltd.	Under common ultimate controlling shareholder	75046859 - 3
China Merchants International (China) Investment Co., Ltd.	Under common ultimate controlling shareholder	71786931-X
CM Zhangzhou Development Zone Ltd.	Under common ultimate 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
Foshan China Merchants Longyuan Property Co., Ltd.	Affiliate of the Company	57747802-X
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		Amount occurred in same period last year	
				Amount	Percentage in similar trades %	Amount	Percentage in similar trades %
Shenzhen CM Qianhaiwan Property Co., Ltd.	Providing of labor service	Note	Approved by the Board	94,901,000	100	53,350,000	100

Note. This was the income occurred with the construction contract for the overall construction project of phase I to IV of Qianhaiwan Garden undertaken by Shenzhen China Merchants Construction Co., Ltd. – subsidiary of the Company, from Shenzhen China Merchants 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	(6,726,084)
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen CM Power Supply Co., Ltd.	Land using right	2007.01.01	2011.12.31	(1,142,943)
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen China Merchants Property Co., Ltd.	Land using right	2010.01.01	2012.12.31	(3,809,176)
Shanghai CM Plaza Property Co., Ltd.	Subsidiary in Shanghai	Shanghai CM Plaza	2011.01.01	2011.11.01	(1,650,947)
Huajian Transportation Economic Development Center	CM Property (Beijing) Ltd.	CM Tower	2007.05.10	2011.06.30	(696,000)
Shenzhen China Merchants Property Co., Ltd.	China Merchants Shekou Industrial Zone Co., Ltd.	Office building of New Time Plaza	2011.01.01	2011.12.31	5,317,001
Shenzhen China Merchants Property Co., Ltd.	China Merchants International (China) Investment Co., Ltd.	Office building of New Time Plaza, industrial building	2011.01.01	2011.12.31	2,263,627
Shenzhen China Merchants Property Co., Ltd.	China Merchants International IT Co., Ltd.	Nanhai E-cool, Science and Tech Building phase II	2011.01.01	2014.02.28	589,056
Shenzhen China Merchants Property Co., Ltd.	Shenzhen Beike Venture Co., Ltd.	Beike Chuangye Building	2000.07.01	2015.06.30	333,330
Shenzhen China Merchants Property Co., Ltd.	China Merchants Group Shenzhen Major Project Coordinating Office	Office building of New Time Plaza	2010.11.01	2011.10.31	250,542
Shenzhen China Merchants Property Co., Ltd.	Shenzhen China Merchants International Shipping Agency Co., Ltd.	Office building of New Time Plaza, United Building	2011.01.01	2011.12.31	218,963

The above transactions are implemented according to agreement price.

(3) Related guarantees

RMB Yuan

The Guarantor	The Beneficiary	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.	78,000,000	2011.05.26	2012.04.16	No
CM Group Co., Ltd. (Note 2)	The Company	2,000,000,000	2010.04.20	2017.04.20	No
Dafeng International Holdings Co., Ltd. (Note 3)	Eureka Investment Industrial Ltd.	323,580,000	2011.02.28	2011.11.28	No
China Merchants Group (HK) Co., Ltd. (Note 3)	Eureka Investment Industrial Ltd.	2,030,173,200	2007.11.20	2013.12.24	No

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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Dafeng International Co., Ltd. – the subsidiary of CM Shekou Industry Co., Ltd., has provided guarantee for the future foreign currency contract of Eureka 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 Sekou Industrial Zone Co., Ltd. provide guarantee for the loan of the Company amount to RMB940,000,000; and provided guarantee for the loan of Shenzhen China Merchants Property Co., Ltd. amount to RMB780,000,000.

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

Note 3: Eureka Investment Co., Ltd. – one of the subsidiaries of the Company, raised loan of USD297,000,000 (RMB1,922,065,200), HKD 130,000,000 (RMB108,108,000) from the bank which was secured by CM Group (HK) Co., Ltd.; the loan of USD50,000,000 (RMB323,580,000) which was secured by Dafeng International Holdings Co., Ltd.

**(VI) (7) Related Parties and Related Transactions -continues****6. Receivable and payables due with related parties**

RMB Yuan

Projects	Related parties	Amount at end of term	Initial amount
Other account receivable	Foshan China Merchants Longyuan Property Co., Ltd.	672,924,122	-
Other account receivable	Shenzhen TCL Optical-Electronics Technologies Ltd.	227,159,525	291,155,457
Other account receivable	China Merchants Guangming Technologies Garden Ltd.	-	13,960,000
Long-term receivable	Huizhou Taitong Property Investment Co., Ltd.	141,577,000	134,579,000
Account payable	China Merchants Shekou Industrial Zone Co., Ltd.	111,751,800	-
Other account payable	CM Zhangzhou Development Zone Ltd.	393,929,535	393,929,535
Other account payable	Shenzhen Nanshan Property Development Co., Ltd.	259,201,912	344,987,895
Other account payable	Shenzhen Shekou Dazhong Investment Co., Ltd.	138,235,302	138,235,302
Other account payable	China Merchants Guangming Technologies Garden Ltd.	74,095,728	1,055,028
Other account payable	Shenzhen China Merchants Financing Service Co., Ltd.	71,770,000	53,440,000
Other account payable	Shenzhen China Merchants Landmark Co., Ltd.	693,279	1,838,494
Other account payable	China Merchants Hanghua Technologies and Trade Center Co., Ltd.	528,151	528,151
Other account payable	Tianjin Xinhai real Estate Development Co., Ltd.	106,081,399	133,081,399
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	39,604,987

**(VII) Contingency**

As of June 30, 2011, the Company has provided guarantees for property mortgages to the banks totaled to RMB74,887,795 (December 31, 2010: RMB205,889,457). 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
- Outsourcing contract with large amount	-	-
— Real estate development projects	7,691,306,417	7,570,722,695
— Investment commitment to the outside	-	-
Total	7,691,306,417	7,573,466,424

**(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.	31,064,794	44,307,562
The Second years since the balance sheet date.	29,422,208	41,559,497
The Third years since the balance sheet date.	28,822,025	41,335,434
The following years.	289,567,848	346,187,586
Total	378,876,875	473,120,079

**(IX) Post-balance-sheet issues**

No post-balance-sheet issue with the Company up to the date of this report.

**(X) Segment report**

According to the internal structure, administrative requirement and reporting criteria of the Group, the Group divides its businesses into four reporting segments. These reporting segments are decided according to the characteristics of businesses. The executives evaluate the business performance of these segments and decide the allocation of resources. These segments are: property development, public utilities, and property management.

Segment report adopts same accounting policies and measurement basis with those adopted in preparing of this financial statement.

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

(X) Segment report - continues

(1) Segment report data

RMB Yuan

	Property development		Public Utilities		Property management		Unclassified projects		Neutralized between segments		Total	
	Current year	Same period last year	Current year	Same period last year	Current year	Same period last year	Current year	Same period last year	Current year	Same period last year	Current year	Same period last year
Turnover												
Income from external trade	7,699,951,909	6,460,083,143	276,284,982	321,265,272	249,822,266	199,046,472	-	759,038	(134,574,013)	-	8,091,485,144	6,981,153,925
Income among the segments	8,684,000.00	-	-	-	-	-	-	-	(8,684,000)	-	-	-
Total turnover of the segments	7,708,635,909	6,460,083,143	276,284,982	321,265,272	249,822,266	199,046,472	-	759,038	(143,258,013)	-	8,091,485,144	6,981,153,925
Adjusted items:												
Total turnover in the financial statement												
Operation cost	3,951,072,216	3,725,031,407	197,974,756	236,716,661	214,119,708	165,473,332	-	142,333	(121,744,969)	-	4,241,421,711	4,127,363,733
Segment operation profit (loss)	3,757,563,693	2,735,051,736	78,310,226	84,548,611	35,702,558	33,573,140	-	616,705	(21,513,044)	-	3,850,063,433	2,853,790,192
Adjusted items:												
Business tax and surcharge	1,265,913,921	851,678,388	1,163,599	815,766	13,626,542	10,431,093	-	-	-	-	1,280,704,062	862,925,247
Sales expense	159,949,829	112,145,064	-	-	-	-	-	-	-	-	159,949,829	112,145,064
Administrative expense	121,742,510	71,161,608	5,204,184	6,674,145	14,520,181	13,060,686	1,625,854	10,282,955	-	-	143,092,729	101,179,394
Financial expenses	24,934,426	(15,283,182)	(21,585,029)	(272,842)	(2,203,510)	(1,519,832)	(73,430,482)	20,129,090	-	-	(72,284,595)	3,053,234
Asset impairment loss	(4,617)	(2,861)	-	-	-	-	-	-	-	-	(4,617)	(2,861)
Income from change of fair value	-	-	-	-	-	-	15,884,266	29,917,874	-	-	15,884,266	29,917,874
Investment income	70,203,918	2,927,006	-	-	353,941	390,684	(19,295,749)	22,136,264	-	-	51,262,110	25,453,954
<b>Operation profit</b>	2,255,231,542	1,718,279,725	93,527,472	77,331,542	10,113,286	11,991,877	68,393,145	22,258,798	(21,513,044)	-	2,405,752,401	1,829,861,942
Non-operational income	3,271,512	3,396,091	3,500	4,912,894	84,723	601,256	-	-	-	-	3,359,735	8,910,241
Non-operational expenditure	315,766	2,655,341	2,279,218	2,278,486	52,180	169,858	-	-	-	-	2,647,164	5,103,685
<b>Total profit</b>	2,258,187,288	1,719,020,475	91,251,754	79,965,950	10,145,829	12,423,275	68,393,145	22,258,798	(21,513,044)	-	2,406,464,972	1,833,668,498
Income tax	559,551,066	405,867,659	23,093,300	18,360,567	4,088,814	4,512,537	-	6,001,442	-	-	586,733,180	434,742,205
<b>Net profit</b>	1,698,636,222	1,313,152,816	68,158,454	61,605,383	6,057,015	7,910,738	68,393,145	16,257,356	(21,513,044)	-	1,819,731,792	1,398,926,293



China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

(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	Same period last year	Current year	Same period last year	Current year	Same period last year	Current year	Same period last year	Current year	Same period last year	Current year	Same period last year
<b>Total asset of the segments</b>	98,488,888,761	48,700,383,337	3,608,615,712	3,770,461,248	493,035,767	472,737,757	7,016,681,792	23,312,528,448	(43,903,975,133)	(24,470,465,895)	65,703,246,899	51,785,644,895
Total asset in the financial statements	98,488,888,761	48,700,383,337	3,608,615,712	3,770,461,248	493,035,767	472,737,757	7,016,681,792	23,312,528,448	(43,903,975,133)	(24,470,465,895)	65,703,246,899	51,785,644,895
<b>Total liability of the segments</b>	65,981,198,791	35,548,838,318	2,626,208,732	2,785,938,164	400,537,537	36,330,819	6,429,622,437	17,841,550,683	(32,420,078,717)	(24,470,465,895)	43,017,488,780	31,742,192,089
Total liability in the financial statements	65,981,198,791	35,548,838,318	2,626,208,732	2,785,938,164	400,537,537	36,330,819	6,429,622,437	17,841,550,683	(32,420,078,717)	(24,470,465,895)	43,017,488,780	31,742,192,089
<b>Supplementary info.</b>												
Depreciation	9,143,609	6,901,811	4,643,891	8,904,500	1,125,785	1,118,584	-	-	-	-	14,913,285	16,924,895
Amortized	86,510,642	78,384,924	-	4,873	-	-	-	95,552	-	-	86,510,642	78,485,349
Interest income	36,421,377	45,593,691	12,743,975	1,240,872	484,895	1,639,772	1,373,154	310,794	-	-	51,023,401	48,785,129
Interest expense	98,487,009	13,771,325	5,429,211	8,141,207	-	-	-	-	-	-	103,916,220	21,912,532
Impairment recognized in current term	(4,167)	(2,861)	-	-	-	-	-	-	-	-	(4,167)	(2,861)
Investment gains recognized with long-term equity investment on equity basis	45,255,378	-	-	-	353,941	-	-	(592,236)	-	-	45,609,319	(592,236)
Amount of long-term equity investment on equity basis	759,653,571	-	-	-	5,041,405	-	-	615,920,380	-	-	764,694,976	615,920,380
Non-current asset other than long-term equity investment	5,186,485,320	4,679,503,497	116,215,725	100,440,141	9,147,603	12,519,734	149,320,695	142,052,666	-	-	5,461,169,343	4,934,516,038
Capital expenditure	10,924,291	252,596,902	12,907,121	806,933	1,827,418	1,286,592	-	56,400	-	-	25,658,830	254,746,827
Incl. Expenditure of construction-in-process	-	-	12,758,921	656,918	913,709	-	-	-	-	-	13,672,630	656,918
Expenditure for purchasing of fixed assets	9,291,308	3,225,824	148,200	150,015	913,709	1,286,592	-	56,400	-	-	10,353,217	4,718,831
Expenditure for purchasing of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Expenditure for purchasing of investment property	1,632,983	249,371,078	-	-	-	-	-	-	-	-	1,632,983	249,371,078
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	Occurred current term	RMB Yuan
		Amount occurred in same period last year
External trade income from mainland China	8,144,325,918	6,981,153,925
External trade income from Hong Kong and abroad	-	-
Total	8,144,325,918	6,981,153,925

Items	End of term	RMB Yuan
		Beginning of term
Non-current asset located in mainland China	4,967,381,057	5,003,573,235
Non-current asset located in Hong Kong and abroad	149,320,695	145,631,405
Total	5,116,701,752	5,149,204,640

**(XI) Financial Instruments and Risk Management**

Financial instruments adopted by the Group 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 Group are illustrated hereafter. The executive team of the Company have been monitoring and controlling over the risk exposures to constrain them in a limited 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 June 30, 2011, 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	351,993,839	766,468,367
Other account receivable	696,631	811,826
Long-term receivable	148,976,670	145,147,392
Other account payable	1,294,210,760	1,157,654,458
Short-term loans	365,062,956	472,132,283
Long-term loans due in 1 year	970,740,000	661,515,187
Long-term borrowings	3,576,885,600	4,402,688,087

Note: As of June 30, 2011, except for the above assets and liabilities accounted in HKD or USD, the Company has the book principal of USD180,000,000 (RMB1,164,888,000) 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 risks

The Company's loans are mainly in Renminbi, and foreign currency loans are just auxiliary measures. Foreign currency loans are mainly floating rate loans in USD and HKD without being influenced by adjustment of basic interest rate done by People's Bank of China. As for loans in RMB, the Company eliminated the influence of increasing interest rate to a certain extent by obtaining fix rate loans in advance and raise the portion of fix rate loans in the whole loans, in both arrangements of short-term and long-term loans.

**(XI) Financial Instruments and Risk Management - continues**

*1.2 Credit risks*

As at June 30, 2011, 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 is as the followings:

	Book value	Gross value	within 1 yr	RMB Yuan	
				1-5 yrs	over 5 yrs
Monetary capital	8,967,712,438	8,967,712,438	8,967,712,438	-	-
Account receivable	88,878,553	88,878,553	88,878,553	-	-
Other account receivable	4,276,608,466	4,276,608,466	4,276,608,466	-	-
Non-current asset due in 1 year	969,987	969,987	969,987	-	-
Long-term receivable	1,297,613,656	1,297,613,656	-	1,297,613,656	-
Short-term loans	(2,433,062,956)	(2,433,062,956)	(2,433,062,956)	-	-
Account payable	(4,922,342,738)	(4,922,342,738)	(4,922,342,738)	-	-
Interest payable	(84,337,866)	(84,337,866)	(84,337,866)	-	-
Dividend payable	(375,533,977)	(375,533,977)	(375,533,977)	-	-
Other account payable	(6,347,908,156)	(6,347,908,156)	(6,347,908,156)	-	-
Non-current liability due in 1 year	(2,458,362,972)	(2,458,362,972)	(2,458,362,972)	-	-
Long-term borrowings	(10,829,222,300)	(10,829,222,300)	-	(8,829,222,300)	(2,000,000,000)
Long-term payable	(72,703,760)	(72,703,760)	-	(72,703,760)	-

**2. Fair value**

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

- Fair values of financial assets and financial liabilities complying with standard conditions and with active market are decided respectively with reference to the current prices of the active market and current offers;
- Fair value of other financial assets and financial liabilities (derivate instruments not included) are recognized by general pricing matrix on future discounted cash flow basis, or recognized by observable current market prices;
- Fair values of derivate instruments are determined by the public offer in the active market.

The management of the Company deems that, the book values of financial assets and financial liabilities measured by amortized costs are close to the fair values of these assets and liabilities.

**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			Total
	Level 1	Level 2	Level 3	
Transactional financial assets:				
- Derivate financial assets	2,640,628	-	-	2,640,628
Available-for-sale financial asset				
- equity instruments	-	-	-	-
Total	2,640,628	-	-	2,640,628
Transactional financial liabilities:				
- Derivate financial liabilities	7,218,100	-	-	7,218,100
Total	7,218,100	-	-	7,218,100

RMB Yuan

	Beginning of term			Total
	Level 1	Level 2	Level 3	
Transactional financial assets:				
- Derivate financial assets	846,539	-	-	846,539
Available-for-sale 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

No shifting of fair value measuring on 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 risks*

Interest risks are mostly the influences of interest fluctuation on the borrowing expenses. Most of the borrowing expenses have been capitalized and accounted into inventory cost, therefore fluctuation of interest rate is not making major influence on the gain/loss of current term or shareholders' equity at end of report term.

**(XII) Notes to the main items of the financial statements of the parent company**

1. Other account receivable.

(1) Other account receivable categorized by property

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	22,499,421,422	100	-	-	19,689,135,591	100	-	-
No major amount individually but with great risk after combined with others with similar credit risk	-	-	-	-	-	-	-	-
Other minor other receivables	4,366,808	-	-	-	3,215,197	-	-	-
Total	22,503,788,230	100	-	-	19,692,350,788	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	22,503,273,730	100	-	22,503,273,730	19,690,541,912	100	-	19,690,541,912
1-2 years	-	-	-	-	1,294,376	-	-	1,294,376
2-3 years	514,500	-	-	514,500	514,500	-	-	514,500

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The period from January 1, 2011 to June 30, 2011

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Over 3 yrs	-	-	-	-	-	-	-	-
Total	22,503,788,230	100	-	22,503,788,230	19,692,350,788	100	-	19,692,350,788

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



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

**1. Other account receivable – cont.**

(3) Top other receivable accounts

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	5,118,410,565	1 年以内	23
Shenzhen CM Power Supply Co., Ltd.	Subsidiary of the Company	2,264,000,000	within 1 yr	10
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	Subsidiary of the Company	1,770,416,807	within 1 yr	8
Chengdu CM Beicheng Property Co., Ltd.	Subsidiary of the Company	1,655,899,218	within 1 yr	7
China Merchants Properties (Chongqing) Co., Ltd.	Subsidiary of the Company	1,401,664,145	within 1 yr	6
Total		12,210,390,735		54

(4) Receivables from related parties: See Note (XII)7(2)

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The year ended December 31, 2010

(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	Impairment provision provided this term	Cash dividend of the term
China Merchants Guangming Technologies Garden Ltd.	Equity basis	98,000,000	83,522,141	95,265,992	178,788,133	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 CM Property Co., Ltd. (Note 1)	Cost basis	300,000,000	2,734,841,461	(2,076,481,429)	658,360,032	100%	100%	Not applicable	-	-	-
Shenzhen China Merchants Shangzhi Investment Co., Ltd. (Note 1)	Cost basis	200,000,000	-	2,076,481,429	2,076,481,429	100%	100%	Not applicable	-	-	-
Shenzhen CM Power Supply Co., Ltd.	Cost basis	57,000,000	119,791,233	-	119,791,233	95%	95%	Not applicable	-	-	-
China Merchants Property Management Co., Ltd.	Cost basis	22,500,000	36,460,597	-	36,460,597	90%	90%	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	-	-	-
Eureka Investment Industrial Ltd.	Cost basis	19,919,300	19,919,300	-	19,919,300	100%	100%	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	-	-	-
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	127,500,000	-	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	-	-	-
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	-	-	-
Fujian Zhongliansheng Property Development Co., Ltd.	Cost basis	25,000,000	25,000,000	-	25,000,000	50%	50%	Note 2	-	-	-
China Merchants Property (Wuhan)	Cost basis	30,000,000	-	30,000,000	30,000,000	100%	100%	Not applicable	-	-	-

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The year ended December 31, 2010

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Co., Ltd.											
China Merchants Property (Zhenjiang) Co., Ltd.	Cost basis	50,000,000	-	50,000,000	50,000,000	100%	100%	Not applicable			
Zhenjiang Yingsheng Property Development Co., Ltd.	Cost basis	6,045,000	-	6,045,000	6,045,000	100%	100%	Not applicable			
Total			3,538,956,943	181,310,992	3,720,267,935				-	-	-

Note 1: For details please see Note (IV)1(13).

Note 2: For details please 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 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 Company's long-term equity invested subsidiaries as of June 30, 2011 were not limited in ability to transfer capital to the Company.

**(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	2,216,506,000	998,021,500
Total	2,216,506,000	998,021,500

## 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	864,716,000	500,000,000
Bond payable due in one year	-	-
Long-term payable due in 1 year	-	-
Other non-current liabilities due in 1 year	-	-
Total	864,716,000	500,000,000

## (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	464,716,000	500,000,000
Total	864,716,000	500,000,000

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

Loan provided by	Commence date	Terminate date	Currency	Interest rates %	RMB Yuan	
					End of term	
					Amount of foreign currency	Amount of original currency
Financial Institution I	2009.04.24	2012.04.24	RMB	4.86		300,000,000
Financial Institution II	2009.05.26	2012.05.26	RMB	4.86		300,000,000
Financial Institution III	2009.06.10	2012.06.10	RMB	4.86		100,000,000
Financial Institution IV	2009.06.24	2012.06.24	RMB	4.86		100,000,000
Financial Institution V	2010.07.21	2012.01.21	USD	Float	10,000,000	864,716,000

**(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)	2,540,000,000	2,940,000,000	
Credit loan	3,872,228,000	3,843,316,000	
Entrusted loan	-	-	
Total	6,412,228,000	6,783,316,000	

Note: See Note (V)28(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	2009.07.24	2012.07.23	RMB	4.86		400,000,000
Financial Institution V	2009.07.17	2014.07.17	RMB	5.472		330,000,000
Total						4,200,000,000

6. Investment income

(1) Detailed investment gains

Items	Occurred current term	RMB Yuan	
		Amount occurred in same period last year	
Long-term equity investment gains on cost basis	-	-	
Long-term equity investment gains on equity basis	(2,734,008)	(2,403,251)	
Investment gains from disposal of long-term equity investment	-	-	
Investment gains in the period of holding transactional financial assets	-	-	
Investment gains in the period from receiving to expiration	-	-	
Investment gains in period of holding disposable financial assets	-	-	
Investment gains from disposal of transactional financial assets	-	-	
Investment gains from disposal of investment hold to expiration	-	-	
Investment gains from disposal of available-for-sale financial assets	-	-	
Others	22,581,942	22,409,110	
Total	19,847,934	20,005,859	

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

7. Related Transactions

(1) Guarantees of related parties

					RMB Yuan
The guarantor	The beneficiary	Amount guaranteed	Start date	Due date	Completed or not
The Company	Shenzhen CM Power Supply Co., Ltd.	194,148,000	2010.06.18	2013.06.18	No
The Company	Shenzhen CM Power Supply Co., Ltd.	138,556,956	2011.03.10	2012.03.25	No
The Company	Zhuhai Yuanfeng Property Co., Ltd.	8,670,000	2009.11.27	2012.06.18	No
The Company	Fujian Zhongliansheng Property Development Co., Ltd.	75,000,000	2011.06.27	2014.06.28	No
The Company	Eureka Investment Industrial Ltd.	1,255,490,400	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	1,913,775,223
Dividend receivable	Suzhou CM Nanshan Property Co., Ltd.	59,407,480	182,635,545
Dividend receivable	China Merchants (Suzhou) Co., Ltd.	-	59,407,480
Dividend receivable	Shanghai China Merchants Properties Co., Ltd.	13,298,824	13,298,824
	Total	1,986,481,527	2,169,117,072
Other account receivable	Shenzhen China Merchants Property Co., Ltd.	5,118,410,565	5,421,906,548
Other account receivable	Shenzhen CM Power Supply Co., Ltd.	2,264,000,000	2,000,000,000
Other account receivable	Shenzhen China Merchants Shangzhi Investment Co., Ltd.	1,770,416,807	-
Other account receivable	Chengdu CM Beicheng Property Development Co., Ltd.	1,655,899,218	793,380,770
Other account receivable	China Merchants Properties (Chongqing) Co., Ltd.	1,401,664,145	1,351,114,146
Other account receivable	Nanjing China Merchants Ruisheng Property Co., Ltd.	1,302,000,000	-
Other account receivable	CM (Nanjing) Ltd.	1,214,700,000	2,144,700,000
Other account receivable	Shanghai Jingyuan Property Development Co., Ltd.	1,040,622,677	1,001,489,668
Other account receivable	Shanghai CM Fengrui Property Ltd.	700,879,200	700,879,200
Other account receivable	Tianjing Zhaosheng Property Co., Ltd.	600,041,316	599,248,516
Other account receivable	Zhuhai China Merchants Property Co., Ltd.	597,524,874	548,346,527
Other account receivable	Fujian Zhongliansheng Property Development Co., Ltd.	523,055,000	-
Other account receivable	CM Property Xiamen Co., Ltd.	512,500,000	-
Other account receivable	Zhenjiang Yingsheng Property Development Co., Ltd.	508,082,600	-
Other account receivable	Guangzhou China Merchants Real-estate Co., Ltd.	464,187,417	1,282,901,475
Other account receivable	China Merchants Property (Wuhan) Co., Ltd.	410,975,455	-
Other account receivable	Zhangzhou China Merchants Properties Co., Ltd.	406,771,900	406,716,900
Other account receivable	Suzhou CM Nanshan Property Co., Ltd.	389,062,299	517,777,820
Other account receivable	Chengdu China Merchants Beihu Property Co., Ltd.	332,887,496	213,133,617
Other account receivable	Beijing Kanglade Property Development Co., Ltd.	313,207,158	286,983,158
Other account receivable	Chengdu CM Property Co., Ltd.	289,693,108	242,957,993
Other account receivable	Shanghai Fengyang Property Development Co., Ltd.	220,643,596	220,643,596
Other account receivable	CM (Chongqing) Ltd.	100,015,001	100,000,001
Other account receivable	Eureka Investment Industrial Ltd.	80,678,350	80,681,323
Other account receivable	Foshan Xinjie Property Ltd.	39,139,788	35,551,640
Other account receivable	Foshan CM Huidefeng Property Co., Ltd.	30,705,280	18,081,580
Other account receivable	Shenzhen China Merchants Xin'an Properties Co., Ltd.	18,695,006	25,896,380
Other account receivable	Shenzhen China Merchants Business Development Consultancy Co., Ltd.	16,097,293	2,000
Other account receivable	Suzhou Shuanghu Property Co., Ltd.	7,344,066	-
Other account receivable	Shenzhen Shekou Sea World Hotel Management Co., Ltd.	1,745,605	-
Other account receivable	Foshan Xincheng Property Co., Ltd.	1,085,932	-
Other account receivable	Shenzhen Meiyue Property Development Co., Ltd.	65,110	55,110
Other account receivable	Yunnan CM Chengtuo Property Co., Ltd.	5,000	-
Other account receivable	Shenzhen City Main Plaza Investment Co., Ltd.	2,000	-
Other account receivable	China Merchants (Suzhou) Co., Ltd.	-	212,554,011
Other account receivable	Suzhou Shuanghu Property Co., Ltd.	-	104,680,724
Other account receivable	China Merchants Guangming Technologies Garden Ltd.	-	13,960,000
Other account receivable	Zhuhai Yuanfeng Property Co., Ltd.	-	104,349
	<b>Total</b>	<b>22,332,803,262</b>	<b>18,323,747,052</b>



**(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.

Projects	Related parties	RMB Yuan	
		Amount at end of term	Initial amount
Other account payable	Shenzhen CM Power Supply Co., Ltd.	2,448,056,713	1,900,525,832
Other account payable	Shanghai CM Minsheng Property Ltd.	521,751,870	183,032,337
Other account payable	CM Property (Beijing) Ltd.	442,117,963	607,250,847
Other account payable	Guangzhou China Merchants Real-estate Co., Ltd.	368,740,323	349,538,399
Other account payable	Shenzhen CM Construction Co., Ltd.	287,864,464	150,783,764
Other account payable	Shanghai CM Fengsheng Property Ltd.	231,525,183	267,669,457
Other account payable	Shanghai China Merchants Properties Co., Ltd.	189,865,795	181,633,305
Other account payable	Tianjing Zhaosheng Property Co., Ltd.	161,553,220	114,220,454
Other account payable	Shenzhen China Merchants Property Management Co., Ltd.	149,706,161	155,596,500
Other account payable	CM (Chongqing) Ltd.	142,882,436	93,271,426
Other account payable	Shanghai Fengyang Property Development Co., Ltd.	136,717,220	83,150,426
Other account payable	Tianjin China Merchants Properties Co., Ltd.	135,396,804	132,759,411
Other account payable	Beijing CM Property Management Co., Ltd.	115,004,084	108,303,386
Other account payable	China Merchants Jiaming (Beijing) Property Development Co., Ltd.	103,329,154	123,329,154
Other account payable	Shekou Xinghua Industrial Holdings Co., Ltd.	101,091,732	98,946,477
Other account payable	Shanghai CM Fengrui Property Ltd.	98,797,039	81,127,410
Other account payable	CM (Nanjing) Ltd.	96,359,014	192,889,813
Other account payable	China Merchants Guangming Technologies Garden Ltd.	74,095,728	1,055,028
Other account payable	Zhangzhou China Merchants Properties Co., Ltd.	66,823,976	96,530,810
Other account payable	China Merchants Property (Zhenjiang) Co., Ltd.	49,777,274	-
Other account payable	Shanghai CM Property Management Co., Ltd.	41,632,293	42,467,549
Other account payable	China Merchants (Suzhou) Co., Ltd.	40,966,797	466,677,757
Other account payable	Shenzhen CM Property Consultancy Ltd.	40,352,511	50,383,640
Other account payable	Shanghai China Merchants Real-estates Co., Ltd.	30,497,188	30,498,688
Other account payable	China Merchants Property (Wuhan) Co., Ltd.	26,610,750	-
Other account payable	China Merchants Property Management Co., Ltd.	18,985,585	14,515,492
Other account payable	Wuhan CM Property Management Co., Ltd.	15,321,248	18,305,889
Other account payable	Nanjing China Merchants Ruisheng Property Co., Ltd.	14,862,097	-
Other account payable	Zhangzhou CM Honglong Property Ltd.	13,865,965	13,865,965
Other account payable	Shenzhen Taige Apartment Management Co., Ltd.	12,867,163	76,290,642
Other account payable	Shenzhen CM Qile Property Management Ltd.	12,043,615	11,616,514
Other account payable	Shenzhen CM Commercial Development Co., Ltd.	9,160,134	49,969,324
Other account payable	CM Property Xiamen Co., Ltd.	8,782,642	48,500,000
Other account payable	Shenzhen City Main Plaza Investment Co., Ltd.	3,943,887	30,136,096

China Merchants Property Development Co., Ltd.

Notes to Financial Statements

The year ended December 31, 2010

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Other account payable	Shenzhen China Merchants Xin'an Properties Co., Ltd.	3,625,747	4,225,893
Other account payable	Eureka Investment Industrial Ltd.	3,416,349	3,416,349
Other account payable	Chengdu CM Property Co., Ltd.	3,138,750	-
Other account payable	Zhenjiang Yingsheng Property Development Co., Ltd.	2,076,303	-
Other account payable	Nanjing CM Property Management Co., Ltd.	1,044,327	4,038,353
Other account payable	Beijing Kanglade Property Development Co., Ltd.	1,031,287	1,022,582
Other account payable	Shenzhen Shekou Sea World Hotel Management Co., Ltd.	-	12,366,964
Other account payable	Foshan Xinjie Property Ltd.	-	10,245,093
Other account payable	Chengdu CM Beicheng Property Development Co., Ltd.	-	9,000,000
	<b>Total</b>	<b>6,225,680,791</b>	<b>5,819,157,026</b>

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.

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Supplementary Information  
The year ended December 31, 2010**(XIII) Supplementary Info.**

## 1. Details of non-recurring gain/loss

Items	RMB Yuan	
	Amount	Remarks
Gain/loss of non-current assets	(411,644)	-
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)	1,619,000	-
Capital adoption fee collected from non-financial organizations and accounted into current gain/loss	-	-
Gain/loss from differences between the cost of enterprise merger and the fair value of recognizable net asset of the invested entities	-	-
Gain/loss from non-monetary assets	-	-
Gain/loss from commissioned investment or assets	-	-
Asset impairment provisions provided for force-majeur	-	-
Gain/loss from debt reorganization	-	-
Enterprise reorganizing expenses, such as employee placement fee and integration fee	-	-
Gain/loss from trade departing from fair value	-	-
Current net gain/loss of subsidiaries under same control from beginning of term till date of consolidation	-	-
Gain/loss generated by contingent liabilities without connection with main businesses	-	-
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses	-	-
Restoring of receivable account impairment provision tested individually	-	-
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	(494,786)	-
Other gain/loss items satisfying the definition of non-recurring gain/loss account	-	-
Influenced amount of income tax	(214,539)	-
Influence on minority shareholders' equity (after tax)	(525,691)	-
Total	27,660	-

Supplementary Information  
The year ended December 31, 2010

## (XIII) Supplementary info. – cont.

## 2. Net income on asset ratio and earning per share

This calculation formula of net income on asset ratio and earning per share was prepared by CMPD are according to “Information Disclosure Rules of PLC No.09 – calculating and disclosing of net income on asset and earnings per share” (Revised 2010) 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	7.77%	0.86	0.86
Net profit attributable to the common owners of the PLC after deducting of non-recurring gains/losses	7.77%	0.86	0.86

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

RMB Yuan

	Items	Current term	Comparing amount	Scale of change	Causation of differences
1	Transactional financial assets	2,640,628	846,539	212%	Decreased by handover of NDF contracts in the period and fluctuation of NDF market prices
2	Prepayment	116,205,959	5,598,968	1975%	Increase of project prepayment
3	Other current asset	1,554,093,471	980,538,674	58%	Prepaid tax increased due to increase of property sales
4	Short-term loans	2,433,062,956	1,172,132,283	108%	Expanding of business scale
5	Trade off financial liabilities	7,218,100	20,824,615	(65%)	Decreased by handover of NDF contracts in the period and fluctuation of NDF market prices
6	Notes payable	-	275,616,189	(100%)	Decrease of mature notes
7	Employees' wage payable	107,910,392	207,232,511	(48%)	Decreased by delivering of wages
8	Tax payable	892,048,600	614,789,018	45%	Tax payable increased due to increase of property sales
9	Dividend payable	375,533,977	124,209,948	202%	Increase of dividend distribution
10	Non-current liability due in 1 year	2,458,362,972	1,856,422,159	32%	Increased due to approaching of long-term loan due date
11	Business tax and surcharge	1,280,704,062	862,925,247	48%	Tax increased due to increase of property sales
12	Sales expense	159,949,829	112,145,064	43%	Expanding of business scale
13	Administrative expense	143,092,729	101,179,394	41%	Expanding of business scale
14	Financial expenses	(72,284,595)	3,053,234	(2467%)	Increase of exchange gains
15	Gain/loss from change of fair value	15,884,266	29,917,874	(47%)	Decreased due to fluctuation of NDF market
16	Investment income	51,262,110	25,453,954	101%	Increase of investment returns from affiliates
17	Income tax expenses	586,733,180	434,742,205	35%	Increase of total profit