



## Annual Report 2011

Announcement No.: **【CMPD】2012-006**

### Chapter 1. Important Notice & Content

#### **Important Notice:**

Board of Directors, Supervisors 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.

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 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.

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## Chapter 2. Company Profile

### I. Legal Name of the Company:

In Chinese: 招商局地产控股股份有限公司

Abbr: 招商地产

In English: CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD.

Abbr: CMPD

### II. Legal Representative: 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

Tel: 0755-26819600

Fax: 0755-26818666

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

### IV. Registered Address: No.3 Building, Nanhai E Cool Park, No.6 Xinghua Road, Shekou Industrial Zone, Nanshan District, Shenzhen

Office Address: No.3 Building, Nanhai E Cool Park, No.6 Xinghua Road, Shekou Industrial Zone, Nanshan District, Shenzhen

Post Code: 518067

Company Website: <http://www.cmpd.cn>

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

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

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

Place Where the is Prepared and Placed: The Office of the Board of Directors

### VI. Stock Exchange where the Company’s shares are listed: Shenzhen Stock Exchange

The Secondary Stock Exchange listed: Singapore Stock Exchange

Short Form of the Stock: CMPD, CMPD-B

Stock Code: 000024, 200024

### VII. Other Relevant Information of the Company

1. Initial registration date: September 19, 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:

Name: Deloitte Touche Tohmatsu (Shanghai) CPA Ltd.

### VIII. Paraphrases

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

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

## Chapter 3. Financial Summary

### I. Main accounting data of 2011(Unit: RMB)

items	amount
Operating profit	4,389,510,829
Total profit	4,491,848,414
Net profit attributable to shareholders of the listed company	2,591,781,031
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	2,490,234,506
Net cash flow from operating activities	-2,112,339,698

### Non-recurring gain and loss items(Unit: RMB)

Non-recurring gain and loss items	Amount of 2011	Amount of 2010	Amount of 2009
Gains/losses from the disposal of non-current assets	-256,439	13,091,826	1,299,323
Government subsidies	1,876,900	3,716,729	3,528,698
Other non-operating income and expenditure except all above items	100,717,124	-5,816,519	-19,337,833
Influences on minority stockholder's interest	-598,846	-367,515	-741,097
Impact on income tax	-192,214	-2,404,410	2,686,297
Receivables depreciation reserves restitution with independent impairment test	0	0	1,940,114
Total	101,546,525	8,220,111	-10,624,498

### II. Main accounting data and financial indicators of previous three years up till the end of report period (Unit: RMB)

Items	2011	2010	Year-on-year Change	2009
Operating income	15,111,366,642	13,782,425,231	9.64%	10,137,701,049
Total profit	4,491,848,414	3,272,123,773	37.28%	2,273,730,035
Net profit attributable to shareholders of the listed company	2,591,781,031	2,011,397,239	28.85%	1,644,143,880
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	2,490,234,506	2,003,177,128	24.31%	1,654,768,378
Net cash flow from operating activities	-2,112,339,698	-4,446,294,010	52.49%	7,054,731,333
Items	End of 2011	End of 2010	Year-on-year Change	End of 2009
Total assets	79,666,494,368	59,818,240,763	33.18%	47,897,160,497
Shareholders' equity attributable to shareholders of the listed company	20,418,214,797	18,207,431,836	12.14%	16,278,736,754
Net asset per share attributable to shareholders of the listed company (share)	1,717,300,503	1,717,300,503	0.00%	1,717,300,503
Main financial indicators	2011	2010	Year-on-year Change	2009
Basic earnings per share	1.51	1.17	29.06%	0.96

(RMB/share)				
Diluted earnings per share (RMB/share)	1.51	1.17	29.06%	0.96
Basic earnings per share after deducting non-recurring gains and losses (RMB/share)	1.45	1.17	23.93%	0.96
Weighted average return on equity	13.39%	11.66%	up by 1.73percentage points	10.54%
Weighted average return on equity after deducting non-recurring gains and losses	12.87%	11.62%	up by 1.25percentage points	10.61%
Net cash flow per share arising from operating activities(RMB/share)	-1.23	-2.59	52.51%	4.11
	<b>End of 2011</b>	<b>End of 2010</b>	<b>Year-on-year Change</b>	<b>End of 2009</b>
Shareholders' equity attributable to shareholders of the listed company (RMB/share)	11.89	10.60	12.17%	9.48
Asset-liability ratio (%)	69.53%	64.65%	4.88%	61.79%

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

	Net profit attributable to the shareholders of the listed company		Net assets attributable to the shareholders of the listed company	
	2011	2010	End of 2011	End of 2010
By IAS	2,591,781,031	2,011,397,239	21,758,044,026	19,547,261,065
By Chineses Accounting Standard	2,591,781,031	2,011,397,239	20,418,214,797	18,207,431,836
Difference between home& abroad	-	-	1,339,829,229	1,339,829,229
Of which: Adjustment of goodwill	-	-	1,339,829,229	1,339,829,229
Notes	<p><i>For the current year, the net profit attributable to the shareholders of listed company is the same under both Chinese Accounting Standard and International Accounting Standard. The main reason of the adjustment on the net asset attributable to shareholders of listed company according to International Accounting Standard was that according to the Chinese Accounting Standard and relative regulations, the differences generated by consolidation of entities under same control shall be adjusted into capital reserves, whereas the goodwill generated by consolidation shall be recorded individually as assets according to the IAS.</i></p>			

## Chapter4. Changes in Share Capital and Particulars about Shareholders

### I. Change in Share Capital

(I) Change in Share Capital as at December 31, 2011

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

	Before the change		Increase / Decrease this time (+, -)				After the change	
	Amount	Proportion	bonus	Share transfer of accumulation fund	others	subtotal	Amount	Proportion
<b>I. Restricted Shares</b>	891,594,208	51.92%			11,699	11,699	891,605,907	51.92%
1. State-owned shares								
2. State-owned legal person's shares	693,419,317	40.38%					693,419,317	40.38%
3. Other domestic shares								
Including: domestic non-state-owned legal person's shares								
Domestic natural person's shares								
4. Foreign shares	197,709,440	11.51%					197,709,440	11.51%
Including: Foreign legal person's shares	197,709,440	11.51%					197,709,440	11.51%
Foreign natural person's shares								
5. Senior executives' shares	465,451	0.03%			11,699	11,699	477,150	0.03%
<b>II. Unrestricted Shares</b>	825,706,295	48.08%			-11,699	-11,699	825,694,596	48.08%
1. RMB (ordinary) shares	684,265,720	39.84%			20,176	20,176	684,285,896	39.85%
2. Domestically listed foreign (invested shares)	141,440,575	8.24%			-31,875	-31,875	141,408,700	8.23%
3. Overseas listed foreign (invested shares)								
4. Others								
<b>III. Total shares</b>	1,717,300,503	100%					1,717,300,503	100%

## 2. Changes in restricted shares (Unit: Share)

Name of the shareholder	Restricted shares at the beginning of the period	Released in this period	Increased in this period	Restricted shares at the end of the period	Reason of restriction	Date of releasing
China Merchants Shekou Industrial Zone Co., Ltd.	693,419,317			693,419,317	not apply to release restriction	Committed day of releasing restriction is September 24, 2010, however, restriction releasing application procedures were not handled
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	Shares held by senior executives	Determined according to regulations regarding changes of shares held by senior executives
He Jianya	72,876		6,525	79,401	Shares held by senior executives	
Yang Zhiguang	57,971		5,250	63,221	Shares held by senior executives	
Huang Peikun	83,025		24,375	107,400	Shares held by senior executives	
Yang Baiqian	67,425	89,900	22,475		Ban lifting of shares held by the Directors who left their posts	
Hu Jianxin			7,500	7,500	Shares held by senior executives	
Wang Li	22,640		6,300	28,940	Shares held by senior executives	
Zhu Wenkai			7,500	7,500	shares held by senior executives	
Meng Cai	33,512		1,274	34,786	shares held by senior executives	
Zhang Lin			1,650	1,650	Shares held by senior executives	
Wang Zhengde			7,500	7,500	Shares held by senior executives	
Liu Ning	10,125			10,125	Shares held by Secretary of the Board	
Liu Ye	11,250		3,750	15,000	Shared held by supervisors who left their posts	
Total	891,594,208	89,900	101,599	891,605,907		

### Notes:

1. Shares with restriction conditions include: 693,419,317 A-shares directly held and 197,709,440 B shares indirectly held by Shekou Industrial Zone, 252,000 A-shares and 225,150 B-shares held by senior executives.

2. Shares held by senior executives with restriction conditions: Decreased 89,900 shares, which was caused by the ban lifting of shares held by the Director who left his post Yang Baiqian; increased 101,599 shares, which was caused by the senior executive of the Company buying in Company shares from the secondary market during the report period and sale restriction of shares held by the supervisors who left their posts.
3. 49,242,245 shares held by China Merchants Securities Hong Kong Ltd. were bought entrusted by Top Chief Co., Ltd. Top Chief Co., Ltd., Full Space Investment Ltd., FOXTROT INTERNATIONAL LIMITED and ORIENTURE INVESTMENT LTD are wholly owned subsidiaries of Shekou Industrial Zone.
4. In 2007, as Shekou Industrial Zone added holding privately issued shares of the Company, it committed not to sell the shares of the Company (including directly and indirectly held) that it held before September 24, 2010. At present, the Company has not received notice from Shekou Industrial Zone requiring releasing restricted shares up till the date of this report.

(II) Issuing and listing of shares

Up till the end of the report period, the Company did not have share issuing (and derivative securities) in the past three years

**II. Information of Company shareholders**

**(I) Shareholding situation of top 10 shareholders and top 10 holders of unrestricted shares as of December 31, 2011(Unit: share)**

Total number of shareholders	62,017 (including 49,799 A-share holders and 12,218 B-share holders)					
Shareholding of top 10 shareholders						
Name of shareholder	Class of shareholder	Share proportion %	Total number of shares	Restricted shares	Pledged or lock-up shares	
China Merchants Shekou Industrial Zone Co., Ltd.	State-owned person legal	40.38%	693,419,317	693,419,317	0	
Full Space Investment Limited	Overseas person legal	5.48%	94,144,050	94,144,050	0	
China Merchants Securities Hong Kong Ltd.	Overseas person legal	2.93%	50,320,727	49,242,245	0	
China Merchants Zhangzhou Development Zone Co., Ltd.	State-owned person legal	1.79%	30,680,000		0	
FOXTROT INTERNATIONAL LIMITED	Overseas person legal	1.61%	27,720,000	27,720,000	0	
ORIENTURE INVESTMENT LTD	Overseas person legal	1.55%	26,603,145	26,603,145	0	
National Social Security Fund 102 Combination	Domestic state-owned person none legal	1.36%	23,436,423		Unknown	
China International Fund Management Co., Ltd. China Advantage Securities Investment Fund	Domestic state-owned person none legal	1.18%	20,270,000		Unknown	
CNCA A/C COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD	Overseas person legal	1.03%	17,625,461		Unknown	
Full Goal Selected Mixed Open-ended Security Investment Fund	Domestic state-owned person none legal	1.00%	17,099,671		Unknown	
Note: 49,242,245 shares held by China Merchants Securities Hong Kong Ltd. were bought by Top Chief Co., Ltd.						
Top 10 holders of unrestricted shares						



Name of shareholder	Unrestricted shares	Class of Shares
China Merchants Zhangzhou Development Zone Co., Ltd.	30,680,000	A-shares
National Social Security Fund 102 Combination	23,436,423	A-shares
China International Fund Management Co., Ltd. China Advantage Securities Investment Fund	20,270,000	A-shares
CNCA A/C COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD	17,625,461	B-shares
Full Goal Selected Mixed Open-ended Security Investment Fund	17,099,671	A-shares
Lion Value Growth Equity Securities Investment Fund	17,091,616	A-shares
Efunds Value Growth Mixed Securities Investment Fund	14,638,223	A-shares
China Life Insurance Company Co., Ltd.-traditional-ordinary insurance products-005L-CT001 Shen	13,052,362	A-shares
China People's Life Insurance Company Co., Ltd.- Dividend Distribution-Personal Insurance Dividend Distribution	12,879,884	A-shares
BOCI SECURITIES LIMITED	12,581,428	B-shares
Explanation to the connection or concerted action	Shekou Industrial Zone and its subsidiary companies Full Space Investment Limited, Top Chief Co., Ltd., FOXTROT INTERNATIONAL LIMITED, ORIENTURE INVESTMENT LTD and China Merchants Zhangzhou Development Zone Co., Ltd. are concerted actors.	

*Notes:*

*Zhangzhou Development Zone originally held 37,878,788 A-shares of our company. On November 18, 2010, after approval of Shenzhen Stock Exchange, sale restriction was released. In the report period, Zhangzhou Development Zone reduced holding 7,198,788 shares, from the beginning of 2012 to February 15, 2012, reduced holding 17,780,000 shares, and up till February 29, 2012, Zhangzhou Development Zone held 12,900,000 A-shares of our company.*

**(II) Up till February 29, 2012, total number of shareholders is 58,946, including 47,641 A-share holders and 11,305 B-share holders.**

**(III) Introduction to the Controlling Shareholder and Substantial Controller.**

1. Controlling shareholder of the Company: China Merchants Shekou Industrial Zone Co., Ltd.

Legal representative: Sun Chengming

Registration date: February, 1992

Registered capital: RMB 2, 236,000,000

Business scope: investment and management of communication and transportation, industrial manufacturing, finance and insurance, foreign trade, real estate, post and telecommunications, tourism, theatrical performances, cable TV business, hotel and other kinds of enterprises; port services, storage business and land and water construction project; sale of products produced by affiliated enterprises, supply and sale of required equipment, raw materials, components and parts; holding sports games; providing technical, operation and legal consultation related to the above business, as well as technology and information services.

2. The substantial controller of the Company: China Merchants Group Co., Ltd.

Legal representative: Fu Yuning

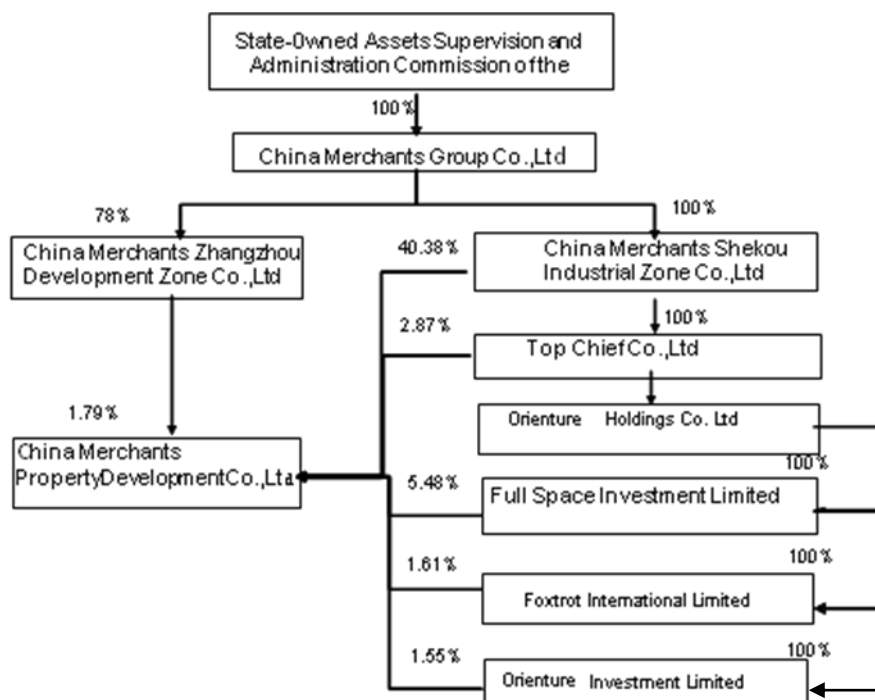
Registration date: October 1986

Registered capital: RMB 10.05 billion

Business scope: lease and agency of water/land passenger-cargo transportation, water/land conveyance and facilities; port and storage business; salvage, refloatation and tugboat; construction, repairing, checking and marketing of shipping, offshore petroleum drilling equipment; repairing and checking of drilling platform and container; overall contracting of water/land construction projects and the related offshore petroleum development projects, and their construction organization and logistics services; procurement, supply and sale of water/land communication and transportation

equipment; establishing transportation, industrial and commercial enterprises; investment and management of finance, insurance, trust, securities, futures businesses; development and management of Shenzhen Shekou Industrial Zone.

The following chart shows the equity relationship between the Actual Controller and the Company at the end of report period:



3. During the report period, the controlling shareholder of the Company did not change.

4. Condition for circulation for shares held by the original non-tradable shareholders

The Share Merger Reform was accomplished on February 9, 2006. China Merchants Shekou Industrial Zone Co., Ltd.– the sole holder of non-tradable shares, was holding 147,426,958 shares. The condition for the shares' circulation was: that they shall not be traded or transferred in 24 months after the date when the trading right is granted (which is February 9, 2006); upon the above 24 months, shares placed in Shenzhen Stock Exchange in 12 months shall not exceed 5% of the total shares of the Company. In 36 months upon the above 24 months (namely, February 9, 2011), the price of A-shares of the Company shall not be lower than 120% of the arithmetical average in 30 days prior to the publishing of share reallocation announcement, which is RMB 11.51 (with bonus distribution in year 2005: RMB 0.20 for every 10 share; with bonus distribution in year 2006: dividend RMB 2.5 for every 10 share; with bonus distribution in year 2007: for every 10 share, 3 more shares were distributed and 2 shares were converted with distribution of RMB 1; with bonus distribution in year 2008, RMB 1 for every 10 share; and with bonus distribution in year 2009, RMB 1 for every 10 share. The conditional price was adjusted to RMB 7.23).

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

## **Chapter 5. Directors, Supervisors, Senior Executives and Staffs**

### **I. Information on Directors, Supervisors and Senior Executives**

#### **(I) Change of the shareholding of Directors, Supervisors and Senior Executives and their Compensations**

Name	Position	Sex	Age	Job term	Shareholding at the beginning of year(shares)		Shares held at the end of year(shares)		Reason of change	Total of the pre-tax compensation get from the Company in the report period (RMB10,000)	Whether get compensation from the shareholder unit or connected unit	
					A share	B share	A share	B share				
Lin Shaobin	Chairman	M	51	2011.12 – 2014.12	41,670	100,500	51,670	100,500	Buy from the secondary market	258.62	No	
Yang Tianping	Deputy Chairman	M	52	2011.12 – 2014.12								Yes
He Jianya	Managing Director	M	46	2011.12 – 2014.12	97,170	-	105,870				210.55	Yes
Wang Hong	Director	M	49	2011.12 – 2014.12								Yes
Hua Li	Director	M	40	2011.12 – 2014.12								Yes
Hu Yong	Director	M	45	2011.12 – 2014.12								Yes
Huang Peikun	Director and Chief Financial Officer	M	49	2011.12 – 2014.12	-	130,700		143,200			212.94	No
Chai Qiang	Independent Director	M	50	2011.12 – 2014.12							12.00	No
Liu Hongyu	Independent Director	M	49	2011.12 – 2014.12							1.00	No
Lu Weixiong	Independent Director	M	51	2011.12 – 2014.12							1.00	No
Zhang Wei	Independent Director	M	40	2011.12 – 2014.12							1.00	No
Wu Zhenqin	Chairman of the Supervisors Committee	F	53	2011.12 – 2014.12								Yes
Liu Zhimin	Supervisor	M	54	2011.12 – 2014.12								Yes
Huang Junlong	Supervisor	M	46	2011.12 – 2014.12								Yes
Chen Yan	Employee Supervisor	F	33	2011.12 – 2014.12							45.07	No
Chen Qing	Employee Supervisor	F	29	2011.12 – 2014.12							33.68	No
Yang Zhiguan	Deputy General Manager	M	48	2011.12 – 2014.12	44,295	33,000	51,295	33,000		205.18	No	
Hu Jianxin	Deputy General Manager	M	53	2011.12 – 2014.12			10,000			198.61	No	
Wang Li	Deputy General Manager	M	56	2011.12 – 2014.12	30,187	-	38,587	-		184.43	No	
Zhu	Deputy	M	44	2011.12 – 2014.12			10,000			189.66	No	

Wenkai	General Manager										
Meng Cai	Deputy General Manager	M	53	2011.12 – 2014.12	44,682		46,382			105.50	No
Zhang Lin	Deputy General Manager	M	49	2011.12 – 2014.12			2,200			116.81	No
Wang Zhengde	Chief economist	M	48	2011.12 – 2014.12				10,000		143.69	No
Liu Ning	Secretary of the Board	F	43	2011.12 – 2014.12	-	13,500		13,500		103.74	No
Total					258,004	277,700	316,004	300,200		2,023.48	

Except Lin Shaobin, He Jianya and Huang Peikun get salary from the Company and 4 independent directors get subsidy from the Company, the other directors served at the shareholder unit, i.e. Shekou Industrial Zone Co., Ltd. and get salary there; Except two employee supervisors get salary from the Company, the other supervisors served at the China Merchants Group Co., Ltd. and get salary there. The senior executives get salary from the Company the calculation of the salary is) according to cash basis, and the corresponding change of salary can be embodied in 2012 due to the post change of part of senior executives.

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

Name	Position	Number of times that they shall attend	Number of times that they actually attend	Number of times for attending by means of communications	Number of times for entrusting others to attend	Number of times of absence	Whether there's absence for twice in a row
Lin Shaobin	Chairman	17	6	11			No
Yang Tianping	Deputy Chairman	17	6	11			No
He Jianya	Managing Director	12	4	8			No
Wang Hong	Director	12	3	8	1		No
Hu Yong	Director	12	4	8			No
Hua Li	Director	6	2	3	1		No
Huang Peikun	Director and Chief Financial Officer	17	6	11			No
Fu Gangfeng	Director Off Post	11	2	8	1		No
Yang Baiqian	Off-office Director Off Post	5	2	3			No
Chen Gang	Off-office Director Off Post	5	2	3			No
Chai Qiang	Independent Director	17	6	11			No
Liu Hongyu	Independent Director	1			1		No
Lu Weixiong	Independent Director	1	1				No
Zhang Wei	Independent Director	1	1				No
Meng Yan	Independent Director Off Post	16	5	11			No
Gong Xinglong	Independent Director Off Post	16	5	11			No
Chen Yanping	Independent Director Off Post	16	5	11			No

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

## 1. Members of the Board of Directors

**Lin Shaobin:** Chairman of the Board and Senior Architect. Mr. Lin obtained a bachelor degree in Architecture from Tsinghua University and MBA from China Europe International Business School. He is currently the chairman of the company and Shenzhen China Merchants Real Estate Co., Ltd.. He used to hold various position, including General Manager of Shekou Industrial Zone Property Co., Ltd; General Manager of Property Business Department of China Merchants Holdings Co., Ltd.; Deputy General Manager of China Merchants Shekou Industrial Zone Co., Ltd and Chief Planning & Development Advisor of China Merchants Shekou Industrial Zone Co., Ltd..

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

Nanyou (Holdings) Ltd. and the Party Secretary and Deputy General Manager of China Merchants Shekou Industrial Zone Co., Ltd..

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

**Wang Hong:** Senior economist. He graduated from Marine Beacon Engine Management Department of Dalian Maritime University with Bachelor's Degree. Later, he obtained Master's Degree in Business Administration from University of Science and Technology Beijing and Doctor's Degree in Management from Chinese Academy of Social Sciences. Currently, he serves as the General Manager of the Enterprise Planning Department of China Merchants Group. He used to serve as the marine beacon engineer of COSCO Guangzhou Ocean Shipping Co., Ltd., Deputy General Manager of China Communications Import & Export Corporation, Managing Director of Hoi Tung Marine Machinery Supplies Limited, General Manager of the Achievement Assessment Department, Human Resources Department and Strategy Research Department of China Merchants Group Co., Ltd., Director, Standing Deputy General Manager & Chief Operating Officer of China Merchants International Co., Ltd., Chairman of the Board of Directors of China Merchants Asia Pacific Co., Ltd., Deputy Chairman of Shanghai International Port (Group) Co., Ltd.

**Hua Li:** Certified Public Accountant (not licensed). He obtained bachelor's degree in Accounting from Shanghai Marine Transportation College, and later, Master's Degree in Accounting from the Chinese University of Hong Kong. Currently, he serves as the General Manager of the Financial Department of China Merchants Group. He used to serve as the Deputy Manager of the Financial Dept. of China Merchants International Co., Ltd., Manager of Accounting Dept. of China Merchants Transportation Group Ltd., Director of Accounting Department and Deputy General Manager of China Merchants Group, Chief Financial Officer of China Merchants Shekou Industrial Zone Co., Ltd.

**Hu Yong:** Senior Engineer. He graduated from Port Machinery Design and Manufacturing Department of Wuhan Institute of Water Transportation Engineering with Bachelor's Degree. Currently, he serves as the Deputy General Manager of the Property Department of China Merchants Group. He used to serve as the Assistant of the General Manager and Deputy General Manager of the Business Development Department of China Merchants Group, Director of Major Projects Office of China Merchants Group.

**Huang Peikun:** Senior Accountant. He obtained Master's Degree in Management from Zhejiang University. Currently, he serves as the Chief Financial Officer of our company. He used to serve as the Manager of Accounting Dept. and Chief Accountant of Shenzhen China Merchants Petrol Chemical Co., Ltd., Chief Accountant of China Merchants Shenzhen Property, Chief Financial Officer and Deputy General Manager of Shenzhen China Merchants Venture Co., Ltd.

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

**Liu Hongyu:** Certified real estate appraiser, Fellow, Royal Institution of Chartered Surveyors (FRICS). He graduated from the Structural Engineering Department and Management Engineering Department of Tsinghua University with Bachelor of Engineering Degree and Master of Engineering Degree in 1985 and 1988 respectively. Currently, he is the Professor of Construction Management Department of Tsinghua University, President of Real Estate Research Institute, Director of Henglong Real Estate Research Center of Tsinghua University, Chinese real estate appraiser, Vice President of China Institute of Real Estate Agents, Managing Director of China Real Estate Association, Director (former President) of the Asian Real Estate Society (AsRES). Since April 2006, he was the Independent Director of COFCO Property (Group) Co., Ltd. Since March 2007, he was the Independent Non-Executive Director of Fangxing Property (China) Co., Ltd.

**Lu Weixiong:** Member of the Institute of Chartered Accountants in Australia and member of the Hong Kong Institute of Certified Public Accountants. He graduated from James Cook University and obtained Bachelor of Business Degree. Currently, he serves as the Chief Financial Officer of Winson Oil International (Hong Kong) Co., Ltd. He used to serve as the Director of China Resources Investment Development Co., Ltd., consultant of Hengyu Holding Co., Ltd., and he served in multiple international certified public accountants.

**Zhang Wei:** Mr Zhang graduated from Harvard University in 2005 with Doctor's Degree (Medical Policy), and in 1998, he obtained Doctor's Degree in clinical medicine from Peking Union Medical College. He is focusing on enterprise strategy and business mode innovation research. From 2008, he taught in China Europe International Business School. Currently, he is the Director of Medical Management and Policy Research Center of China Europe International Business School, Assistant Professor of Management of China Europe International Business School, Part-Time Professor of Government Management School of Peking University. He is the member of the Academic Committee of China Hospital Association and Deputy Director of the Economic Evaluation Center of the Chinese medical Doctor Association.

## **2. Members of the Supervisors Committee**

**Wu Zhenqin:** Senior Accountant. Ms. Wu graduated from Marine Management School of Shanghai Marine Transportation College with Master's Degree. At present, she serves as the General Manager of Auditing Department of China Merchants Group. She used to serve as the Head of the Accounting Department of COSCO, Director of the Accounting Department of Ship Inspection Bureau of the Ministry of Transportation, Deputy General Manager of the Financing Department of China Merchants



Shekou Industrial Zone Co., Ltd, and Chief Financial Officer of the Company.

**Liu Zhimin:** Mr Liu graduated from the Management Engineering Department of Wuhan Polytechnic University with Bachelor's Degree. Currently, he is the Deputy General Manager of the Enterprise Planning Department of China Merchants Group. He used to serve as the Manager of Happiness Center and Manager of Administration and Personnel Department of Literature and Art Development Company of Shekou Industrial Zone, Head of the Management Department of Enterprise Management Office of Shekou Industrial Zone, Deputy Director of Enterprise Management Department of China Merchants Group, Assistant of the General Manager of the Enterprise Planning Department and Achievement Assessment Department of China Merchants Group.

**Huang Junlong:** He graduated from the Management Department of Changsha Jiaotong College with Bachelor's Degree in Financial Accounting, and then he obtained Master's Degree in Business Administration from China Europe International Business School. Currently, he serves as the Chief Financial Officer of Shekou Industrial Zone. He used to serve as Deputy General Manager of the Financial Department of Shekou Industrial Zone, Chief Financial Officer of Shenzhen China Merchants Petrol Chemical Co., Ltd. , Chief Financial Officer of China Merchants Port Service Co., Ltd., Chief Financial Officer of China Merchants Logistics Group Co., Ltd., Deputy General Manager of the Financial Department of China Merchants Group.

**Chen Yan:** Certified accountant, certified internal auditor. She graduated from the Accounting Department of Sun Tat-Sen University with Master's Degree. In October 2009, she entered the Financial Department of the Company and served as a senior manager. She used to serve in Deloitte Touche Tohmatsu as Senior Auditing Manager, with seven years of auditing work experience.

**Chen Qing:** Intermediate account. She graduated from the Accounting Department of Xiamen University with Bachelor's Degree. She entered to Company in April 2007, and served in the Financial Department, Board Secretary Office and the office. Currently, she serves as Senior Manager. She used to serve in Deloitte Touche Tohmatsu as an auditor.

### 3. Senior Executives

**He Jianya:** Managing Director, see the aforementioned introduction of the Directors.

**Yang Zhiguang:** Senior Engineer. Mr. Yang graduated from South China University of Technology with the major of Architecture Structure Engineering, and later he obtained Master's Degree in Business Administration from Cheung Kong Graduate School of Business. Currently, he serves as the Deputy General Manager of the Company. Previously, he served as the Deputy General Manager and Manager of the Development Department of Shekou Industrial Zone Real Estate Company, Assistant of the General Manager of Shekou Industrial Zone Real Estate Company, Deputy General Manager of Shenzhen China Merchants Property Co., Ltd; General Manager of China Merchants Property Co., Ltd and Shenzhen China Merchants Venture Co., Ltd..

**Huang Peikun:** Chief Financial Officer, see the aforementioned introduction of the Directors.

**Hu Jianxin:** Professor Rank Senior Engineer. He was recognised as the first batch of "State-level Talent of Shenzhen Municipality" in 2009. He graduated from the Civil Architect Department of Southern China University with Master's Degree. Currently, he serves as the Deputy General Manager of

the Company. He used to serve as the Deputy Manager of the affiliated company of Guangdong Provincial Construction Company General, Deputy General Manager of China Merchants Property Co., Ltd, and Deputy General Manager of China Merchants Group Property Group & General Manager of China Merchants Property Co., Ltd.

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

**Zhu Wenkai:** Economist. Mr. Zhu graduated from Wuhan University of Water Transportation Engineering with Master in Transportation Management. Currently, he serves as the Deputy General Manager of the Company. He used to serve as Assistant of the General Manager of Shekou China Merchants Port Service Co., Ltd., General Manager of Shenzhen Shekou Zhaogang Industrial Development Co., Ltd., Manager of the Enterprise Management Department, Manager of the Planning Department, Vice Supervisor of the Planning Center, and General Manager of the Marketing Center and Assistant of the General Manager of Shenzhen China Merchants Property Co., Ltd.

**Meng Cai:** Engineer. Mr. Meng graduated from Lanzhou railway institution with Bachelor's Degree in Plumbing Discipline. Currently, he serves as the Deputy General Manager of the Company. He used to serve as the Deputy General Manager and General Manager of the Real Estate Department of Nanshan Development Company, General Manager of Shenzhen Nanshan Development Industrial Corporation, Deputy General Manager of Shenzhen China Merchants Real Estate Co., Ltd., Company, Associate Director of Hong Kong Sino Group, and Executive Director of Hong Kong Kerry Properties (China) Co., Ltd.

**Zhang Lin:** Senior Engineer. Mr. Zhang graduated from the Precision Instrument Department of Tsinghua University with Bachelor's Degree. Currently, he serves as the Deputy General Manager of the Company. He used to serve as the Deputy General Manager of the Planning Department of China Automation Control System Corporation and Shenzhen Huayi Lineng Computer Company, Managing Director of Shenzhen CNAC Group Investment and Development Co., Ltd., General Manager of Southern China of Shenzhen B & Q Joint Venture Company, and Executive Vice-President of B & Q (China) Investment Co., Ltd.

**Wang Zhengde:** Senior accountant. He obtained Master's Degree from Zhongnan University of Economics and Law. Currently, he serves as the Chief Economist of the Company. Mr. Wang used to serve as the member of the second and third Board of Directors of the Company, General Manager and the Deputy Chairman of Shenzhen Peninsula Foundation Company, Deputy Chief Accountant and the Financial Head of China Merchants Shekou Industrial Zone Co., Ltd., Deputy Managing Director and Chief Financial Officer of China Merchants International Co., Ltd.

**Liu Ning:** Economist. Ms. Liu graduated from South University of Forestry and Technology with

Bachelor's Degree, majored in Mechanical Manufacturing. She completed her graduate courses in Department of Business Administration of Business School of Nankai University, and later obtained MBA from Macau University of Science and Technology. Currently, she serves as the Secretary of the Board of Directors of the Company. She has been working in the field of securities since 1998, and was appointed as Representative for Securities Affairs in 2001, and appointed as Director of Secretariat of the Board of the Company in 2004. Since 2008, she has been the Secretary of the Board of Directors of the Company.

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

Name	Name of company	Position	Job term
Yang Tianping	China Merchants Shekou Industrial Zone Co., Ltd.	General Manager	Since February 2011
Wang Hong	China Merchants Group	General Manager of the Enterprise Planning Department	Since February 2011
Hua Li	China Merchants Group	General Manager of the Financial Department	Since December 2011
Hu Yong	China Merchants Group	Deputy General Manager of the Property Department	Since March 2011
Wu Zhenqin	China Merchants Group	General Manager of the Auditing Department	Since January 2003
Liu Zhimin	China Merchants Group	Deputy Manager of the Enterprise Planning Department	Since December 2007
Huang Junlong	China Merchants Shekou Industrial Zone Co., Ltd.	Chief Financial Officer	Since December 2011

*Note: None of the directors and the supervisors above takes positions in the units other than China Merchants Group system.*

**V. Changes of Directors, Supervisors and Senior Executives in the report period**

1. In the report period, tenure of the 6th Board of Directors and Supervisors Committee expired. On December 2, 2011, the Company 2011 first temporary shareholders' meeting elected Lin Shaobin, Yang Tianping, He Jianya, Wang Hong, Hua Li, HU Yong and Huang Peikun as the Directors of the 7th Board of Directors, elected Chai Qiang, Liu Hongyu, Lu Weixiong and Zhang Wei as the Independent Directors of the 7th Board of Directors, and elected Wu Zhenqin, Liu Zhimin and Huang Junlong as the supervisors of the 7th Supervisors Committee.

2. ON November 29, Employee Representative Meeting of the Company elected Chen Yan and Chen Qing as the Employee Supervisors of the 7th Supervisors Committee.

3. On December 2, 2011, the first meeting of the 7th Board of Directors elected Lin Shaobin as the Chairman of the 7th Board of Directors, Yang Tianping as the Vice Chairman of the 7th Board of Directors, and He Jianya as the General Manager of the Company, appointed Yang Zhiguang, Hu Jianxin, Wang Li, Zhu Wenkai, Meng Cai and Zhang Lin as the Deputy General Manager of the Company, Huang Peikun as the Chief Financial Officer of the Company, and Liu Ning as the Secretary of the Board of Directors of the Company.

On the same day, the first meeting of the 7th Supervisors Committee elected Wu Zhenqin as the Chairman of the 7th Supervisors Committee.

## II. Information on Employees

As at December 31, 2011, the Company had registered staffs of 10,041, including (1) 3,044 employees engaged in the Real Estate Development and Water & Electricity Supply business division

Information below is about Education and Technical background of the employees:

Technical background			Education		
Class	Number	Proportion	Class	Number	Proportion
Production personnel	405	13.30%	Master or above	420	13.80%
Sales personnel	606	19.91%	Bachelor	1,871	61.47%
Technicians	1,184	38.90%	3-year regular college graduate	547	17.97%
Finance personnel	280	9.20%	Senior middle school graduate or below	206	6.76%
Administrative personnel	471	15.47%			
Others	98	3.22%			
<b>Total</b>	<b>3,044</b>	<b>100%</b>	<b>Total</b>	<b>3,044</b>	<b>100%</b>

(II) 6,997 employees engaged in the Property Management business division, with education background shown as below:

Level of Education	Number	Proportion
Master or above	21	0.30%
Bachelor	511	7.30%
3-year regular college graduate	1,238	17.69%
High school graduate or below	5,227	74.71%
<b>Total</b>	<b>6,997</b>	<b>100%</b>

*Note: The Company undertakes no pensions for retired employees.*

## Chapter 6 Corporate Governance Structure

### I Company governance situation

#### (I) Basic situation of company governance

Pursuant to the requirements of the Company Law, Security Law, and Code of Corporate Governance for Listed Companies in China and relevant laws and regulations, the Company (has been continued to fine-tune its corporate governance structure), established and (improved) the internal control system, deeply developed governance activities, and enhanced the Company governance level. Up till the end of the report period, there is no difference between the actual conditions of Company governance and the requirements of the company governance normative documents such as Code of Corporate

Governance for Listed Companies in China etc.

The Company governance structure was perfect, operation of the shareholders' meeting, Board of Directors and Supervisors Committee was standard, and authority was implemented according to the stipulations of laws, regulations and Company statute. Previous meeting notice, resolutions, meeting procedures and information disclosure work of the Company shareholders' meeting, Board of Director and Supervisors Committee met the requirements of legal procedures. The Company has always (attached the) importance to information disclosure work, true, accurate, complete and timely information disclosure ensured that all the shareholders enjoyed equal position, and guaranteed the right to know and right to participate of all the shareholders, (especially the) medium and small shareholders for the major events of the Company. In the report period, the Company was entitled Information Disclosure Excellent Unit for the continuous 7th year.

The Company controlling shareholders and the actual controller (exerted) their shareholders' rights and interests, (constantly commit to support the Company's standard governance and healthy development). They have gained good reputation in the capital market, and fundamentally guaranteed standard operation of the Company.

## (II) (Efforts in) enhancing corporate governance

### 1. Rectification activities

In the report period, according to the (requirement) of *Notice about Requiring the Listed Companies in Shenzhen to Further Do Well with Insider Information Management Related Work*, on the supervision stipulations on insider transaction prevention and control and information disclosure management, the Company organized all the Directors, Supervisors and senior executives of the Company to conduct field theme training, and strengthened studying of laws and regulations related to insider transaction prevention and control and information disclosure management. At the same time, the Company transferred the above-mentioned notice requirements and training content to (the Shekou Industry Zone, the controlling shareholder,) and related insider information insiders, and requested the controlling shareholder and related personnel to study. In the next step, the Company plans to add training on the laws and regulations on listed companies in the "New Voyage" training plan for the new employees and "Ivy" training plan for the backup management cadres. The Company considered that deeply studying the supervision laws and regulations on the listed companies (was helpful to further enhance the understanding), and suppress the root of insider transactions from thinking.

The Company has already established and effectively implemented *Criteria of Confidentiality and Reporting the Undisclosed Information to the Controlling Shareholders by Relative Personnel*. In the sensitive period of each periodical report or before major events, the Company reminded the Directors, Supervisors, senior executives and all insiders of insider information (not to buy or sell the Company shares arbitrarily).

The Company also notified Securities Regulatory Commission and Shenzhen Stock Exchange about the listed companies and notices of Shenzhen Stock Exchange, and the Company Directors, Supervisors, senior executives and insiders of insider information strictly followed the supervision stipulations. The Company referred to the requirements of the Stipulations about the Listed Companies Establishing

Insider Information Insider Registration Management System released by China Securities Regulatory Commission to conduct examination on the implementation condition of the existing system (and) supervised in strict accordance with the stipulations of the supervision laws and regulations, and provided insider information. In addition, the Company has already transferred the above-mentioned stipulations of China Securities Regulatory Commission to the controlling shareholders and related personnel of the Company actual controllers.

## 2. System perfecting condition

In the report period, in order to meet the demand of strategic development, the Company revised *Working Instruction of the Strategy Committee of the Board of Directors*, increased the number of members of the strategy committee, and strengthened the (influence) of the strategy committee in the Company strategy construction.

In November 2011, according to the requirements of *Stipulations about the Listed Companies Establishing Insider Information Insider Registration Management System* released by China Securities Regulatory Commission, (the company established insider information archives before the Company insider information was disclosed.)

## 3. Information on Reporting Undisclosed Information to Controlling Shareholders

Pursuant to relevant laws and regulations of state-owned assets management, state-owned holding companies are required to report financial report to controlling shareholders. Within the report period, the Company reported information and maintained confidentiality in strict accordance with the undisclosed information range and approval procedures as stated in *Criteria of Confidentiality and Reporting the Undisclosed Information to the Controlling Shareholders by Relative Personnel*. The undisclosed information reported to controlling shareholders was mainly examined and approved by heads of relevant departments; the means of information transmission includes financial software or e-mail; relevant persons in each stage were included as insiders; information was approved by responsible personnel before delivering; authorization records are complete. The controlling shareholder-Shekou Industrial Zone and the Actual Controller-China Merchants Group strictly adhered to promises and used the undisclosed information reported in a legal way.

During the report period, the undisclosed information being reported by the Company included: Monthly Finance and Operation Express; Quarterly Financial Report, Analysis Report on Operation Status and Cost, Statistical Analysis Report; Annual Financial Report, Settlement Report and Five-Year Plan etc.

The category of the above mentioned undisclosed information being reported and profile of insiders had been timely reported to Shenzhen Securities Regulatory Bureau.

## II. Execution of the Duties of Independent Directors

During the report period, the Company Board of Directors changed round, and new Independent Directors were elected. The previous and existing Independent Directors could fulfill their supervisory

duties, based on the requirements of the supervision regulations and *The Working Instruction for Independent Directors*:

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

During the report period, all the Independent Directors attended all meetings of the Board of Directors, and detailed information is specified in part (I) and (II) of this section.

During the report period, the Company held two shareholders' Meeting, (in which) all the Independent Directors (attended).

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

During the report period, the Independent Directors actively participated in the work of the special committee, and offered professional decision making support(decision support) on matters such as annual auditing, connected transaction, senior executives' employment and remuneration assessment, as well as internal controlling system construction and so on. (Directors of special committee) provided several constructive opinions on the Company strategy research work; (took part in the) communication on the annual report work and auditing plan and (risk assessment); (and also offered guidance for the establishment and adjustment of remuneration and performance evaluation standard).

(III) Survey on company's business places

During the report period, the Independent Directors made field surveys on the real estate projects of the Company headquarter and in Shenzhen, Beijing, Guangzhou, Shanghai, Tianjin and Nanjing and Chongqing, mainly understood the sales condition and market condition of every company in 2011, listened to the relevant reports of the Company on the operation (situation), and brought forward important suggestions on the Company product and sales strategy.

(IV) Expression of independent opinions

(Based on) the supervision stipulations and requirements of *Working Instruction for Independent Directors*, the Independent Directors expressed independent opinions on important matters such as (affiliated transaction), (internal control and external guarantees), nomination of the Company new Directors, appointment of senior executives and internal (controlling) self-evaluation report etc., (which) fulfilling the supervision (functions) of the Independent Directors.

(V) Other conditions

Pursuant to the relevant stipulations of *The Administrative Regulations on Fund Raising of Listed Companies* issued by Shenzhen Stock Exchange, the Independent Directors audited the storage and utilization of fund raised by the Company.

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

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

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

#### **IV、 Establishing and Enhancing the Internal Control Mechanism**

##### **( I ) Declaration of the Board of Directors about internal control responsibility**

The Board of Directors of the Company (hold)that:

Establishing, enhancing and effectively implementing internal control is the responsibility of the Board of Directors of the Company; the Supervisors Committee conducts supervision on the Board of Directors ( ' works); ( and the managers are responsible) for leading the daily operation of internal control of the Company.

The objectives of internal control of the Company are reasonably guaranteeing legal and compliant operation, assets safety, true and complete financial report and related information, (enhancing the operation efficiency, and promoting the development strategy.(Due to the limitation of the internal control), reasonable guarantee can only be provided for the above-mentioned objectives.

##### **( II ) (Overview) of internal control of the Company**

The Company (established relatively standard) internal control system, and has (been continuously) attached importance to the standardized work of internal control. In recent years, the Company actively (carried out) self-evaluation work each year, and appointed auditing institution to audit the self-evaluation report (for internal control mechanism).

(III) Establishing and enhancing condition of internal control mechanism related to the financial report.

The Company has (a stable finance system), and established internal control mechanism (on financial statements) in strict accordance with the financial and economic laws and regulations. Up till the end of the report period, the Company (effectively established and implemented) a set of complete accounting calculation and financial report system. According to the supervision laws and regulations and changes of the actual condition of the Company, the Company paid attention to continuously (improving) the financial management. During the report period, the Company further modified part of the financial (statement) combining the requirements of the above-mentioned internal control (modes) and (organizational) process optimization and institution reconstruction work.

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



#### (IV) Improvement Plan and Implementation Situation of Internal Control Mechanism

During the report period, the Company was determined as one of the 26 important listed companies of the implementation trial of internal control code in Shenzhen. According to the requirements of *The Basic Standard for Enterprise's Internal Control* and *The Basic Standard Guideline for Enterprise's Internal Control* jointly issued by the Ministry of Finance and other four ministries and commissions and *Notice about Doing Well with the Work Related to Internal Control Code Trial of Listed Companies in Shenzhen*, the Company immediately developed work related to internal control code.

The Board of Directors of the Company examined and approved the *Work Scheme about Implementing <Enterprise Internal Control Code>*. According to the deployment of the above-mentioned work scheme, the Company established internal control code work group (hereinafter referred to as "internal control work group"), and Chairman of the Company acted as the leader of the internal control work group. The internal work group is responsible for making the internal control code work implementation scheme and related matching policies, develops research on the internal control mechanisms, drafts (revise) and coordinates implementation of internal control code work, and is directly responsible for the Board of Directors and accepts supervision and guidance of the Board of Directors.

At the same time, the Company appointed professional consulting agency with rich experiences, which guided and assisted the Company to comb, construct and perfect the overall structure of internal control, helped the Company identify the weak links and main risks existing in internal control, designed important processes of design control pointedly and assisted the Company to develop internal control self-evaluation work.

According to the requirements of Shenzhen Securities Regulatory Bureau, the internal control work group determined the implementation scope of 2011 internal control code work. Up till the end of the report period, the internal work group conducted standard comparison and combing on the existing business process of the Company within the implementation scope of internal control code work, conducted walking through test on the samples obtained, and conducted centralized rectification and subsequent tracking on the internal control defects found. Rectification had been completed before the end of the report period for the defects found by the Company in the internal control code construction during the report period.

#### (V) Establishment of Inspection and Monitoring Departments of Internal Control Mechanism

The Audit Department of the Company is responsible for the inspection and monitoring of the internal control implementation, works under the guidance of the Audit Committee of the Board of Directors and is responsible for the Board of Directors.

#### (VI) (self-evaluation) of internal control

The Audit Department of the Company is responsible for the self-evaluation work of internal control, and is responsible for the Board of Directors. The Board of Directors approved the *Internal Control Self Evaluation Report* of the Company, and the Supervisors Committee and Independent Directors of the Company aired opinions on the *Internal Control Self Evaluation Report* of the Company respectively.

Opinion of *Internal Control Self Evaluation Report* of the Company: The Company conducted self-evaluation on the effectiveness of internal control design and operation of the Company up till December 31, 2011 according to the requirements of *Internal Control Basic Norm*, *Enterprise Internal Control Matching Guide* and *Internal Control Evaluation Guidance* and other related laws and regulations. During the report period, the Company established internal control and effectively implemented it for the business and matters of the units brought into the evaluation scope, reached the objective of Company internal control and there was no major defect. From the datum day of *Internal Control Self Evaluation Report* to the day when the report was released, there was no major change of internal control that generated substantial impact on the evaluation conclusion.

The Company notices that internal control shall suit the operation scale, business scope, competition condition and risk level etc. of the Company, and adjustment shall be made along with the change of condition. In the future, the Company will continue to perfect the internal control mechanism, standardize (its implementation), strengthen internal control inspection, and promote healthy and sustainable development of the Company.

Supervisors Committee and independent Directors of the Company aired opinions on *Internal Control Self Evaluation Report*. They (hold) that evaluation opinion of *Internal Control Self Evaluation Report* of the Company truly and objectively reflects current condition of internal control, the Company brought the main operation units into the scope of internal control code and evaluation according to the supervision requirements, internal control was established for the business and matters of these units, implementation was effective, and there was no major defect.

Deloitte Touche Tohmatsu CPA Ltd. was entrusted to audit the *Internal Control Self-Evaluation Report*, and offered the Auditor's Report on Internal Control (DSB (He) Zi (11) No. E0011). According to the auditor's report, as of December 31, 2011, in all major areas, the Company has effectively maintained the internal control mechanism stated in Self-Evaluation Report, which was related to financial statements, established according to *The Basic Code for Enterprise Internal Control* issued by the Ministry of Finance.

The above-mentioned self-evaluation report on the internal control by the Board of Directors and audit reports on Company internal control issued by the auditing institution were fully disclosed on <http://www.cninfo.com.cn>.

## **V. Performance Evaluation and Incentive Mechanism for Senior Executives**

The Company has adopted a performance evaluation method for Senior Executives which combines KPI assessment, 360 degrees comprehensive evaluation and annual interview assessment, and the results of performance evaluation of Senior Executives constitute important basis to determine their positions regularization and remuneration level.

Pursuant to the *Company Statute* and relevant laws and rules, when determining the incentive mechanism for Senior Executives by the Company Board of Directors, great attention has been paid to effectively connecting incentive with performance and exploiting the role of incentive mechanism in enhancing the Company's management. Remuneration of Senior Executives was finally determined by

individual performance evaluation, with reference to market rates.

## **VI. Performance of Social Responsibility**

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

### **Chapter 7 Introduction of Shareholders' General Meeting**

During the report period, two Shareholders' Meetings were held:

On April 12, 2011, the Company held the 2010 Annual Shareholders' General Meeting, and besides routinely examined and approved proposals such as *2010 Annual Report and Its Abstract* etc., the meeting passed proposals such as *Proposal about Prolonging the Period of Letter of Guarantee and the Banks Revising the Related Agreements* etc. The resolution notice was disclosed on April 13, 2011.

On December 2, 2011, the Company held the first temporary shareholders' meeting in 2011. The meeting adopted the mode of combination of spot voting and network voting, elected supervisors of the 7th Supervisors Committee, Directors of the 7th Board of Directors and Independent Directors, it also approved *Proposal about Providing Guarantee for the Credit Loan of Shenzhen China Merchants Power Supply Co., Ltd.*, *Proposal about Providing Guarantee for the Bank Loan of Shenzhen China Merchants Power Supply Co., Ltd.*, and *Proposal about Providing Guarantee for the Bank Loan of China Merchants Guangming Science and Technology Park Co., Ltd.*

The above notices were all published on *China Securities Journal*, *Securities Times*, *Shanghai Securities Journal*, *Hong Kong Commercial Daily* and <http://www.cninfo.com.cn>.

### **Chapter 8 Report of Board of Directors**

#### **I. Management Discussion and Analysis**

##### **( I )Business Environment Analysis of 2010**

Looking back at 2011, the macro control policy of "limiting purchase, limiting loan and limiting price" went through the real estate market in China, influenced the decision making of the government, banks, developers and housing purchasers, and guided the tendency of the market. Looking from effect, obvious change arose in the real estate market after control of nearly two years. Trading volume of the first and second line key cities continued to wither, and although the total volume of third and fourth line cities increased, single month tendency was decreasing; the tendency of continuous increase of housing price in key cities was stopped; land transaction decreased, and trading volume and land premium rate decreased somewhat. Change of the market also promoted change of the real estate enterprises. Most real estate enterprises slowed down expansion, actively explored new business mode, and sought long-term increase mode. The Company thinks that such change will be good for the healthy development of the Chinese real estate industry.

##### **( II ) Review of the Company Management**

2011 is the starting year of the new ten-year plan of China Merchants Property Development. Facing the severe challenge of the market, the Company flexibly adjusted and grasped the sales rhythm in the rapidly changing market with the marketing thinking of “grasping opportunity and accelerating sales”. At the same time, the Company developed a series of effective management work with enhancing speed and efficiency, risk prevention, resource obtaining, business mode innovation, customer service updating and Company treatment etc. as the main, building foundation for the good start of the new ten years.

During the report period, the Company successfully grasped the window period of sales warming up, decidedly intensified sales, and got good sales achievement. In the whole year, the Company had 37 buildings on sale in 14 cities, realizing sales area of over 1.24 million square meters, sales volume reached over RMB 21 billion.

The Company comprehensively combed management authorities of all levels, and transferred authority down with design, cost and customer service as the main. The Company strives to transfer authority to the city companies, deeply implemented process of reconstruction, and comprehensively enhanced the internal operation efficiency with this. In order to accelerate the project engineering progress, the Company shortened and improved project development template according to the industrial advanced standard, and at the same time, the Company continued to do well with promotion of product standardization and intensified group strategic purchase. During the report period, the work of “enhancing speed and enhancing efficiency” got obvious effect.

Along with the go-down market, fluidity risk became the focus that received the greatest attention in the industry, and financing ability became the key point that tested the surviving and developing ability of the housing enterprises. The Company intensified financing through multiple channels, and continuously deepened innovation of financial product. During the report period, the scale of liability with interest had a net increase of nearly RMB 9 billion. In terms of fund management, the Company strived to achieve reasonable total amount, advantageous total amount and saved use.

During the report period, the Company obtained 9 projects of lands in Foshan, Wuhan, Zhenjiang, Shanghai and Qingdao etc., expanding land resource of 2.85 million square meters, which included rights area of 2.31 million square meters. At present, the Company total project resource is kept over 10 million square meters, and the cities that the Company has entered increased to 18, mainly located at around Bohai Sea area, Yangtze River Delta area, Pearl River Delta area, Cheng-Yu-Han area and Xia-Zhang area, with broader regional distribution and richer project varieties.

In 2011, in order to further integrate the commercial property resources of the Company, the Company established Shenzhen China Merchants Commercial Property Investment Co., Ltd. in separation mode, built the brand-new platform of commercial property business development, formed strategic idea for Company commercial property development, and initially determined the series of product line.

During the report period, the Company conducted deep analysis on the contact points of the clients, and released the unique real estate service brand in China ---“reaching home” 3.0 full-contacted-point service system. Through integrating the internal resources, the Company provided high-quality service in the whole process before the sales, during the sales and after the sales, realizing full-contacted-point enhancement of client life value.

The Company insisted on the strict and practical working style, and continued to perfect the internal

control system on the foundation of good Company treatment. At the beginning of 2011, the Company was entitled one of the 26 important listed companies of the implementation trial of internal control code in Shenzhen, and the Company attached great attention to this work. With the help of the appointed specialized institution, promotion was conducted with joint force internally, and effect of related internal control code construction and risk prevention system construction was obvious. In addition, in order to realize standardization, refinement and informatization of management, the Company further promoted the work of informatization construction. During the report period, ERP system went on line by stage, and knowledge management system was implemented in the whole country.

In 2011, the Company successfully held green human habitat public welfare annual international conference---Chinese Foreign Green Human Habitat Forum for the continuous 8th year. The forum has ‘green human habitat • creative idea cities’ as the theme, popularized green-human-habitat concept and knowledge to the public, conducted deep discussion on the dwelling and construction of biological city, opened the gate of positive interaction between researching and exploring contemporary green human habitat and creation idea cities, and was highly appraised both in and out of the industry.

The Company has been dedicated to the practice of green property for many years, and actively seeks new green concept. During the report period, 11 projects of the Company got the Green Architecture Design Identification Certificate issued by the Ministry of Housing and Urban-Rural Development, Guangzhou Jinshan Valley got LEED-ND design authentication certificate issued by U.S. Green Building Council and was entitled ‘2011 South China Low Carbon Annual Benchmarking Community’ by Development and Reform Commission of Guangdong Province, Guangdong Low-Carbon Development Promotion Association, Guangdong Provincial Academy of Building Research and Nanfang Daily. Tianjin Yonghuafu Project was entitled ‘Optimal Human Habitat Demonstration Project in the Asia Pacific Region’ by the Economic Development and Cooperation Committee of the European Union.

With the improvement and implementation of a series of management measures, while the operation achievement increased, the management effect was approved by all parties. In 2011, the Company Won ‘2011 Hu-Shen Listed Companies TOP10’ evaluated by the Enterprise Research Institute of the State Council Development and Research Center, Tsinghua University Real Estate Research Institute and China Index Research Institute, and was entitled ‘2011 China Real Estate Top 100 Enterprises’;

- Won ‘2011 China Real Estate Sustainable Development Brand Model’ evaluated by China Real Estate TOP10 Research Group, and was ranked in Real Estate Company Brand Value TOP10 for continuous eight years;

- Became ‘2011 China Real Estate Development Enterprise Brand Value Top 20’ evaluated by China Real Estate Research Association, China Real Estate Industry Association and China Real Estate Appraisal;

- Won ‘Hu-Shen A-Share • Comprehensive Value TOP 10’, ‘2011 Green Management Prize’ and ‘Chinese Enterprise Social Responsibility Gang--Excellent Practice Prize’ evaluated by *First Financial Daily*;

·Entitled ‘2011 Chinese Best Enterprise Citizen Prize’ evaluated by 21st Century Newspaper Group;

·Won ‘Industrial Benchmarking Enterprise’ prize, ‘Golden Ten Years Strategic Partner Prize’ and ‘Golden Ten Years Industrial Surveyor’s Pole’ Prize evaluated by Southern Metropolis Daily;

·Entitled ‘Green Architecture Demonstration Enterprise’ by Shenzhen Housing and Construction Bureau;

·Entitled ‘Suitable for Living Shenzhen 30 Years, 30 City Operators’ by *Shenzhen Special Zone Daily*.

·Entitled 2010 Information Disclosure Assessment Excellent Company by Shenzhen Stock Exchange

## **II. Review of company businesses**

### **( I ) Overall operation situation**

In 2011, facing the complicated external environment and severe industrial situation, the Company responded rapidly, and the operation achievement went up new step. In the whole year, the Company realized total operating revenue of RMB 15.111 billion, net profit attributable to shareholders of listed companies was RMB 2.592 billion, increased 29% over the same period of the previous year. Among the operating incomes:

The sales revenue of commercial houses was RMB 13.143 billion, and settlement area was 747,700 square meters;

Lease income of investment-oriented property was RMB 0.628 billion, and accumulative lease area reached 8.23 million square meters;

The sales revenue of power supply in the park was RMB 0.619 billion, with sales of electricity 81.021 million kWh;

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

(Unit: RMB'0000)

Sector	Operation revenue	Operating costs	Gross profit margin	Operating income over last year	Operating cost over last year	Gross profit margin percentage points over last year
Real Estate development and sales	1,314,277	574,774	56%	10%	-18%	14
Rental property management	62,818	32,445	48%	22%	17%	2
Real Estate intermediary agent	6,551	6,548	0%	-34%	-8%	-28
Power supply in the Park	61,940	43,777	29%	-5%	-5%	0
Property management	58,226	50,202	14%	26%	28%	-1
Project construction revenue	15,995	15,738	2%	48%	47%	1

## (II) Main business operations of the Company

### Real Estate development and sales

During the report period, 28 new projects were carried out by our company, starting construction areas of 2.92 million square meters; 13 projects were completed in the year, with a completed area of 850,000 square meters. There were 5.18 million square meters remaining in construction at the end of the year.

## Major Real Estate Development Projects List in 2011

(Unit: '0000 sq m)

No.	Name	Region	Equity ratio	Site area	Floor area ratio counted area	Newly started in 2011	Completed in 2011	Accumulative started area	Accumulative completed area	Contract signed area of this period	Carry-over area of this period	Start/planned start time	Completion/planned completion time
1	Phase 2 of Lanxi Valley and the International Apartment	Shenzhen Shekou	100%	5.69	14.44	-	3.16	14.44	14.44	1.49	3.46	2005.09	2011.05
2	Phase 5 of Shenzhen Garden City	Shenzhen Shekou	100%	0.98	2.71	-	-	2.71	2.71	0.33	0.43	2008.03	2010.08
3	Shenzhen Yongjing Bay	Shenzhen Shekou	100%	4.93	13.10	-	-	13.10	-	5.34	-	2009.07	2012.06
4	Shenzhen China Merchants Plaza	Shenzhen Shekou	100%	1.66	7.10	-	-	7.10	-	-	-	2010.05	2012.11
5	Shenzhen Woods Apartment	Shenzhen Shekou	100%	1.13	3.23	-	-	3.23	-	-	-	2010.05	2012.08
6	Shenzhen Xicheng	Shenzhen Bao'an	50%	60.00	30.31	5.10	4.76	30.31	25.55	1.61	2.54	2005.09	2012.10
7	Shenzhen China Merchants Green Garden	Shenzhen Bao'an	100%	4.00	18.16	-	-	18.16	-	3.50	-	2010.05	2012.10
8	Shenzhen China Merchants Lan Garden	Shenzhen Bao'an	100%	9.28	22.28	-	-	22.28	22.28	2.37	3.82	2008.03	2010.10
9	Shenzhen China Merchants Guan Garden	Shenzhen Bao'an	100%	14.76	22.22	-	-	22.22	-	8.19	-	2008.08	2012.01
10	Shenzhen Chuanqian	Shenzhen	51%	1.19	1.21	1.21	-	1.21	-	-	-	2011.03	2012.09
11	Shenzhen Sea World Hotel Square	Shenzhen Shekou	51%	2.36	4.29	-	-	4.29	-	-	-	2010.12	2013.02
12	Phase 6 of Shenzhen Xicheng	Shenzhen Bao'an	50%	2.34	2.81	2.81	-	-	-	-	-	2011.02	2012.08
13	Phase 9 of Shenzhen Jingshan *	Shenzhen Shekou	100%	5.44	10.65	10.65	-	10.65	-	-	-	2011.05	2014.04
14	Shenzhen Jinxiu Guan Garden *	Shenzhen Bao'an	100%	4.95	15.80	15.80	-	15.80	-	-	-	2011.12	2013.11
15	Guangzhou Jinshan Valley	Guangzhou Fanyu	100%	83.55	105.15	5.62	-	37.17	10.62	7.83	0.21	2008.02	2019.11



16	Guangzhou Fanyu Innovation and Technology Park	Guangzhou Fanyu	50.8%	86.61	84.34	-	-	11.74	2.74	-	-	2008.07	2018.12
17	Block KXCD-D1-2 of Guangzhou Development Zone*	Guangzhou Development Zone	34%	10.97	27.44	-	-	-	-	-	-	2012.03	2016.12
18	Foshan Evian Water Bank	Foshan Shunde	50%	26.64	45.94	-	20.01	45.94	28.43	13.48	17.04	2008.04	2012.12
19	Foshan Evian Upper City	Foshan Chancheng	50%	15.04	26.82	7.89	9.07	26.82	9.07	6.31	6.81	2008.08	2013.11
20	Foshan Evian Xicheng (original Shishan Project)	Foshan Nanhai	50%	14.19	31.01	9.71	-	9.71	-	-	-	2010.12	2015.06
21	Foshan Evian Tianhui (original Nanhai 2010-056, 057 Project)	Foshan Nanhai	50%	5.61	22.44	22.44	-	22.44	-	-	-	2011.02	2015.06
22	Foshan Shunde Longyuan Project *	Foshan Lecone	100%	2.97	8.92	-	-	-	-	-	-	In planning and design In planning	
23	Phase 1 of Zhuhai China Merchants Garden City (original A)	Zhuhai Xiangzhou	51%	6.15	12.42	-	12.62	12.42	-	0.51	-	2008.12	2012.03
24	Phase 2 and 3 of Zhuhai China Merchants Garden City (original B)	Zhuhai Xiangzhou	100%	10.89	21.98	-	-	21.98	-	1.46	-	2009.12	2013.08
25	Shanghai China Merchants Yonghua Yuan	Shanghai Minhang	100%	13.42	13.75	-	7.82	13.75	13.75	3.32	3.40	2008.07	2011.08
26	Shanghai China Merchants South Bridge Ya Yuan	Shanghai Fengxian	100%	5.46	9.82	-	-	9.82	9.82	-	0.06	2008.05	2010.01
27	Shanghai Hyde Park	Shanghai Baoshan	60%	38.54	24.34	-	-	9.11	9.11	1.22	1.37	2006.05	2013.08
28	Shanghai China Merchants Bay Garden	Shanghai Fengxian	100%	33.54	10.62	3.97	0.87	6.60	2.63	1.03	0.99	2008.10	2013.12
29	Shanghai Sheshan Longyuan	Shanghai Songjiang	55%	13.10	10.48	-	-	2.95	-	-	-	2010.10	2013.12
30	Nanjing Evian Valley	Nanjing Xianlin	100%	32.94	18.00	-	-	18.00	18.00	0.13	1.49	2006.12	2010.10
31	Nanjing Zijinshan No.1(original G67 Project)	Nanjing Qixia	100%	6.66	14.03	5.40	10.62	12.89	-	1.45	-	2010.08	2012.11
32	Nanjing Longyuan (original G54 Project)	Nanjing Hexi New	100%	4.85	14.54	-	-	-	-	-	-	2011.07	2014.05
33	Suzhou Small Stone City	Suzhou Wuzhong	60%	66.37	92.18	28.10	-	54.21	15.09	10.48	1.45	2008.04	2015.08

34	Suzhou Yongjing Bay (original Weiting Project)	Suzhou Industrial Park	50%	18.36	16.89	7.22	-	7.22	-	0.81	-	2011.03	2014.12
35	Zhenjiang China Merchants Beigu Bay *	Zhenjiang Jingkou	100%	31.95	55.00	13.60	-	13.60	-	1.88	-	2011.05	2015.12
36	Beijing Park 1872	Beijing Chaoyang	100%	10.42	30.34	13.54	3.02	30.34	16.80	5.53	7.24	2006.1	2014.07
37	Beijing Xicheng Homestead and Long Yuan	Beijing Changping	50%	26.80	52.33	9.90	-	44.46	25.25	10.89	1.60	2008.1	2013.05
38	Beijing Conrad Hotel	Beijing Chaoyang	60%	0.78	3.50	-	-	3.50	-	-	-	2009.4	2012.6
39	No.36 Tianjin Xikang Road	Tianjin Heping	75%	2.71	3.40	-	-	3.40	3.40	0.10	0.14	2007.03	2010.04
40	Tianjin Star City	Tianjin	100%	14.52	31.00	-	5.31	23.99	10.53	2.62	5.39	2007.1	2012.08
41	Tianjin Yonghuafu	Tianjin Hedong	50%	4.75	12.31	-	-	12.02	-	7.31	-	2010.03	2012.11
42	Qingdao Chengyang District Project*	Qingdao Chengyang	51%	32.15	29.46	-	-	-	-	-	-	In planning and design	
43	Chongqing China Merchants Bay City	Chongqing Jiangbei	100%	13.49	44.91	13.43	-	44.91	22.27	12.13	11.84	2007.1	2012.12
44	Congqing China Merchants Garden City	Chongqing North New Zone	100%	24.04	51.93	5.28	-	5.28	-	0.05	-	2011.08	2015.06
45	Chongqing Changjiahui(original Danzishi Project)	Chongqing South Bank	50%	33.66	150.00	9.46	-	9.46	-	0.20	-	2011.05	2019.12
46	Chengdu East City International Square	Chengdu Chenghua	100%	1.12	6.38	6.38	-	6.38	-	3.89	-	2011.01	2012.09
47	Chengdu China MerchantsYonghuafu (original Chenghua District CH07 Project)	Chengdu Chenghua	100%	12.27	36.26	10.45	-	10.45	-	2.43	-	2011.05	2015.04
48	Wuhan China Merchants Yonghuafu*	Wuhan Hongshan	100%	4.39	13.18	13.18	-	13.18	-	-	-	2011.07	2013.9
49	Wuhan Moshui Lank South Bank Bloack A *	Wuhan Hanyang	100%	19.97	45.73	-	-	-	-	-	-	In planning and design	
50	Wuhan Moshui Lank South Bank Bloack Block B *	Wuhan Hanyang	100%	14.28	25.09	-	-	-	-	-	-	In planning and design	
51	Wuhan Moshui Lank South Bank Bloack C *	Wuhan Hanyang	100%	17.72	38.45	-	-	-	-	-	-	In planning and design	

52	Xiamen Hyde Park (original Xiamen (P08))	Xiamen Jimei	100%	9.12	22.51	14.52	-	14.52	-	0.48	-	2011.05	2013.10
53	Xiamen Sea May Flower(original Xiamen P01)	Xiamen Jimen	50%	14.40	33.95	23.62	-	23.62	-	3.28	-	2011.03	2014.06
53	Zhangzhou China Merchants Garden City	Zhangzhou Development Zone	51%	8.25	13.71	4.47	2.58	13.71	9.23	2.20	4.15	2008.07	2012.07
54	Zhangzhou Holiday 365	Zhangzhou Development Zone	51%	3.84	10.37	7.84	2.53	10.37	2.53	1.73	0.96	2010.06	2014.12
55	Zhangzhou Cadaques	Zhangzhou Development Zone	51%	38.99	67.80	16.92	2.56	16.92	2.56	1.83	0.23	2010.05	2020.12
56	Zhangzhou Cadaques Hotel and Business	Zhangzhou Development Zone	51%	5.37	4.29	3.98	-	3.98	-	-	-	2011.07	2012.12
<b>Total:</b>				<b>959.56</b>	<b>1,561.32</b>	<b>292.49</b>	<b>84.93</b>	<b>792.36</b>	<b>276.81</b>	<b>127.41</b>	<b>74.62</b>		

*Notes:*

1. In the above table, the start and completion areas are calculated according to the caliber of floor area ratio counted area, and the contract signing and carry-over areas can be calculated according to the caliber of rentable and salable area;

2. During the report period, 9 projects were newly added, flood area ratio counted area was 2.85 million square meters, and rights area was 2.31 million square meters.

3. During the report period, the settlement area was 747,700 square meters, and except the data in the above table, other remaining building projects were not listed.

4. Except Fanyu Science and Technology Park, the other jointly operated projects were not listed in the above table.

### Management of investment property

In 2011, the Company continued to intensify development of investment properties, and operation of newly added properties such as Meilun Apartment etc. made the leased area of investment properties further increased. Leasing condition of multiple investment properties such as newly added Garden Digital Mansion, Nanhai Yiku and Science and Technology Building etc. in recent years was enhanced compared to the early stage, which made the accumulative leased area increased 1.2 million square meters compared to the same period of the previous year, increasing 17%, and leasing rate increased 7% compared to the same period of the previous year.

#### Overview of the investment properties in 2011 (Unit: '0000 sq m)

Property class	Area available for leasing	Accumulative leased area		Leasing rate	
		2011	2010	2011	2010
Of which:					
Apartment	14.17	106.02	89.07	62%	61%
Villa	6.48	60.59	57.73	78%	74%
Office building	19.28	183.30	172.74	79%	74%
Shop	19.92	213.50	197.02	89%	84%
Workshop and others	30.35	260.06	186.67	71%	58%
<b>Total</b>	<b>90.20</b>	<b>823.47</b>	<b>703.23</b>	<b>76%</b>	<b>69%</b>

### Power supply in the Park

#### Business volume situation of power supply

Business name	Unit	2011	2010	Year-on-year increase or decrease
Power supply amount	'0000kWh	81,021	81,043	-0.03%

### Property Management

The Company insisted on the concept of having matching property business as the core for property management, paid attention to the service quality of property management, and client satisfaction continuously increased. In 2011, Property management area increased stably, realizing annual management revenue of RMB 0.582 billion, increasing 26% compared to the same period of the previous year.

#### Table on change in property management area

Business class	Unit	2011	2010	Year-on-year increase or
----------------	------	------	------	--------------------------

				<b>decrease</b>
Entrusted management	'0000 square meters	1,327	1,127	18%
Consultant management	'0000 square meters	424	378	12%

### (III) Main Suppliers and Clients of the Company

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

In 2010, power sold by Shenzhen China Merchants Power Supply Co., Ltd. for the top five clients took 50% of the total power sales.

### (IV) Analysis on Financial Condition of the Company

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

Item	December 31, 2011	December 31, 2010	Change scope	Main influential factors
Other receivable	616,501	414,471	49%	Increase of land auction margin and earnest money
Inventory	5,144,018	3,869,935	33%	Company scale expanded, and real estate development input increased
Other floating assets	175,230	98,054	79%	Increase of pre-paid tax due to increase of real estate sales income
Long-term receivable	15,758	126,074	-88%	Decrease of entrusted loan and equity transfer due to taking back of remaining fund
Long-term equity investment	81,454	59,761	36%	Increase of joint operated projects
Investment real estate	326,716	343,822	-5%	Amortize investment real estate
Fixed assets	43,623	26,094	67%	Completion and transfer in of Beijing and Shenzhen Xicheng Club
Projects under construction	6,158	2,333	164%	Increase of power supply project input
Long-term unamortized expense	25,235	16,599	52%	Transfer in of decoration expenses of rented properties
Deferred tax asset	73,430	46,046	59%	Increase in deferred tax assets confirmed by temporary differences resulting from withholding land value increment tax.
Short-term loans	287,320	117,213	145%	Expansion of Company scale
Bills payable	371	27,562	-99%	Decrease of due bills
Advance	1,688,230	1,126,865	50%	Increase of advance housing sale money
Tax payable	127,250	61,479	107%	Increase of tax payable income and profit
Dividend payable	4,958	12,421	-60%	Decrease due to dividend payment
Other account payables	687,141	574,338	20%	Increase of temporary collected money
Non-floating debts due in one year	360,805	185,642	94%	Increase of long-time loan due in one year
Long-term loans	1,562,143	999,584	56%	Expansion of Company scale
Long-term account	8,357	5,859	43%	Increase of repair fund collected on behalf

payable				
Estimated debt	-	10,629	-100%	Decrease due to estimated debt turn back
Minority shareholders' equity	385,878	293,848	31%	Newly added input of minority shareholders of the subsidiary company and cooperation projects realized profit

## 2. Analysis on asset-liabilities constitution

(Unit: RMB'0000)

Item	December 31, 2011		December 31, 2010		Increase percentage of proportion in total assets
	Amount	Percentage of proportion in total assets	Amount	Percentage of proportion in total assets	
Monetary capital	1,448,380	18%	967,639	16%	Increased 2%
Other receivable	616,501	8%	414,471	7%	Increased 1%
Inventory	5,144,018	65%	3,869,935	65%	-
Investment real estate	326,716	4%	343,822	6%	Decreased 2%
Short-term loans	287,320	4%	117,213	2%	Increased 2%
Account payable	455,932	6%	475,767	8%	Decreased 2%
Account received in advance	1,688,230	21%	1,126,865	19%	Increased 2%
Other account payable	687,141	9%	574,338	10%	Decreased 1%
Non-floating debts due in one year	360,805	5%	185,642	3%	Increased 2%
Other floating debts	317,960	4%	235,774	4%	-
Long-term loans	1,562,143	20%	999,584	17%	Increased 3%

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

(Unit: RMB'0000)

Item	2011	2010	Change scope	Main influential factors
Operating income	1,511,137	1,378,243	10%	Increase in carry forward sales income of real estate
Operating tax and addition	290,880	164,720	77%	Increase in carry forward sales income of real estate, and the tax increased correspondingly
Sales expense	49,280	28,530	73%	Expansion of business scale
Management expense	36,289	23,732	53%	Expansion of business scale
Financial expense	-16,859	9,301	-281%	Increase in exchange income
Loss of impairment of assets	325	585	-44%	Bad account preparation proviston
Income from changes in fair value	1,839	-1,414	230%	Increase in income from Changes in fair value of NDF business
Income from investments	5,334	6,531	-18%	Decrease in NDF prompt income
Non-operating income	10,877	1,800	504%	Estimated debt turn back
Income tax expense	117,889	78,814	50%	Increase in taxable profit
Minority shareholders' equity	72,117	47,259	53%	Profit of holding subsidiary companies increased, and profit of minority shareholders increased correspondingly

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

Item	2011	2010	Increase or decrease amount	Growth rate	Main influential factors
Net cash flow arising from operating activities	-211,234	-444,629	233,395	52%	Increase of real estate sales revenue
Net cash flow arising from investment activities	-16,803	8,001	-24,804	-310%	Increase of money of investment payment
Net cash flow arising from financing activities	706,124	452,435	253,689	56%	Increase of loan

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

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

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

Company name	Main products or services	Registered capital	Total assets		Net assets		Operation profit		Net profit	
			Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease
Shenzhen China Merchants Property	Real estate	30,000	2,896,778	12%	333,862	-19%	196,150	-18%	152,913	-19%
Shenzhen China Merchants Business Property	Property management	20,000	552,921	-	239,029	-	20,389	-	14,516	-
China Merchants Power Supply	Park power supply	5,700	427,319	26%	104,574	13%	17,969	-6%	13,149	-14%
China Merchants Property	Property management	2,500	43,535	13%	9,778	8%	2,111	6%	1,303	-7%
Beijing China Merchants Property	Real estate	2,000	232,721	-3%	3,000	-87%	68,226	150%	51,163	143%
Chongqing China Merchants Property	Real estate	3,000	120,719	14%	5,313	60%	30,419	392%	22,814	392%
Guangzhou China Merchants Property	Real estate	5,000	442,166	37%	60,638	114%	31,663	77%	32,283	125%
Tianjin Zhaosheng Real Estate	Real estate	3,000	175,004	-1%	25,990	74%	14,755	51%	11,050	52%
Foshan Xincheng Real Estate	Real estate	12,700 USD	399,834	38%	173,272	65%	90,603	801%	67,973	800%
Suzhou China Merchants Nanshan Real Estate	Real estate	10,000	197,395	39%	23,160	6%	1,770	-88%	1,399	-87%
Nanjing China Merchants Property	Real estate	3,000	323,531	13%	37,977	36%	13,412	83%	9,997	100%

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

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

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

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

Items related to fair value measure

(Unit: RMB'0000)

Item (1)	Amount at period-begin (2)	Current gains and losses due to change of fair value (3)	Accumulative fair value change accounted into equity (4)	Current balance for exchange rate convert (5)	Amount at period-end (6)
Financial assets					
Among which:					
1. Financial assets which was measured by fair value and whose change was calculated to current gains and losses	85	-43			42
Including: Derivative financial assets	85	-43			42
2. Financial assets available for sale	-	-			-
Subtotal of financial assets	85	-43			42
Financial liability					
Financial liability	2,082	1,882			200
Total	2,082	1,882			200

## Financial assets and liabilities held in foreign currency

(Unit: RMB'0000)

Item (1)	Amount at period-begi n (2)	Current gains and losses due to change of fair value (3)	Accumulative fair value change accounted into equity (4)	Current balance for exchange rate convert (5)	Amount at period-end (6)
Financial assets					
Including:					
Financial assets which was measured by fair value and whose change was calculated to current gains and losses	85	-43			42
Including: derivative financial assets	85	-43			42
Financial liability					
Financial liability	2,082	1,882			200

## 8. Devaluation of Significant assets

## Devaluation reserve for inventory

At the end of 2008, according to relevant regulations and demands of Accounting Standard for Enterprise and its accounting policy, based on prevailing market conditions, combined with expected sales of the items, the Company withdrew RMB 296,210,000 of reserve for obsolete stocks for two items, i.e. Foshan Evian Up Town and Suzhou Yongjing Bay. At the end of the report period, according to the latest market, sales and item sales expectations, the Company conducted devaluation test to all items again. Among them, at the end of the year 2011, the difference between net realizable value and book value (devaluation reserve deducted) for the Foshan Evian Up Town and Suzhou Yongjing Bay was much smaller and there was still the risk of devaluation. Therefore, at the end of the year 2011, we maintained the judgment of withdrawing devaluation reserve to the items above mentioned.

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

### III Prospect of the Company on future development

#### ( I ) Analysis on the industrial tendency

In 2012, the keynote of the real estate market control is still the same, and from the central government to the local governments, the guiding ideology of “solidifying control achievement, promoting reasonable return of the housing price and promoting the long-term, stable and healthy



development of the real estate market” is determined. Under the precondition of overall dropping of the housing price, along with the gradual return of reasonable rigid housing purchase demand, in the future, it is expected to realize mild rise of the trading volume. However, because in the past two years, start-up quantity of commercial housing greatly increased, in the second half of 2012, market supply will climb to the new height, commercial residence was overstocked, and the risk of supply exceeding demand is still very big. Looking in the long term, the real estate industry will gradually enter the rational development stage of “control normalization, operation rationalization and profit rate assimilation”.

## **(II) Main coping strategy**

In 2012, the situation was still severe. The Company feels the “danger” and sees the “opportunity”, and the sense of crisis and sense of pressure of “walking on the thin ice and boating against the current” for this. At the same time, the Company has the achievement need and confidence of innovating, seeking change and breaking through self. At first, the Company will emphasize strain of thought, will utilize the enhancement of capital, operation and management efficiency to enhance speed and efficiency; abandon the inertial thinking and enhance competitiveness through innovating and coruscating working enthusiasm. Secondly, under the condition of continuous control, how to rapidly grasp the market opportunity, how to rapidly adjust the product structure, how to accurately grasp the rhythm and price..... all these require us to have acute sense to the market and rapid strain capacity. Thirdly, realize strain of management. The Company will actively try to construct high-efficiency and highly capable headquarter, surround the four lines, “operation, product, monitoring and management”, optimize headquarter institution setting, try to make function management walk to large system, enhance the ability and efficiency of guidance and control of the headquarter, and carry out “enhancing speed and enhancing efficiency”.

Guaranteeing sales is the highest priority of the work in 2012. The whole Company will focus on sales, achieve leader commanding, all employees marketing, and specialized lines such as design and engineering etc. serve sales. The Company will further strengthen preparation work before the new buildings enter the market; broaden effective sales channels including whole sale, group purchase and online purchase etc.; the new projects will pay attention to adjusting and optimizing product structure according to the market condition, balance proportion of high, middle and low products, strengthen market strain capacity and meet the demand of survival and development.

Fund is the core for safely getting through the winter. In 2012, “guaranteeing financing” appears especially critical. The Company will continue to deepen cooperation with the banks, and spare no effort in ensuring reasonable increment of bank loan. At the same time, the Company will expand financing channels, research and explore new financing varieties, doing well with configuration of financial resources, optimize load period structure, further enhance the efficiency of fund management and use, and control financial risks.

Effectively conducting cost management is very important in the environment of decrease of sales price. Looking towards the future, industrial competition will be more motivating, and only by having low coast operation ability, can we avoid being in the passive position in the existing competition pattern of the real estate industry. In 2012, the Company will vigorously promote the progress of standardization construction, and greatly enhance the proportion of group procurement. The Company will systematically

do well with cost management of project construction through controlling the four passes: quota design, procurement, project dynamic cost control and examination, and at the same time, the Company will pay more attention to the saving of management expenses.

Developing commercial property is suiting the industrial development tendency, and keeping the strategy selection of sustainable development is a direction of the change of commercial mode. For the existing projects, the Company not only simply holds, but also fully considers the continuous profiting ability and operation management cost of projects, will combine financial innovation with commercial property and arouse the vigor of commercial property.

In terms of resource obtaining, the Company will continue to deeply plough the first and second line cities that it already entered, and ensure the sustainability of the resources of key cities; use part to drive the integer, pay attention to the auxiliary center of cities, radiation lay out the third and fourth line cities; actively pay attention to the merger and cooperation opportunities of the market; actively cooperate with the group to promote research on logistics property, port property and road property. Depending on the advantage of coordinated struggling of the group internal industries, excavate new resource obtaining points. IN addition, the Company will deepen exploration of composite properties such as endowment, health preservation and tourism etc., and seek opportunity to achieve project breakthrough.

The Company will utilize coverage application of ERP system and knowledge management system, comprehensively realize informatization and refinement management, and further enhance the operation efficiency of the Company and standardization of management. I addition, in order to match the establishment of matching mechanism after releasing authority, the Company headquarter will offer guidance to the city companies in terms of talents equipping, mechanism perfecting and technical support etc. On the other hand, the Company will perfect construction of internal control and risk management system, and strengthen monitoring and risk prevention work in the scope of the whole Company.

2012 is the 140 anniversary of China Merchants Group. In the history of more than one hundred years, China Merchants Group went through vicissitudes of life and continued endlessly. Just because of the style of unity and high efficiency, the spirit of exploitation and honesty, operation concept of practical and strict, China Merchants Group realized continuous strengthening successfully in the historical change. As the flagship company of group property industry, China Merchants Property carries on the spirit of China Merchants Group. It is the obligation of China Merchants property to carry on the fire of one hundred years. The Company will pay more attention to client and employee care, insist on implementing “green human habitat”, continue to create value for the shareholders, and actively social responsibilities. Facing the difficulties, we are full of confidence.

### **(III) Operation plan in 2012**

In 2012, the Company will work hard to realize “seeking progress in stability and seeking opportunities in dangers”, stabilize achievement and goes through the winter safely. At the same time, it will cultivate itself and keep progressing. Planned newly started area of the Company is 2.92 million square meters, area under construction at the year-end is 5.45 million square meters, and planned completion area is 2.42 million square meters. The planned sales area is 1.24 million square meters, and sales amount exceeds RMB 21 billion.

## **IV. Investment condition of the Company**

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

Proceeds used by the Company in 2011 included: proceeds raised from private placement of A-shares in 2007 and proceeds raised from public offering in 2008. Here followed the significant projects invested with proceeds, and progress and income from the projects:

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

Total capital actually raised	229217		Total proceeds used in this year		2,805	
			Total proceeds accumulatively used		229,217	
Commitment projects	Whether change projects	Amount planned to input	Amount actually input	Whether comply to planned progress	Total projected income	Total realized income
Purchase 5% equities of Shenzhen China Merchants Property Co., Ltd.	No	40,000	40,000	Yes	N/A	24,865
Purchase office building of New Times Square	No	88,000	88,000	Yes	16,491	10,231
Purchase land use right of Meilun Apartment and develop for construction	No	25,000	25,000	Yes	6,793	(829)
Haiyue Huating	No	33,000	33,000	Yes	14,733	18,306
Nanjing Evian Valley Phase 1-2 (former Xianlin Project)	No	43,217	43,217	Yes	16,116	21,685
Total		229,217	229,217			74,258
Explanation on reason why not reaching the planned progress and projected income	<p>1. Company 2006 annual shareholders' general meeting and <i>2007 Report on the Issuing Condition of Privately Issued A-shares &amp; Listing Announcement</i> of the Company (hereinafter referred to as "Listing Announcement") disclose the realized net profit condition of Shenzhen China Merchants Property from 2004 to 2006 and estimates that after 2007 the net profit can keep stable increase. Net profits realized by Shenzhen China Merchants Property and belonging to the parent company shareholder in 2009, 2010 and 2011 are RMB 1,174,870,000, 1,480,500,000 and 1,242,380,000. Net profit in 2009 and 2010 increased stably, and in 2011, because the lease business was transferred to Shenzhen China Merchants Commercial Property Investment Company, the net profit decreased slightly.</p> <p>2. New Times Square office building realized profit of RMB 24,170,000, 22,710,000 and 26,580,000 in 2009, 2010 and 2011. Because the Company adopted more stable depreciation policy after purchasing New Time Square, annual depreciation amount of the building is RMB 7,820,000 more than the annual depreciation amount related to calculation profit in the listing announcement, and the tax rate used in the calculation profit in the listing announcement is 15%. Income tax rate applicable to the Company in 2011 increased to 24%, if calculating according to the depreciation and tax rate caliber in the listing announcement, profit realized by New Times Square in 2009, 2010 and 2011 basically reached the expected profit level.</p> <p>3. Because Meilun Apartment is in the initial stage after being put into operation, the occupancy rate is low, expenses and amortization are big, and loss appeared in 2011.</p>					
Explanation on reason and procedure of change	No change					
Purpose and destination of the raised capital not used yet	N/A					

Deloitte Touche Tohmatsu CPA Ltd. made examination on application of proceeds raised from private placement of the Company, and issued DSB (He) Zi (11) No.EX Examination Report, with the

following examination opinions: application report of proceeds of the Company was prepared according to the regulations of Regulation on Previous Application of Proceeds-ZJFXZi (2007) No.EX Document promulgated by China Securities Regulatory Commission, and truthfully reflected actual application of proceeds raised from the Company's private placement of A-shares in all significant aspects.

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

Total capital actually raised	577722		Total proceeds used in this year		32593	
			Total proceeds accumulatively used		572196	
Commitment projects	Whether change projects	Amount planned to input	Amount actually input	Whether comply to planned progress	Total projected income	Total realized profit
Garden City Cyber Port	No	22,722	22,722	Yes	8.93%	2,159
Garden City Phase V	No	22,000	22,000	Yes	8,830	20,929
Technology Building Phase II	No	16,000	16,000	Yes	8.88%	532
China Merchants Square (former Pilot Tower)	No	44,000	44,000	Yes	31,973	-
Woods Apartment (former Pilot Park)	No	34,000	34,000	Yes	13,462	-
Kings Ville	No	130,000	129,236	Yes	52,198	-
CM Guanyuan	No	40,000	40,000	Yes	50,523	-
CM Lanyuan	No	70,000	70,000	Yes	37,115	33,148
Tianjin Star City (former Weijin South Road)	No	60,000	60,000	Yes	111,088	28,847
CM Jiangwan City	No	40,000	40,000	Yes	68,424	31,262
Evian Town phase III	No	26,000	21,238	Yes	15,088	7,610
China Merchants Nanqiao Yayuan (former Nanqiao Project)	No	35,000	35,000	Yes	18,653	1,8424
China Merchants Yonghua Yuan (former Zhuanqiao)	No	38,000	38,000	Yes	27,485	27,739
Total		577,722	572,196			170,650

Explanation on predicted income	<p>As of December 31, 2011, profit conditions of the above-mentioned projects are as follows:</p> <ol style="list-style-type: none"> <li>1. Entire Garden City Cyber Port Project is used for leasing, investment recovery period is about 14 years (including the construction period), and committed internal rate of return is 8.93%. Garden City Cyber Port began to lease out in November 2010, making profit for continuous two years.</li> <li>2. Garden City Phase 5 Project accumulatively carried over residence sales area proportion of 99.2%, realized net profit of RMB 209,290,000, already reaching the expected profit.</li> <li>3. Entire Science &amp; Technology Building Phase 2 Project was used for leasing out, investment recovery period is about 14 years (including the construction period), and committed internal rate of return is 8.88%. Science &amp; Technology Building Phase 2 was for rent since march 2011, and as the occupancy rate in the early stage was low, it did not reach the expected profit in 2010. In 2011, it began to make profit, and estimated actual internal profit rate could reach the expectation.</li> <li>4. China Merchants Lanyuan accumulatively carried over residence sales area proportion of 99.4%, realized net profit of RMB 331,480,000, and it is estimated that expected the actual profit after all is carried over is slightly lower than the expected profit.</li> <li>5. Tianjin Star City accumulatively carried over residence sales area proportion of 99.4%, realized net profit of RMB 28,847,000, and it is estimated that actual profit after all is carried over can reach the expected profit.</li> <li>6. China Merchants Jiangwan City accumulatively carried over residence sales area proportion of 41%, realized net profit of RMB 312,620,000, and it is estimated that expected profit can be reached after all is carried over.</li> <li>7. Evian Town Phase 3 accumulatively carried over residence sales area proportion of 100%, realized net profit of RMB 76,100,000. Evian Town Phase 3 was opened for sale in August 2008, as the economic situation in 2008 is worse than expected, the actual profit did not reach the expected profit..</li> <li>8. Nanqiao Project accumulatively carried over residence sales area proportion of 100%, realized net profit of RMB 184,240,000, basically reaching the expected profit.</li> <li>9. Yonghua Yuan Project accumulatively carried over residence sales area proportion of 55%, realized net profit of RMB 277,390,000, reaching the expected profit.</li> </ol> <p>Besides the above projects, the other raised proceeds investment projects are in development, and profit was not made.</p>
Explanation on reason and procedure of change	No change
Purpose and destination of the raised capital not used yet	As of December 31, 2011, raised capital not used of the Company was RMB 55,250,000, accounting for 0.96% of the total amount of raised capital. The above-mentioned raised capital not all used will be put into the related projects promised in 2012.

Deloitte Touche Tohmatsu CPA Ltd. made examination on application of proceeds raised from public offering of A-shares of the Company in 2008, and issued DSB (He) Zi (12) No. EX Examination Report, with the following examination opinions: application report of proceeds of the Company was prepared according to the regulations of Regulation on Previous Application of Raised Capital-ZJFXZi (2007) No.EX Document promulgated by China Securities Regulatory Commission, and truthfully reflected actual application of proceeds raised from the Company's public offering of A-shares in all significant aspects.

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

Project	Investment in 2011	Increase in investment over last year	Progress	Income received in 2011
Zhenjiang Beiguwan Project	322,551		-Started	
Shenzhen Jingshan Phase 9	140,288	16,633%	Started	
Nanjing China Merchants Longyuan	134,144		-Started	
Guangzhou Wanshang Project	127,087		-Early stage planning	

Foshan Longyuan Project	67,292		-Early stage planning	
Foshan Evian Water Bank	52,894	36%	Phase 1 and 2 completed, Phase 3-4 in main body construction	Realized gross profit of RMB 945,120,000
Suzhou Xiaoshi City	50,892	38%	Phase 1-3 completed	Realized gross profit of RMB 39,900,000
Qingdao Zhongrunde Project	48,194		-Early stage planning	
Beijing Parl 1872	46,371	34%	Phase 1-2 completed	Realized gross profit of RMB 732,020,000
Wuhan Yonghuaifu	45,924		-Main body construction	
Guangzhou Jinshan Valley	44,504	38%	Phase 1-3 completed	Realized gross profit of RMB 5,650,000
Beijing Xicheng Homestead and Longyuan Project	41,154	22%	Phase 1 completed and intaken, phase 2 in main body construction	Realized gross profit of RMB 33,240,000
Shanghai Shehan Longyuan Project	40,813	22%	Main body construction	
Shenzhen Ci City Phase 3-6	39,333	16%	Phase 3 and 4 completed, Phase 5 and 6 in main body construction	Realized gross profit of RMB 744,940,000
Chongqing Danzishi Project	35,044	15%	Started	
Foshan Evian Shang City	30,010	16%	Phase 1 completed, Phase 2 -3 in main body construction	Realized gross profit of RMB 13,480,000
Foshan Evian Tianhui	28,993	25%	Main body construction	
Nanjing G67 Project	25,745	17%	Main body construction	
Chengdu Yonghuaifu	23,915	15%	Main body construction	
Shanghai China Merchants Bay Garden	23,897	31%	Main body construction	
Xiamen Jimei P08 Project	22,941	22%	Main body construction	
Shenzhen Chuanqian Square	22,706	2,978%	Main body construction	
Suzhou Yongjing Bay	20,886	20%	Main body construction	
Zhuhai Garden City Phase 1-3	20,118	17%	Main body construction	
Zhangzhou Cadaques Project	18,687	26%	Phase 1 completed	Realized gross profit of RMB 10,320,000
Beijing Conrad Hotel	18,616	36%	Main body construction	
Foshan Evian Xi City	18,458	26%	Main body construction	
Shenzhen China Merchants Guoling Garden	18,116	36%	Main body construction	
Chongqing China Merchants Garden City	16,965	13%	Main body construction	
Xiamen Jimei P01 Project	15,719	15%	Main body construction	
Jinxiu Guanyuan	12,929		-Started	
Zhangzhou Holiday 365	12,706	123%	Phase 1 completed	Realized gross profit of RMB 20,390,000
Chengdu Dongcheng International Business Square	11,981	51%	Main body construction	
Shenzhen Seaworld Hotel	11,563	1,685%	Main body construction	
Zhangzhou China Merchants Garden City	9,982	41%	Phase 1 completed	Realized gross profit of RMB 70,540,000
Shanghai Hyde Garden	8,761		Block 1# completed	Realized gross profit of RMB 123,150,000
Shenzhen Lanxi Valley Phase 3	8,022	39%	Completed	Realized gross profit of RMB 363,010,000

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

## VI. Daily Work of the Board of Directors

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

The Board of Directors altogether held 17 meetings in this year, and the concrete conditions are as follows:

1. On January 24, 2011, the Board of Directors held 2011 first temporary meeting of the 6th Board

of Directors by telecommunication voting, in which *Proposal on the Comprehensive Line of Credit Plan of the Company with Ping An Bank and Baoshang Bank in 2011* was examined and approved. The resolution was reported to Shenzhen Stock Exchange on the day when the meeting was held.

2. On February 15, 2011, the Board of Directors held the 19th meeting of the 6th Board of Directors by spot voting, in which *Proposal on electing the Chairman of the 6th Board of Directors, Proposal on Electing the Vice Chairman of the 6th Board of Directors and Proposal on Appointing Mr. He Jianya as the General Manager of the Company* were examined and approved. The resolution notice was disclosed on February 16, 2011.

3. On March 11, 2011, the Board of Directors held the second temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *Proposal on Offering Separation for Shenzhen China Merchants Real Estate Co., Ltd.* was examined and approved. The resolution notice was disclosed on March 12, 2011.

4. On March 18, 2011, the Board of Directors held the 20th meeting of the 6th Board of Directors by spot voting, in which 2010 Financial Report, 2010 Annual Report and Its Abstract, 2010 Annual Profit Distribution Preparedness, Special Explanation on the Storage and Use Condition of the Fund Raised Previously, 2010 Internal Control Self Evaluation Report, 2010 Social Responsibility Report, 2010 Independent Directors' Work Report, Proposal on Continuing to Appoint the External Auditing Institution, Proposal on Examining <2011 Bank Limit and Financing Plan of the Financial Institutions of the Company>, Proposal on Lease Transaction of the Related Party, Proposal on Prolonging the Period of Letter of Guarantee and Banks Revising Related Agreements, Work Scheme on Implementing <Enterprise Internal Control Code>, Proposal on Nominating He Jianya as the Candidate for the Director, Proposal on Continuing Responsibility Insurance for the Directors, Supervisors and Senior Executives, Proposal on Holding 2010 Annual Shareholders' General Meeting were examined and approved. The resolution notice was disclosed on March 22, 2011.

5. On March 28, 2011, the Board of Directors held the 3rd temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which Proposal on Providing Guarantee for the Bank Loan of Shanghai Jingyuan Real Estate Development Co., Ltd. was examined and approved. The resolution notice was disclosed on March 29, 2011.

6. On April 12, 2011, the Board of Directors held the 21st meeting of the 6th Board of Directors by spot voting, in which *Proposal on Modifying <Working Instruction of the Strategy Committee of the Board of Directors>*, *Proposal on Adding Members of the Strategy Committee of the 6th Board of Directors* were examined and approved. The resolution notice was disclosed on April 13, 2011.

7. On April 19, 2011, the Board of Directors held the 4th temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *The First Quarter Report of 2011* was examined and approved. The resolution notice was disclosed on April 20, 2011.

8. On June 24, 2011, the Board of Directors held the 5th temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *Proposal on Providing Guarantee for Bank Loan of Fujian Zhongliansheng real estate Development Co., Ltd.*, *Proposal on Presenting Commitment Letter for DBS Bank* were examined and approved. The resolution notice was disclosed on June 25, 2011.

9. On July 8, 2011, the Board of Directors held the 6th temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *Proposal on Signing <Credit Loan Contract>*

with *Huaneng Guicheng Credit Co., Ltd.* was examined and approved. The resolution was reported to Shenzhen Stock Exchange on the day when the meeting was held.

10. On July 13, 2011, the Board of Directors held the 7th temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *Proposal on Signing <Credit Profit Right Transfer Agreement> with Shenzhen Branch of Industrial Bank Co., Ltd.* was examined and approved. The resolution was reported to Shenzhen Stock Exchange on the day when the meeting was held.

11. On August 5, 2011, the Board of Directors held the 22nd meeting of the 6th Board of Directors by spot voting, in which *2011 Semi-Annual Report and Its Abstract, Semi-Annual Financial Report and Proposal on Revising <Working Instruction of the Strategy Committee of the Board of Directors>* were examined and approved. The resolution notice was disclosed on August 9, 2011.

12. On October 17, 2011, the Board of Directors held the 8th temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *Proposal on Providing Guarantee for the Credit Loan of Shenzhen China Merchants Power Supply Co., Ltd.* was examined and approved. The resolution notice was disclosed on October 18, 2011.

13. On October 18, 2011, the Board of Directors held the 9th temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *2011 3rd Quarter Report* was examined and approved. The resolution notice was disclosed on October 19, 2011.

14. On November 2, 2011, the Board of Directors held the 10th temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *Proposal on Providing Guarantee for the Credit Loan of Shenzhen China Merchants Power Supply Co., Ltd., Proposal on Providing Guarantee for the Bank Loan of Guangzhou China Merchants Real Estate Co., Ltd., Proposal on Providing Guarantee for the Bank Loan of China Merchants Group Guangming Science and Technology Park Co., Ltd.* were examined and approved. The resolution notice was disclosed on November 3, 2011. 0000

15. On November 7, 2011, the Board of Directors held the 11th temporary meeting of the 6th Board of Directors in 2011 by telecommunication voting, in which *Proposal on Providing Guarantee for the Bank Loan of Shenzhen China Merchants Power Supply Co., Ltd.* was examined and approved. The resolution notice was disclosed on November 8, 2011.

16. On November 15, the Board of Directors held the 23rd meeting of the 6th Board of Directors by spot voting, in which *Proposal on Nominating the Director Candidates of the 7th Board of Directors, Proposal on Nominating the Independent Director Candidates of the 7th Board of Directors, Proposal on Holding the First Temporary Shareholders' Meeting in 2011* were examined and approved. The resolution notice was disclosed on November 16, 2011.

17. On December 2, 2011, the Board of Directors held the 1st meeting of the 7th Board of Directors by spot voting, in which *Proposal on Electing the Chairman of the 7th Board of Directors, Proposal on Electing the Vice Chairman of the 7th Board of Directors, Proposal on Electing the Members of the Strategy Committee of the 7th Board of Directors, Proposal on Electing the Members of the Auditing Committee of the 7th Board of Directors, Proposal on Electing the Members of the Remuneration and Assessment Committee of the 7th Board of Directors, Proposal on Appointing the General Manager of the Company, Proposal on Appointing the Deputy General Manager and Chief Financial Officer of the Company, and Proposal on Appointing the Secretary of the Board of Directors and Representative of the Securities Affairs* were examined and approved. The resolution notice was disclosed on December 3,



2011.

The above resolution notice information was disclosed on *China Securities Journal*, *Shanghai Securities News*, *Hong Kong Commercial Daily* and <http://www.cninfo.com.cn>.

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

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

##### Condition of implementing the Company 2010 annual profit distribution scheme

On April 12, 2011, the Company 2010 annual shareholders meeting examined and approved *2010 Annual Profit Distribution Scheme*. The profit distribution scheme is: Determine surplus public accumulation RMB 113,669,574 according to the extraction method of 10% of the net profit RMB 1,136,695,740 of the parent company; taking the year end shareholding equity 1,717,300,503 shares as the cardinal number, for each ten shares, allot RMB 1.2 cash (including tax); that is allotting cash dividend RMB 206,076,060; the remaining undistributed profit RMB 4,184,330,333 is retained till the next year. In 2010, the Company did not conduct capital reserve presenting to the capital stock.

The Company released *2010 Announcement of Implementing Dividend Payment Scheme* on May 27, 2011, determining the equity registration date as June 2, 2011 and ex-dividend date as June 3, 2011. During the report, the Company had successfully finished the dividend payment work.

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

##### 1. Performance of the Strategy Committee

Facing the complicated economic situation and severe industrial environment, as the guidance for the decision making of the Company, the Strategy Committee actively researched the situation changes, and guided to Company to strengthen research on the industrial period and development opportunities under the policy control. It required the Company to strain actively, adjust the strategies in time and enhance the adapting and mastering ability for the market changes. During the report period, under the guidance of the Strategy Committee, the Company conducted deep reflection and research on the regional strategy, development strategy and product strategy etc., and further clarified the strategic concept of operation and development of the Company under the new situation. At the same time, the Company will effectively enhance the core competitiveness of the Company through strategies such as reasonably planning the investment layout, integrating the internal and external resources and building domestic and foreign financing platform etc.

##### 2. Performance of the Audit Committee

During the report period, according to the requirements of the supervision laws and regulations, work mainly developed by the Audit Committee includes: Guide the arrangement of annual audit work, during the annual audit period, it communicated and discussed audit plan and related problems in the audit progress with the accountant responsible for the annual audit for three times; it reviewed the Company financial report for two times and expressed written review opinion; it objectively evaluated the work of the certified public accountants responsible for annual audit and wrote the summary report about the audit work; on the foundation of understanding and evaluating the work of the existing certified public accountants, it brought forward suggestions for the Company renewing certified public accountants. In addition, the work developed by the Audit Committee includes: Check the storage and use condition of

the proceeds raised by the Company, supervise the storage and use of the proceeds raised according to the related laws and regulations; check the Company NDF transaction condition and reminds the risks of NDF transactions; guide the construction of the Company internal control code etc.

### 3. Performance of the Remuneration and Assessment Committee of the board of directors

The Remuneration and Assessment Committee will agree to the new trial project motivation schemes of the Company in 2011: *Supplementing Method for Guidance on Project Motivation Management Operation*, *Guidance on the Management Operation of the Salaries of the Marketing Personnel*, and *Guidance on the Management Operation of Marketing of All Employees*. The Remuneration and Assessment Committee thinks that the new schemes have profit as the guiding direction, consider cash backflow and investment rate of return, which are good for promoting project profit maximization and could enhance the Company overall benefit to the maximum extent.

In 2011, the Remuneration and Assessment Committee will continue to actively promote the equity motivation system work of the Company, and offers professional guidance opinions for the problems that may be involved in the process.

In order to ensure that the remuneration system of the Directors and senior executives of the Company legal and compliant, the Remuneration and Assessment Committee also audited the making and implementation of the performance assessment standard for the Directors and senior executives of the Company and supervised scheme making and distribution of remuneration. For the condition of the Directors, Supervisors and senior executives receiving remuneration from the Company disclosed in 2011 Annual Report, it offered affirming audit opinion.

## VII Company Profit Distribution

### 1. Preplans for Profit Distribution and for Increasing Capital Stock Transferred from Capital Reserve of 2011

As of the end of 2011, the audited undistributed profit of the parent company was RMB 4,869,992,181, the undistributed profit transferred into which as of the beginning of the year was RMB 4,390,406,393, the net profit of the year RMB 685,661,848, and the distributed profit of the last year RMB 206,076,060.

The Preplan for Profit Distribution in 2011 is as follows in accordance with relevant laws, rules and regulations, and the Articles of Company Statute. The accrued statutory surplus reserve fund was RMB 68,566,185 based on 10% of the parent company's net profit of RMB 685,661,848. Taking the total capital stock of 1,717,300,503 shares as of the end of the year as a cardinal number, the dividend of RMB 2 (including tax) in cash per 10 shares was distributed, with the total dividend in cash of RMB 343,460,101.

The residual undistributed profit of RMB 4,457,965,895 was retained to the next report year.

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

The profit available to distribute in 2011 was as follows: (Unit: RMB)

	Amount of the Company	Net profit ratio belonging to the shareholders of the listed company in the consolidated financial statement of this year
Net profit in 2011	685,661,848	26%

Withdrew statutory surplus reserve	68,566,185	3%
Profit available for distribution at the year-begin	4,184,330,333	
Distributed cash dividends of 2011	343,460,101	13%
Profit retained to later years	4,457,965,895	

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

	Cash dividend amount	Net profit belonging to the shareholders of the listed company in the consolidated financial statement of the year	Net profit ratio belonging to the shareholders of the listed company in the consolidated financial statement of the year	Profit available to distribute of the parent company of the year
2010	206,076,060	2,011,397,239	10.25%	4,390,406,393
2009	171,730,050	1,644,143,880	10.44%	3,654,676,783
2008	171,730,050	1,227,615,829	13.99%	2,728,924,171
Proportion of the accumulative cash dividend amount in the last three years accounting for in the latest annual average net profit (%)				33.76%

IX. In 2009, the Company chose the following media for information disclosure: *China Securities Journal, Securities Times, Shanghai Securities News and Hong Kong Commercial Daily*.

### Chapter 9 Report of Supervisors Committee

#### I. The work of Supervisors Committee

The Supervisors Committee performed its supervision duties in accordance with the related provisions of the *Rules of Procedure of the Supervisors Committee* in 2011. Within the report period, members of the Supervisors Committee attended all of the Board of Directors' and shareholders' meetings; audited regular financial reports of the Company; supervised the convening, holding and decision-making procedures of the Board of Directors' and shareholders' meetings, the implementation of solutions of shareholders' meetings by the Board of Directors, performance of the management and the implementation of the management system; and urged the Board of Directors and management of the Company to legally operate business and scientifically make decisions.

The Supervisors Committee held that the Board of Directors seriously carried out solutions made by the shareholders' meetings; that solutions of the Board of Directors comply with applicable rules and regulations and the *Company Statute* without activities impairing benefits of the Company and its shareholders; and that the management strictly carried out solutions of the Board of Directors without any violation.

(Supervisors Committee) held seven meetings in total within the report period, with the details as follows:

1. On March 18, 2011, the 6th Supervisors Committee (It) held the 11th meeting of the 6th Supervisors Committee in live, in which *2010 Annual Report and Its Abstract, Internal Control Self Evaluation Report, 2010 Annual Report of the Supervisors Committee* were examined and approved. The resolution notice was disclosed on March 22, 2011.

2. On April 12, 2011, the 6th Supervisors Committee (It) held the 12th meeting of the 6th Supervisors Committee in live, in which *Proposal on Electing Chairman of the 6th Supervisors Committee* was examined and approved. The resolution notice was disclosed on April 13, 2011.

3. On April 19, 2011, the 6th Supervisors Committee (It) held the 13th meeting of the 6th Supervisors Committee by telecommunication voting, in which *2011 First Quarter Report* was examined and

approved. The resolution was reported to Shenzhen Stock Exchange on the day when the meeting was held.

4. On August 5, 2011, the 6th Supervisors Committee (It) held the 14th meeting of the 6th Supervisors Committee by telecommunication voting, in which *2011 Semi-Annual Report and Its Abstract, 2010 Semiannual Financial Report* were examined and approved. The resolution was reported to Shenzhen Stock Exchange on the day when the meeting was held.

5. On October 18, 2011, the 6th Supervisors Committee It held the 15th meeting of the 6th Board of Directors by telecommunication voting, in which *2011 Third Quarter Report* was examined and approved. The resolution was reported to Shenzhen Stock Exchange on the day when the meeting was held.

6. On November 15, 2011, the 6th Supervisors Committee (It) held the 16th meeting of the 6th Supervisors Committee in field meeting mode (live), in which *Proposal on Nominating the Supervisor Candidates of the 7th Supervisors Committee* was examined and approved. The resolution notice was disclosed on November 16, 2011.

7. On December 2, 2011, the 7th Supervisors Committee (It) held the first meeting of the 7th Supervisors Committee in field meeting mode, in which *Proposal on Electing the Chairman of the 7th Supervisors Committee* was examined and approved, The resolution notice was disclosed on December 3, 2011.

The above resolution notice information was disclosed on *China Securities Journal, Securities Times, Securities Daily, Shanghai Securities News, Hong Kong Commercial Daily* and <http://www.cninfo.com.cn>.

## **II The Supervisors Committee supervises and examines the following issues and publishes opinion.**

### **( I ) Legal Operation**

During the report period, the Company continued to perfect the internal control mechanism, and treatment and internal control level of the Company was further enhanced. The shareholders' meeting, Board of Directors and management of the Company fulfill their responsibilities in strict accordance with the decision making authority and procedures, operation legally and in compliance, and there was no violation behavior against laws, regulations, Company Statute or harming the interest of the Company.

### **(II). Checking financial condition of the Company**

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

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

During the report period, related transactions of the Company mainly include: Related transaction that the Company's subsidiary company China Merchants Construction undertaking the general

contracting project of Shekou Industrial Zone's subsidiary company Front Bay Garden involves; land and housing lease of Shekou Industrial Zone and its other related parties; transaction of China Merchants Group and Shekou Industrial Zone providing guarantee for the bank loan of the Company etc. Before the major related transaction arose, the Company got the affirmative opinion of the Independent Directors. The Supervisors Committee thinks that voting procedures of the Company related transaction matters are legal and compliant, The transaction price is evaluated and determined by the independent third party or is determined with reference to the market price of the same category, the prices are fair, the transactions are just and reasonable, meeting the demand of business development of the Company, and not harming the interest of the Company and other shareholders.

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

The Company established *Raised Funds Management System*. The Audit Department of the Company carried out a regular supervision on the storage and usage of raised funds. The storage and usage of raised funds strictly complied with the regulatory laws, regulations and the management system associated with raised funds. There was no situation that the projects that the raised funds were actually invested in changed.

(V). Self-Evaluation Report of Internal Control

The **Supervisors Committee** hold that the evaluation opinions of *Internal Control Self Evaluation Report* of the Company truly and objectively reflect the current situation of internal control of the Company. The Company brought the main operation units into the scope of internal control code and evaluation according to the supervision requirements. Internal control was established for the business and issues of these units, the implementation was effective and there was no major defect.

## Chapter 10 Significant Events

### I. Significant Lawsuit and Arbitration Events

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

### II. Holding of equity of other listed companies

During the report period, the Company did not have the condition of holding shares of listed companies.

### III. Investment of derivatives

Statement on risk analysis and control measures for position in derivatives within the report period (including but not limited to market, liquidity, credit, operational and law risks.)	<p>Within the report period, the main market risk of positions in derivatives was the influence of the market quotation fluctuation of Non-Deliverable Forward (NDF) trades on the fair value change of open contracts. However, the fundamental purpose of the Company to carry out NDF trades is to lock up exchange rates avoiding the exchange rate risk caused by borrowing foreign currency loans. Therefore, with true foreign exchange loans as the base of trades, the amounts and times of trades matched foreign exchange loans, covering the open of risks. The risks are controllable as the forward exchange rates are identified at the time when trades are happening.</p> <p>Being established by the Company, the trade-off system of financial derivatives restricts the types of financial derivatives whose trades the Company can participate in and clearly provides for the trade size, approval authorization, operating process, risk control and supervision, and information disclosure of such a trade, systematically ensuring the control of trade risks.</p>
Changes in market price or fair value of invested derivatives within the report period; and the specific method and the set relevant assumptions and parameters that the Company used for analyzing fair values of derivatives shall be disclosed.	<p>In December 2011, the quotation of the one-year CNY/USD product in NDF market depreciated by approximately 1.43%, comparing with that of the appreciation of 2.26% one year before. The profit of NDF fair value resulting from price change in 2011 is RMB 18,390,000, with the investment loss from the settled NDF contracts reaching RMB 37,820,000. The Company analyzed fair values of derivatives by using the approach of market value, with the adjustment of fair values at the end of each month.</p>
Describe any significant change happening to the accounting policy and audit-specific principles of derivatives within the report period comparing with the last report period.	None.

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

Unit: RMB'0000

Contract type	Contract amount at the beginning of the period	Contract amount at the end of the period	Gain/loss of the report period	Percentage of the contract amount at the end of the period in the net assets of the Company as of the end of the report period
NDF	233,786	63,009	-1,943	3.09%

### IV. M&A and sale of assets

### V. Significant related transactions

#### (I). Transactions relating normal operation

The Company had the following leasing transactions with the Shekou Industrial Zone in 2011.

The Board of Directors of the Company approved Proposal about the Related Transaction of Renting the Property of Shekou Industrial Zone Huajian Block, and agreed the Company's subsidiary company Shenzhen China Merchants Property to rent building 1, 3 and 5 of Shenzhen Shekou Huajian Block owned by Shekou Industrial Zone and land use right and object built on the land of building 2 and 6. According to the lease contract signed then, the rent can be adjusted once every three years, rent unit

price is adjusted according to the market rent level, and adjustment scope shall not exceed 30%. During the report period, the Company signed Real Estate Lease Rent Adjustment Supplementary Contract, adjusting the rent price of building 1, 3 and 5 from the original RMB 23.40/square meter/month to 27.80/square meter/month, according to building area to RMB 27.80/square meter/month, and the annual rent was about RMB 15,981,600. In addition, the annual rent of land-use right and object built on the land of building 2 and 6 remained at RMB 10,654,400.

The Company and some of its subsidiaries in Shenzhen leased the land-use right of the business sites to the Shekou Industrial Zone, with the annual rent of RMB 7,618,400.

Related companies such as the Shekou Industrial Zone leased leasing properties from the Company, including the New Times Square and the China Merchants Building, with the annual rent of RMB 20,000,000.

As the aforesaid transactions were the routine operational activities of the Company, independent directors were notified before those transactions happened, and thought that the fee standards for them were consistent internally and externally and that they are fair and reasonable not impairing the benefits of the Company and other shareholders after reviewing them.

## (II) Other related transactions

During the report period, there is no other major related transaction matter.

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

### 1. The loan guarantee for the Company and subsidiary companies provided by related parties as of December 31, 2011 :

( Unit: RMB)

Name of the related party	Party guaranteed	Guarantee amount	
Payment for letter guarantee			
Shekou Industrial Zone	Shenzhen China Merchants Property Co., Ltd.	RMB	82,012,509
Guarantee of long-term loan			
Shekou Industrial Zone	The Company	RMB	996,300,000
Shekou Industrial Zone	Shenzhen China Merchants Property Co., Ltd.	RMB	485,000,000
China Merchants Group	The Company	RMB	2,000,000,000
China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	USD	488,000,000
China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	HKD	980,000,000
Top Chief Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	USD	50,000,000

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

### 2. As of December 31, 2011, the checking accounts between the Company and related parties mainly included:

(Unit: RMB)

Item	Name of the related party	Number at the year end
Other receivables	Shenzhen TCL Optic-Electronic Technology Co., Ltd.	227,089,797
Other receivables	Shanghai Ledu Property Co., Ltd.	122,274,196
Other payables	Zhangzhou Development Zone	365,953,535
Other payables	Shenzhen Nanshan Real Estate Development Co., Ltd.	255,915,212
Other payables	Shenzhen Shekou Popular Line Investment Co., Ltd.	138,235,302
Other payables	Tianjin Xinghai Real Estate Development Co., Ltd.	106,081,399

Other payables	Shenzhen China Merchants Financing Service Co., Ltd.	117,510,000
Other payables	Shenzhen China Merchants Entrepreneurship Co., Ltd.	693,279
Other payables	China Merchants Guangming Science and Technology Park Co., Ltd.	40,058,858
Other payables	China Merchants Hanghua Science & Trade Center Co., Ltd.	528,151
Long-term payables	Shenzhen China Merchants Entrepreneurship Co., Ltd.	1,200,000
Long-term payables	Huizhou Taitong Property Investment Co., Ltd.	157,577,000
Dividend payable	Shenzhen Nanshan Real Estate Development Co., Ltd.	39,604,987

## VI. Significant contracts and their fulfillment

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

### (II). Significant Guarantees

1. As of the end of the report period, the Company provided phased joint guarantee for buyers of commercial housing. The guarantee term was from the date of issuing loan from the mortgage bank to the date on which the bank completed handling *Certificate of Land Property* for buyers. If during the aforesaid period of guarantee, any buyer of a commercial house did not fulfil his/her liabilities as a loanee, the Company is entitled to recover the sold house, so the guarantee will not make any actual loss to the Company. As of the end of the report term, the total amount of the mortgage loans for which the Company provided guarantee was RMB 76,250,000.

2. After approval of the first temporary shareholders' meeting in 2011 of the Company, the Company provided a joint liability guarantee for the loans valued RMB 350,000,000 and USD 51,410,000 (RMB 323,930,000) that the China Merchants Power Supply Co., Ltd, which is a wholly-owned subsidiary of the Company, applied with bank. The guarantee term was limited from the day in which the loan happened to the accomplished day in which all the liquidating obligations were fulfilled under the loan contract. Because the asset-liability ratio of China Merchants Power Supply is higher than 70%, the guarantee implemented the shareholders' meeting authorising and approval procedure.

3. After approval of the 2010 shareholders general meeting in 2009 of the Company, the Company agreed to prolong the bond agreement for the bank loan limit of 0.194 billion USD (RMB 1,222,370,000) got by the wholly owned subsidiary company Hong Kong Ruijia.

4. After approval of the third temporary meeting of the 6th Board of Directors of the Company in 2011, the Company wholly owned subsidiary Shenzhen China Merchants Property Co., Ltd. provided joint liability guarantee for the loan got by the holding subsidiary Shanghai Jingyuan Real Estate Development Co., Ltd. according to the shareholding proportion. Up till the end of the report period, the actual guarantee amount was RMB 143,550,000, and the guarantee period was two years after the next day when the loan term under the loan contract article is due.

5. After approval of the 5th temporary meeting in 2011 of the 6th Board of Directors of the Company, on June 24, 2011, the Company provided joint liability guarantee for the loan got by the holding subsidiary Fujian Zhongliansheng Real Estate Development Co., Ltd. according to the shareholding proportion. Up till the end of the report period, the actual guarantee amount was RMB 148,100,000, and



the guarantee period was two years after the next day when the loan term under the loan contract article is due.

6. After approval of the 10th temporary meeting in 2011 of the 6th Board of Directors of the Company, on November 3, 2011, the Company provided joint liability guarantee for the loan got by the wholly owned subsidiary Guangzhou China Merchants Real Estate Development Co., Ltd. Up till the end of the report period, the actual guarantee amount was RMB 0, and the guarantee period was two years after the next day when the loan term under the loan contract article is due.

7. After approval of the 10th temporary meeting in 2011 of the 6th Board of Directors of the Company, on November 3, 2011, the Company provided joint liability guarantee for the loan got by the jointly operated company China Merchants Guangming Science and Technology Park Co., Ltd. according to the shareholding proportion. Up till the end of the report period, the actual guarantee amount was RMB 0, and the guarantee period was two years after the next day when the loan term under the loan contract article is due.

As of December 31, 2011, external guarantee sum of the Company and holding subsidiary companies (not including sales mortgage guarantee provided by the subsidiary companies to the clients) was RMB 2,187,950,000, accounting for 10.72% of the net asset belonging to the shareholders of the listed companies audited in the latest term of the Company, and there were no overdue guarantee amount, guarantee amount involving lawsuit and loss amount that shall be born due to losing in the lawsuit of guarantee.

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

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

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

(1) During the report period, the Company signed bank loan contracts with financial institutions such as Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank and China Merchants Bank etc., as of the end of the report period, contract loan sum was RMB 26.5 billion..

(2) During the report period, the Company got projects in Shanghai, Wuhan, Zhenjiang, Foshan, and Guangzhou etc., and equity land price of land use right contracts signed were RMB 8.6 billion. For the input condition, see Chapter 8, V, (II) Non-proceeds investment major projects and progress and benefit conditions of the projects.

## VII. Commitments

### 1. Commitments of Shareholders

Commitments	Made by	Contents of Commitment	Performance
Commitment for Share Reform	Shekou Industrial Zone	<p>The Shekou Industrial Zone promised not to sell or transfer its own original non-outstanding shares within 24 months since the date when such shares obtained the right to be listed and traded (i.e. February 9, 2006); not to sell the total number of shares exceeding 5% of the total capital stock of the China Merchants Property through the listed trades at Shenzhen Stock Exchange within 36 months (February 9, 2011) after the expiration of the 24 months hereinabove; and not to sell the A-shares of the China Merchants Property that it has at the price lower than 120% of the mean arithmetical value of closing prices for 30 trading days prior to the announcement of the Split-Share Reform Solution through listed trades at Shenzhen Stock Exchange within 36 months after the expiration of the above-mentioned 24 months.</p> <p>After the implementation of the split-share reform, the Shekou Industrial Zone promised to continuously provide assets with a good profitability such as land to support the development of the Company.</p>	Within the report period, Shekou Industrial Zone fulfilled the commitment strictly.
Other commitments (including additional commitments)	Shekou Industrial Zone	The Shekou Industrial Zone promised to neither directly or indirectly conduct or develop the same or similar business or projects with that of the Company, nor found, develop, participate in, or assist any enterprise for Shekou Industrial Zone or on behalf of any related party or the third party to directly or indirectly compete with the Company; neither use the information obtained from the Company to conduct or participate in activities to compete with the Company, nor conduct any other competitive activity hurting or possibly hurting interests of the Company.	Within the report period, Shekou Industrial Zone fulfilled the commitment strictly.

## VIII. Engaging or Dismissing of CPAs

On April 12, 2011, 2010 annual shareholders' meeting of the Company approved the related proposal of continuing to engage Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as the external auditing institution in 2011.

As of the end of the report period, the Deloitte Touche Tohmatsu Certified Public Accountants Ltd. has provided its audit services for the Company for consecutive 11 years.

The Company this year should pay RMB 3.24 million to the Deloitte Touche Tohmatsu Certified Public Accountants Ltd. providing auditing service of the 2011 financial statements of the Company.

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

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

During the report period, the Company receives field investigation, telephone investigation and interview of investors for more than 100 times, thus promoting the investors to further aware and understand the Company. We fairly treat each investor in the processes of investigation and interview. The important information which is not disclosed by the company is not published or revealed.

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

Reception date	Reception place	Reception way	Object received	Content discussed and information provided
January 6, 2011	Hong Kong	Strategic seminar	ICBC Credit Suisse	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 7, 2011	Hong Kong	Strategic seminar	JEFFERIES	
January 10, 2011	Shekou, Shenzhen	Field investigation	Client of CITIC securities	
January 11, 2011	Shekou, Shenzhen	Telephone inquiry	Investor	
January 13, 2011	Shekou, Shenzhen	Telephone inquiry	Investor	
January 18, 2011	Shanghai	Field investigation	UBS	
January 26, 2011	Shekou, Shenzhen	Field investigation	JEFFERIES	
February 16, 2011	Shekou, Shenzhen	Field investigation	United securities	
February 16, 2011	Shekou, Shenzhen	Field investigation	Dacheng Fund	
February 17, 2011	Shekou, Shenzhen	Written inquiry	Investor	
February 18, 2011	Shekou, Shenzhen	Field investigation	Client of Deutsche Bank	
February 21, 2011	Shekou, Shenzhen	Field investigation	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 investigation	Client of Pingan Securities	
April 22, 2011	Shekou, Shenzhen	Telephone inquiry	Investors	
April 25, 2011	Wuhan	Field investigation	Shenyin Wanguo strategy seminar	
April 27, 2011	Shekou, Shenzhen	Telephone inquiry	JEFFERIES	
May 2, 2011	Shekou, Shenzhen	Field investigation	CITIC Securities	
May 3, 2011	Shekou, Shenzhen	Field investigation	Goldman Sachs-Gaohua	
May 5, 2011	Shekou, Shenzhen	Field investigation	Guangfa Funds	
May 9, 2011	Shekou, Shenzhen	Telephone inquiry	JEFFERIES	
May 11, 2011	Shekou, Shenzhen	Field investigation	First Capital Securities, Goldstate Securities, Guangzhou Securities	
May 13, 2011	Shekou,	Field	Capital World Investor Group	

	Shenzhen	investigation	
May 16, 2011	Shekou, Shenzhen	Field investigation	Yuanta Securities
May 18, 2011	Shekou, Shenzhen	Project inspection	China Merchants Securities, Houde Investment, Shuimutong Investment
May 19, 2011	Shekou, Shenzhen	Field investigation	Pingan Securities, Yinhua Fund, Dacheng Fund
May 19, 2011	Shekou, Shenzhen	Field investigation	E Fund
May 19, 2011	Shekou, Shenzhen	Field investigation	Client of Shenyin Wanguo
May 20, 2011	Shekou, Shenzhen	Field investigation	Credit Suisse
May 25, 2011	Shekou, Shenzhen	Field investigation	Huatai United, GTJA Allianz Funds
May 25, 2011	Shekou, Shenzhen	Field investigation	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 investigation	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 investigation	Penghua Fund
June 20, 2011	Shekou, Shenzhen	Field investigation	Huatai Group
June 21, 2011	Shekou, Shenzhen	Telephone inquiry	Individual investor
June 22, 2011	Shekou, Shenzhen	Field investigation	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 investigation	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 investigation	Chang Xin Asset Management
June 25, 2011	Beijing	Field investigation	Guotai Junan
June 28, 2011	Shekou, Shenzhen	Telephone inquiry	China Investment Securities
June 29, 2011	Shekou,	Field	Minsheng Securities

	Shenzhen	investigation	
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
July 3, 2011	Shekou, Shenzhen	telephone communication	Orient Securities
July 5, 2011	Shekou, Shenzhen	telephone communication	Individual investor
July 7, 2011	Shekou, Shenzhen	Field investigation	Huatai United Securities and Harvest Fund
July 7, 2011	Shekou, Shenzhen	Field investigation	Guotai Junan and its client
August 9, 2011	Shekou, Shenzhen	Field investigation	CITICS and its client
August 10, 2011	Shekou, Shenzhen	Field investigation	CCBI and its client
August 9, 2011	Shekou, Shenzhen	telephone communication	JEFFERIES
August 19, 2011	Shekou, Shenzhen	Field investigation	Dongguan Securities, First Securities, ANBOUND assets management
August 25, 2011	Shekou, Shenzhen	Field investigation	China Investment Securities
August 26, 2011	Shekou, Shenzhen	Field investigation	Xiangcai Securities
Septemper 7, 2011	Shekou, Shenzhen	Field investigation	British investment company
Septemper 8, 2011	Shekou, Shenzhen	telephone communication	individual investor
Septemper 8, 2011	Shekou, Shenzhen	telephone communication	Guotai Junan
Septemper 9, 2011	Shekou, Shenzhen	telephone communication	Ping An Securities
Septemper 9, 2011	Shekou, Shenzhen	Field investigation	Guosen Securities and its client
Septemper 15, 2011	Shekou, Shenzhen	telephone communication	Credit Suisse Founder
Septemper 15, 2011	Shekou, Shenzhen	telephone communication	Orient Securities
Septemper 16, 2011	Shekou, Shenzhen	telephone communication	individual investor
Septemper 16, 2011	Beijing	Field investigation	investor
Septemper 16, 2011	Shekou, Shenzhen	telephone communication	Jinli investment
Septemper 16, 2011	Shekou, Shenzhen	Field investigation	CITICS and its client
Septemper 24, 2011	Shanghai	Field investigation	Minsheng Securities
Septemper 28, 2011	Shekou, Shenzhen	telephone communication	Ping An Securities
October 12, 2011	Shekou, Shenzhen	telephone	JEFFERIES
October 19, 2011	Shekou, Shenzhen	Field investigation	Nikko Asset Management
October 19, 2011	Shekou, Shenzhen	telephone	First Capital Securities
October 19, 2011	Shekou,	telephone	Guotai Junan

	Shenzhen		
October 27, 2011	Beijing	Strategic seminar	Goldman Sachs-Gaohua
November 2, 2011	Shekou, Shenzhen	telephone	Shenyin Wanguo
November 3, 2011	Shekou, Shenzhen	Field investigation	Ping An Securities and its client
November 10, 2011	Shekou, Shenzhen	Field investigation	China Investment Securities
November 16, 2011	Shekou, Shenzhen	Field investigation	Ping An Securities and its client
November 16, 2011	Shekou, Shenzhen	Field investigation	Changan Fund
November 24, 2011	Hong Kong	Strategic seminar	JEFFERIES
November 24, 2011	Shanghai	Strategic seminar	Changjiang Securities
November 24, 2011	Shanghai	Strategic seminar	Guotai Junan
November 28, 2011	Shekou, Shenzhen	Field investigation	CLSA
November 30, 2011	Shenzhen	Strategic seminar	Huatai United Securities
December 1, 2011	Shanghai	Strategic seminar	Sinolink Securities
December 5, 2011	Shekou, Shenzhen	Field investigation	Guangzhou Securities
December 12, 2011	Shekou, Shenzhen	Field investigation	Guangfa Securities
December 14, 2011	Shenzhen	Strategic seminar	China Merchants Securities
December 15, 2011	Shenzhen	Strategic seminar	Essence Securities
December 15, 2011	Kunming	Strategic seminar	Everbright Securities
December 15, 2011	Chongqing	Strategic seminar	Guosen Securities
December 16, 2011	Fuzhou	Strategic seminar	Dongxing Securities
December 23, 2011	Guangzhou	Field investigation	Guangfa Securities
December 27, 2011	Shenzhen	Field investigation	Yinhua Fund
December 28, 2011	Shenzhen	Field investigation	Black hawk investment

## Auditor's Report

德师报(审)字(12)第 P[ 0250 ]号

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

We have audited the attached financial statements of CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD. (hereinafter referred to as "the Company" or "CMPD"), including the Company's and consolidated Balance Sheets issued on December 31, 2011, the Company's and consolidated Income Statements, the Company's and consolidated Cash Flow Statements, the Company's and consolidated Statements of Changes in Equity of year 2011, and the Notes to the Financial Statements as well.

### I. Executives' responsibilities on the Financial Statements

Preparing of the Financial Statements according to Enterprise Accounting Standard is the responsibility of the management of The Company. This responsibility includes (1) Preparing the financial statements according to Enterprise Accounting Standards and make them reflecting a fair basis. (2) Designing, implementing and maintaining the internal control system related to producing of the Financial Statements, to prevent the Financial Statements from major false presentations due to cheating or error.

### II. Responsibilities of the CPA

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### III. Auditors' Opinions

We believe that the Company has been following with the Enterprise Accounting Standard in preparing of the Financial Statements. The Financial Statements is reflecting, in all important aspects, the financial situation of CMPD as of December 31, 2011, and the business performance and cash flow of year 2011, both of the Company's and the consolidated.

Deloitte Touche Tohmatsu (Shanghai) CPA Ltd.  
Shanghai China

CPA China  
杨誉民  
CPA China  
黄玥

March 16, 2012

## China Merchants Property Development Co., Ltd.

Dec 31 2011

### Consolidated Balance Sheet

RMB Yuan

Items	Notes	Ending balance	Beginning balance	Items	Notes	Ending balance	Beginning balance
<b>Current asset:</b>				<b>Current liabilities</b>			
Monetary capital	(V)1	14,483,798,016	9,676,385,052	Short-term loans	(V)16	2,873,202,269	1,172,132,283
Transactional financial assetsHeld-for-trading	(V)2	417,906	846,539	Trade off financial liabilitiesHeld-for-trading	(V)2	2,002,312	20,824,615
Accounts receivable	(V)3	91,555,827	102,603,093	Notes payable	(V)17	3,714,276	275,616,189
Notes receivable		500,000	-	Accounts payable	(V)18	4,559,318,989	4,757,667,163
Prepayment		7,602,167	5,598,968	Prepayment received	(V)19	16,882,302,009	11,268,654,826
Other receivables	(V)4	6,165,013,340	4,144,714,137	Employees' wage payable	(V)20	260,490,068	207,232,511
Inventories	(V)5	51,440,184,642	38,699,347,411	Tax payable	(V)21	1,272,500,931	614,789,018
Non-current asset due in 1 year		1,395,887	936,793	Interest payable	(V)22	119,179,993	109,123,639
Other current asset	(V)6	1,752,296,690	980,538,674	Dividend payable	(V)23	49,582,916	124,209,948
				Other account payable	(V)24	6,871,412,819	5,743,381,514
				Non-current liability due in 1 year	(V)26	3,608,045,000	1,856,422,159
				Other current liability	(V)27	3,179,599,549	2,357,741,683
<b>Total of current asset</b>		<b>73,942,764,475</b>	<b>53,610,970,667</b>	<b>Total of current liability</b>		<b>39,681,351,131</b>	<b>28,507,795,548</b>
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Long-term receivable	(V)7	157,577,000	1,260,737,445	Long-term borrowings	(V)28	15,621,434,375	9,995,835,344
Long-term share equity investment	(V)8,9	814,539,459	597,610,091	Long-term payable	(V)29	83,565,123	58,587,176
Investment real estates	(V)10	3,267,157,629	3,438,215,323	Anticipated liabilities	(V)25	-	106,289,589
Fixed assets	(V)11	436,229,939	260,939,762	Differed income tax liability	(V)14	-中文版无此科目	-
Construction in process	(V)12	61,579,832	23,327,061	Other non-recurring liabilities	(V)30	3,150,040	3,816,700
Long-term amortizable expenses	(V)13	252,345,459	165,985,049	<b>Total of non-current liabilities</b>		<b>15,708,149,538</b>	<b>10,164,528,809</b>
Differed income tax asset	(V)14	734,300,575	460,455,365	<b>Total of liability</b>		<b>55,389,500,669</b>	<b>38,672,324,357</b>
<b>Total of non-current assets</b>		<b>5,723,729,893</b>	<b>6,207,270,096</b>	<b>Shareholders' equity</b>			
				Share capital	(V)31	1,717,300,503	1,717,300,503
				Capital reserves	(V)32	8,387,070,659	8,484,453,421
				Surplus reserves	(V)33	968,028,769	899,462,584
				Retained profit	(V)34	9,258,046,011	6,940,907,225
				Difference of foreign currency translation		87,768,855	165,308,103
				Total of shareholders' equity attributable to the parent company		20,418,214,797	18,207,431,836
				Minor shareholders' equity		3,858,778,902	2,938,484,570
				<b>Total of shareholders' equity</b>		<b>24,276,993,699</b>	<b>21,145,916,406</b>
<b>Total of assets</b>		<b>79,666,494,368</b>	<b>59,818,240,763</b>	<b>Total of owners' equity and liabilities</b>		<b>79,666,494,368</b>	<b>59,818,240,763</b>

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



**China Merchants Property Development Co., Ltd.**

Dec 31 2011

**Balance Sheet of the Company**

RMB Yuan

Items	Notes	Ending balance	Beginning balance	Items	Notes	Ending balance	Beginning balance
<b>Current asset:</b>				<b>Current liabilities</b>			
Monetary capital		5,036,890,168	3,701,866,661	Short-term loans	(XII)3	1,846,300,000	998,021,500
Dividend receivable		2,820,507,241	2,169,117,072	Employees' wage payable		8,042,607	5,371,108
Other account receivable	(XII)1	25,073,202,106	19,692,350,788	Tax payable		7,398,033	5,240,509
<b>Total of current asset</b>		<b>32,930,599,515</b>	<b>25,563,334,521</b>	Interest payable		87,596,150	83,065,942
				Other account payable		8,073,869,394	5,825,384,664
				Non-current liability due in 1 year	(XII)4	3,182,545,000	500,000,000
				Other current liability			-
				<b>Total of current liability</b>		<b>13,205,751,184</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	7,261,992,275	6,783,316,000
Long-term receivable		-	981,013,052	Differed income tax liability			-
Long-term share equity investment	(XII)2	3,899,618,991	3,538,956,943	<b>Total of non-current liabilities</b>		<b>7,261,992,275</b>	<b>6,783,316,000</b>
Fixed assets		383,021	367,487	<b>Total of liability</b>		<b>20,467,743,459</b>	<b>14,200,399,723</b>
Long-term amortizable expenses			-	Shareholders' equity			
<b>Total of non-current assets</b>		<b>3,900,002,012</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		917,077,376	848,511,191
				Retained profit		4,801,425,996	4,390,406,393
				<b>Total of shareholders' equity</b>		<b>16,362,858,068</b>	<b>15,883,272,280</b>
<b>Total of assets</b>		<b>36,830,601,527</b>	<b>30,083,672,003</b>	<b>Total of owners' equity and liabilities</b>		<b>36,830,601,527</b>	<b>30,083,672,003</b>

**China Merchants Property Development Co., Ltd.**

The Year Ended December 31, 2011

**Consolidated Income Statement**

RMB Yuan

Items	Notes	Amount of the Current Term	Amount of the Previous Term
I. Total revenue	(V)35	15,111,366,642	13,782,425,231
Incl. Operating ? income		15,111,366,642	13,782,425,231
II. Total business cost		10,793,593,728	10,569,056,245
Incl. Business cost	(V)35	7,194,438,295	8,300,379,948
Business tax and surcharge	(V)36	2,908,804,737	1,647,196,394
Sales expense		492,802,316	285,295,641
Administrative expense		362,892,496	237,315,521
Financial expenses	(V)37	(168,590,320)	93,014,196
Asset impairment loss	(V)40	3,246,204	5,854,545
Plus: Income from change of fair value	(V)38	18,393,669	(14,135,138)
Investment income	(V)39	53,344,246	65,308,883
Incl. Investment gains from affiliates		29,553,535	(5,444,537)
III. Business profit		4,389,510,829	3,264,542,731
Plus: Non business income	(V)41	108,768,445	18,000,403
Less: Non-business expenses	(V)42	6,430,860	10,419,361
Incl. Loss from disposal of non-current assets		577,931	418,349
IV. Gross profit		4,491,848,414	3,272,123,773
Less: Income tax expenses	(V)43	1,178,893,904	788,136,800
V. Net profit		3,312,954,510	2,483,986,973
Net profit attributable to the owners of parent co.		2,591,781,031	2,011,397,239
Minor shareholders' equity		721,173,479	472,589,734
VI. Earning per share			
(I) Basic earnings per share	(V)46	1.5092	1.1713
(II) Diluted earnings per share	(V)46	1.5092	1.1713
VII. Other misc. incomes	(V)47	(83,674,829)	153,171,102
VIII. Total of misc. incomes		3,229,279,681	2,637,158,075
Total misc gains attributable to the parent company		2,514,241,783	2,100,425,132
Total misc gains attributable to the minor shareholders		715,037,898	536,732,943

**China Merchants Property Development Co., Ltd.**

The Year Ended December 31, 2011

**Income Statement of the Company**

RMB Yuan

Items	Notes	Amount of the Current Term	Amount of the Previous Term
I. Turnover		-	-
Less: Operation cost		-	-
Business tax and surcharge		-	-
Sales expense		-	-
Administrative expense		34,295,091	24,104,024
Financial expenses		126,673,719	34,097,165
Asset impairment loss		-	-
Plus: Income from change of fair value		-	-
Investment income	(XII)6	846,645,551	1,199,328,751
Incl. Investment gains from affiliates		(7,114,788)	(2488748)
II. Operation profit		685,676,741	1,141,127,562
Plus: Non business income		-	317,133
Less: Non-business expenses		-	-
Incl. Loss from disposal of non-current assets		-	-
III. Total of profit		685,676,741	1,141,444,695
Less: Income tax expenses		14,893	4,748,955
IV. Net profit		685,661,848	1,136,695,740
V. Earnings per share			
(I) Basic earnings per share		Not applicable	Not applicable
(II) Diluted earnings per share		Not applicable	Not applicable
VI. Other misc gains		-	(3,473,483)
VII. Total of integrated income		685,661,848	1,133,222,257

**China Merchants Property Development Co., Ltd.**

The Year Ended December 31, 2011

**Consolidated Cash Flow Statement**

RMB Yuan

Items	Notes	Amount of the Current Term	Amount of the Previous Term
<b>I. Net cash flow from business operation</b>			
Cash received from sales of products and providing of services		20,827,133,097	15,868,430,913
Tax returned		11,795,675	15,222,063
Other cash received from business operation	(V)48(1)	5,266,286,134	2,650,784,301
Sub-total of cash inflow from business activities		26,105,214,906	18,534,437,277
Cash paid for purchasing of merchandise and services		18,939,453,170	15,504,594,545
Cash paid to staffs or paid for staffs		932,401,018	663,519,706
Taxes paid		3,763,688,121	2,707,911,375
Other cash paid for business activities	(V)48(2)	4,582,012,295	4,104,705,661
Sub-total of cash outflow from business activities		28,217,554,604	22,980,731,287
Net Cash flow generated by business operation		(2,112,339,698)	(4,446,294,010)
<b>II. Cash flow generated by investing</b>			
Cash received from disposal and returns of investment		-	20,618,338
Cash received as return on investment		141,579,556	360,094
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		413,449	484,679
Net cash received from disposal of subsidiaries or other operational units	(V)49(2)	-	158,832,015
Other investment-related cash received	(V)48(3)	161,835,207	-
Sub-total of cash inflow due to investment activities		303,828,212	180,295,126
Cash paid for construction of fixed assets, intangible assets and other long-term assets		69,048,371	43,772,810
Cash paid as investment		210,682,744	38,625,469
Net cash received from subsidiaries and other operational units	(V)49(2)	155,553,982	15,306,886
Other cash paid for investment activities	(V)48(4)	36,569,960	2,579,455
Sub-total of cash outflow due to investment activities		471,855,057	100,284,620
Net cash flow generated by investment		(168,026,845)	80,010,506
<b>III. Cash flow generated by financing</b>			
Cash received as investment		63,250,000	617,673,905
Incl. Cash received as investment from minor shareholders		63,250,000	617,673,905

**China Merchants Property Development Co., Ltd.**

Cash received from borrowings		12,206,606,205	7,766,251,253
Subtotal of cash inflow from financing activities		12,269,856,205	8,383,925,158
Cash to repay debts		3,851,793,933	3,042,538,369
Cash paid as dividend, profit, or interests		1,356,824,665	817,032,827
Incl. Dividend and profit paid by subsidiaries to minor shareholders		404,388,553	236,941,138
Subtotal of cash outflow due to financing activities		5,208,618,598	3,859,571,196
Net cash flow generated by financing		7,061,237,607	4,524,353,962
<b>IV. Influence of exchange rate alternation on cash and cash equivalents</b>		(35,492,132)	(19,136,217)
<b>V. Net increase of cash and cash equivalents</b>		4,745,378,932	138,934,241
Plus: Balance of cash and cash equivalents at the beginning of term	(V)49(3)	8,914,595,308	8,775,661,067
<b>VI. Balance of cash and cash equivalents at the end of term</b>	(V)49(3)	13,659,974,240	8,914,595,308

**China Merchants Property Development Co., Ltd.**

The Year Ended December 31, 2011

**Cash Flow Statement of the Company**

RMB Yuan

Items	Notes	Amount of the Current Term	Amount of the Previous Term
<b>I. Net cash flow from business operation</b>			
Other cash received from business operation		4,336,612,910	2,190,333,777
Sub-total of cash inflow from business activities		4,336,612,910	2,190,333,777
Cash paid to staffs or paid for staffs		22,244,797	16,221,535
Taxes paid		11,523,730	17,707,562
Other cash paid for business activities		6,618,428,946	5,198,295,359
Sub-total of cash outflow from business activities		6,652,197,473	5,232,224,456
Cash flow generated by business operation, net		(2,315,584,563)	(3,041,890,679)
<b>II. Cash flow generated by investing</b>			
Cash received from investment retrieving		-	6,003,775
Cash received as investment gains		322,930,935	45,334,076
Net cash received from disposal of subsidiaries or other operational units		-	154,691,540
Sub-total of cash inflow due to investment activities		322,930,935	206,029,391
Cash paid for construction of fixed assets, intangible assets and other long-term assets		18,800	82,100
Cash paid as investment		315,346,836	187,000,000
Sub-total of cash outflow due to investment activities		315,365,636	187,082,100
Net cash flow generated by investment		7,565,299	18,947,291
<b>III. Cash flow generated by financing</b>			
Cash received as borrowings		5,984,840,500	2,096,571,012
Subtotal of cash inflow from financing activities		5,984,840,500	2,096,571,012
Cash to repay debts		1,933,901,300	1,195,293,000
Cash paid as dividend, profit, or interests		394,809,463	441,849,793
Subtotal of cash outflow due to financing activities		2,328,710,763	1,637,142,793
Net cash flow generated by financing		3,656,129,737	459,428,219
<b>IV. Influence of exchange rate alternation on cash and cash equivalents</b>		(3,086,966)	(3,159,012)
<b>V. Net increase of cash and cash equivalents</b>		1,345,023,507	(2,566,674,181)
Plus: Balance of cash and cash equivalents at the beginning of term		3,691,866,660	6,258,540,841
<b>VI. Balance of cash and cash equivalents at the end of term</b>		5,036,890,167	3,691,866,660

# China Merchants Property Development Co., Ltd.

The Year Ended December 31, 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	Shareholders' equity Total of shareholder's	Shareholders' equity attributable to the parent company					Equity Minor shareholders'	Total of shareholders' equity
	Share capital	Capital reserves	Surplus reserves	Retained profit	Others			Share capital	Capital reserves	Surplus reserves	Retained profit	Others		
I. Balance at the end of last year	1,717,300,503	8,484,453,421	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	-	(97,382,762)	68,566,185	2,317,138,786	(77,539,248)	920,294,332	3,131,077,293	-	(3,473,483)	113,669,574	1,725,997,615	92,501,376	915,184,847	2,843,879,929
(I) Net profit	-	-	-	2,591,781,031	-	721,173,479	3,312,954,510	-	-	-	2,011,397,239	-	472,589,734	2,483,986,973
(II) Other integrated income	-	-	-	-	(77,539,248)	(6,135,581)	(83,674,829)	-	(3,473,483)	-	-	92,501,376	64,143,209	153,171,102
Total of (I) and (II)	-	-	-	2,591,781,031	(77,539,248)	715,037,898	3,229,279,681	-	(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	-	(97,382,762)	-	-	-	535,017,956	437,635,194	-	-	-	-	-	631,850,102	631,850,102
1. Capital input by shareholders	-	-	-	-	-	297,250,000	297,250,000	-	-	-	-	-	632,387,198	632,387,198
2. Share payment accounted into shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	(97,382,762)	-	-	-	237,767,956	140,385,194	-	-	-	-	-	(537,096)	(537,096)
(IV) Profit distribution	-	-	68,566,185	(274,642,245)	-	(329,761,522)	(535,837,582)	-	-	113,669,574	(285,399,624)	-	(253,398,198)	(425,128,248)
1. Providing of surplus reserves	-	-	68,566,185	(68,566,185)	-	-	-	-	-	113,669,574	(113,669,574)	-	-	-
2. Common risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Dividend to shareholders	-	-	-	(206,076,060)	-	(329,761,522)	(535,837,582)	-	-	-	(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	8,387,070,659	968,028,769	9,258,046,011	87,768,855	3,858,778,902	24,276,993,699	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

**China Merchants Property Development Co., Ltd.**

The Year Ended December 31, 2011

**Statement of Change of Shareholders' Equity of the Company**

RMB Yuan

Items	Amount of the Current Term					Amount of Last Year				
	Share capital	Capital reserves	Surplus reserves	Retained profit	Total of shareholders' equity	Share capital	Capital reserves	Surplus reserves	Retained profit	Total of shareholders' equity
I. Balance at the end of last year	1,717,300,503	8,927,054,193	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	-	-	68,566,185	411,019,603	479,585,788	-	(3,473,483)	113,669,574	851,296,116	961,492,207
(I) Net profit	-	-	-	685,661,848	685,661,848	-	-	-	1,136,695,740	1,136,695,740
(II) Other integrated income	-	-	-	-	-	-	(3,473,483)	-	-	(3,473,483)
Total of (I) and (II)	-	-	-	685,661,848	685,661,848	-	(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	-	-	68,566,185	(274,642,245)	(206,076,060)	-	-	113,669,574	(285,399,624)	(171,730,050)
1. Providing of surplus reserves	-	-	68,566,185	(68,566,185)	-	-	-	113,669,574	(113,669,574)	-
2. 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	917,077,376	4,801,425,996	16,362,858,068	1,717,300,503	8,927,054,193	848,511,191	4,390,406,393	15,883,272,280



## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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### (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 1,267,300,503 shares.

## **China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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### **(I) Company Profiles – cont.**

Under “Approval for issuing of new shares by China Merchants Property Development Co., Ltd.” (Zheng-Jian-Xu-Ke[2010]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 has its headquarter located in Shenzhen, Guangdong. The Company and its subsidiaries (referred to as “the Group” are mainly engaged in property development, public utilities (water and power supply), and property management.

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

### **(II) Main Accounting Policies, Estimations and 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 Group comply with the requirement of Enterprise Accounting Standards, and are truly and completely reflecting the financial positions as of December 31, 2011 of both the Group and consolidated, as well as the operation results and cash flow in the year of 2011 of the Company and consolidated.

#### **3. Accounting period**

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

#### **4. Standard currency for bookkeeping**

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

Dollar. Standard currency used in this financial statement is RMB.

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

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

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

*5.1 Merger of entities under common control*

Both before and after the merger, the enterprises are under common control of sole party or several parties, and the controlling power is by no means temporary, it is regarded as merger of enterprises under common control.

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

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

*5.2 Merger of entities under different control and goodwill*

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

Merger cost refers to the fair value of assets paid, liabilities undertaken, and equity instruments issued by the buyer for purchasing of the controlling power of the target entity. Agency expenses such as auditing, legal services, or appraisal services and other administrative expenses occurred in merger are accounted into current gain/loss account. For merger done through multiple trades, the overall cost is the sum of cost of each single trade. Shares held before the merger is remeasured at fair value at the date of merger. The differences between the book value and fair value are accounted into investment gains of current term. If the shares held by the buyer before merger is 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 have an active market, the fair value is determined at the price offered by the buyer; for those without trade contract and active market, the fair value can be determined according to the best information obtained. Disposal expenses include those legal expenses, taxes, truckage, and other direct expenses occurred in purpose of making 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 results 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 shares of owners' equity in the subsidiaries not attributable to the parent company are treated as minor shareholders' equity, and demonstrated as "Minor shareholders' equity" under the shareholders' equity items in the consolidated balance sheet. The shares of minor shareholders' equity in net income of current term are demonstrated under "Minor shareholders' gain/loss" under the net profit items in the consolidated income statement.

When the share of losses attributable to the minor shareholders has exceeded their shares in the shareholders' equity at the beginning of term, the shareholders' equity shall be deducted thereof.

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

When the control over original subsidiary is lost for disposal of partial equity or other reasons, the retained equity shall be remeasured for fair value at the date of such change 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 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 which are available for payment whenever needed. Cash equivalent refers to the investment held by the Company with short term, strong liquidity and low risk of value fluctuation that is easy to be converted into cash of known amount.

**8. Translation of businesses and accounts in foreign currency**

***8.1 Foreign currency businesses***

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

At the balance sheet day, foreign currencies are translated to Renminbi at the instant exchange rate of that day, the exchange difference caused by difference of the instant rate at that day and the rate adopted in initial recognition, or the exchange rate adopted in previous balance sheet, are accounted into current gain/loss account, except for: (1) The exchange difference of special foreign currency borrowing satisfies the conditions of capitalization, which is capitalized and accounted into cost of related asset; (2) Exchange difference

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

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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.

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### (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 at historical costs are still measured at standard currency with exchange rate of the day when the transaction 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 are 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 "retained profit" are translated at the exchange rate of the day when they happened; all items in the income statement and items reflecting the amount of profit distribution are translated at the similar exchange rate of the date when the trades happened; retained profit at the beginning of year is the retained profit translated at the end of previous year; retained 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 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 controlling power is lost for disposal of partial equity or other reasons, the fair value of retained shares shall be remeasured at the date of the change happened. The sum of consideration of equity disposal and the fair value of retained equity, less the share of net asset in the original subsidiary shall be accounted into investment gains of the current term. Other gains related to share investment in original subsidiary shall be transferred into investment gains of current term. When the controlling power was not lost at disposal of partial share equity or other reasons, the difference related to the foreign currency account shall be accounted into minority shareholders' equity, rather than current gain/loss account. When equity disposed was part of affiliates or joint ventures in overseas area, the differences related to the overseas business shall be transferred into current gain/loss at portion of share.

### 9. Financial instruments

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

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

9. Financial instruments – cont.

9.1 Recognition of fair value

Fair value is the amount in a fair trade decided mutually by 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 practically used in market transactions. When there isn't any active market, fair value will be recognized by evaluation techniques. Evaluation techniques include referring to the prices adopted in latest voluntary transaction between parties with full understanding of the situation, the current fair value of other substantially similar financial instruments, discounted cash flow analysis, and future option pricing model.

9.2 Effective interest basis

Effective interest rate basis refers to the method of calculating the amortized costs and every due interests at effective interest rate of financial assets or liabilities (including a group of financial assets or liabilities). Effective 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 effective interest rate, the Company predicts future cash flow 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 r effective 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 held-for-trading financial assets and financial assets measured by fair value and with variations accounted into current gain/loss account



**China Merchants Property Development Co., Ltd.**

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Held-for-trading 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, 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 at 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.

## China Merchants Property Development Co., Ltd.

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The Year Ended December 31, 2011

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

#### 9. Financial instruments – cont.

##### 9.3.2 Held-to-maturity investment

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 effective interest rate basis, and successive measurement will be upon amortized cost, 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 receivables.

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

##### 9.3.4 Available-for-sale financial assets

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

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

##### 9.4 Impairment of financial assets

Except for financial assets accounted at fair value and variation accounted into current gain/loss account, the Company undertake inspection on the book value of other financial assets at each balance sheet day, whenever practical evidence showing that impairment occurred with them, impairment provisions are provided. Evidence for impairment on financial refers to those events actually occurred after initial recognition, produced influences on the expected cash flow, and which can be reliably measured.

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

9. Financial instruments – cont.

9.4 Financial asset impairment - continues

Practical evidences on impairment of financial assets are the followings:

- (1) The issuer or the debtor is in serious financial difficulty;
- (2) The debtor has broken the conditions of contract, for instance default or overdue of payment for interest or principal;
- (3) With consideration of economic or legal factors, the Company decided to give way to the debtor who is in financial difficulty;
- (4) There is great possibility that the debtor will bankrupt or use other debt reorganizing process;
- (5) Financial asset 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 in 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 debtor's business territory, which may cause obstructions for the investor to retrieve the investment;
- (8) The fair value of equity 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 amortized cost are written down to the current value of predicted future cash flow, the reduced amount is recognized as impairment loss and accounted into current gain/loss account. Upon recognizing for impairment losses, if practical evidence shows 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 be greater than the amortized cost at the day of restoring as if no impairment loss has ever been provided.

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

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

9. Financial instruments – cont.

9.4 Financial asset impairment - continues

- Impairment of available-for-sale financial assets

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

If practical evidence showing that the value of a particular financial asset has recovered in value after a impairment loss has been recognized and practically related to the issues occurred after recognition of the loss, the impairment loss recognized shall be restored. Impairment loss of disposable equity investment instrument will be restored to other miscellaneous income and 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 setout by the contract by which the 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, but 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 to their corresponding fair value, and the difference between “the total of the offer received in transferring and the accumulative of fair value fluctuation originally accounted into other misc. income amortizable to termination part” and “amortizable aforesaid book value” shall be accounted into current income account.

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

9. Financial instruments – cont.

*9.6 Categorizing, recognizing and measuring of financial liabilities*

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

At initial recognition, financial liabilities are classified into financial liabilities measured by fair value with changes counted into current income account and other financial liabilities.

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

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

Transactional financial liabilities shall satisfy one of the following conditions: (1) The purpose of undertaking the liability was to repurchase in close future; (2) Which was part of a recognizable financial instrument portfolio at initial recognition, and objective evidence showing that the Group is managing this portfolio by mean of short-term profit in a short period of time; (3) Belongs to derivative financial instrument, 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 delivery of the equity instrument, are measured on cost basis in successive measurement. Accounting of other financial liabilities is on effective 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 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. The converting options settled by fixed amount of cash or exchanging of other financial assets for fixed amount of self equity instrument are accounted as equity.

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

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

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

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

### (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 group of financial assets with similar risk characteristics. Financial assets confirmed for impairment shall not be tested along with the group of financial assets with similar risk characteristics.

#### 10.2 Receivables recognized and providing of bad debt provisions along with the portfolio with similar characteristics

Recognition basis of credit risk portfolio	
portfolio1	Portfolio1 mainly includes receivable accounts of the Company's related parties and government departments and partners, whose characteristics are different with portfolio2. The Company provides bad debt provision of the portfolio with specific identification method.
portfolio2	Portfolio2 includes all receivable accounts of the Company except for receivable accounts of the Group's related parties and government departments and partners. The Company provides bad debt provision of the portfolio with Age analysis method.
Providing method decided on the portfolios of similar risks	
portfolio1	specific identification method
portfolio2	Age analysis method

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

10. Account receivable – cont.

#### 10.3 Rate of bad debt provisions provided on account age basis

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

### 11. Inventories

#### 11.1 Categorizing and pricing of inventory delivered

The inventories shall 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 of accumulated actual cost and accumulated recognized gross profit (loss)” over the “settled price” is demonstrated as inventory. The balance of “settled price” over “total of accumulated actual cost and accumulated recognized gross profit (loss)” is demonstrated as account received in advance.

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

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

On the balance sheet 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 applies 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 unrealised internal trade between the Company and co-operations, the share of the Company in this gain/loss shall be neutralized, and investment gains shall be recognized upon them. But the losses from unrealised trade between the Company and investment receivers which are regarded as losses from asset transferring according to "Enterprise Accounting Standard No.8 – Asset impairment" shall not be neutralized. Change of equities of the investment receiver other than net gains or losses shall be counted into shareholders' equity, and the book value of long-term equity investment shall be adjusted correspondingly and recognized as other miscellaneous income and recorded in capital reserves.

Recognition of the share of net loss by the investment receiver shall be limited to when the book value of long-term equity investment and other long-term equity forms substantial net investment has been reduced to zero. Besides, 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 collectively 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 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 real estate is measured according to the initial cost. The follow-up expenses that are related to investment real estate, if the economic interests related to the assets are likely to inflow and its costs can be reliably measured, shall be included in the cost of investment real estate. The other follow-up expense shall be included in the current loss.

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

Impairment testing is performed on investment property at each balance sheet day. When evidence showing that impairment has occurred, the recoverable value shall be assessed.

Assessment of recoverable value is based on individual asset. If the recoverable value was hard to evaluate separately, it shall be decided along with the group of assets it belongs to. If the recoverable value of an asset is lower than its book value, the balance shall be provided for impairment provision and accounted into current income account.

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

The difference of the income from the sale, transfer, disposal 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.

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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### (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 shows 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 making 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 usable 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 making the asset usable have started; Capitalizing will be terminated as soon as the asset that complying with capitalizing conditions has reached its usable or sellable 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 definitely received, it is recognized separated as asset. Though the compensated amount shall not be greater than the book value of the predictive liability.

**20. Turnover**

**20.1 Income from sales of goods**

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

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

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

**20.2 Income from construction contracts**

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

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

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

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

20. Turnover – cont.

20.2 Income from construction contracts – cont.

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

20.3 Rental income

Rental income from operational rental properties 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 effective 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 or 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, which are related to initial recognition of goodwill, and neither enterprise merger, nor initial recognition of assets or liabilities generated by trades make no influence on the accounting profit and taxable income (or deductible losses), are not recognized as relative differed income tax liabilities.

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, unless the Company is able to control the writing back time of the provisional differences, and these provisional differences may not 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 is 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.

**24. Employee wages**

In the accounting period when the employees serve 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.

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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### (III) Taxation

#### 1. Types and rates of taxes

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

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 the Financial Statements

The Year Ended December 31, 2011

### (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 %	Portion of voting rights	Grade	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders
Ruijia Investment Industrial Ltd.	Ltd. liability	HK	Investment	HKD20,000	Investment	17,610	-	100%	100%	Grade I	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, sales of water supply facilities	1,000	-	100%	100%	Grade II	Yes	Not applicable	Not applicable
Shekou Xinghua Industrial Holdings Co., Ltd.	Ltd. liability	Shenzhen	Property development	HKD47,420	Operating and developing of land T105-0114 located in Shekou, renting and managing of own properties	38,065	-	65.07%	65.07%	Grade I	Yes	41,066,841	-
Shekou Zhaofa Property Co., Ltd.	Ltd. liability	Shenzhen	Property	RMB36,000	Developing of land SKN401 located in Shekou, construction of commerce buildings and facilities	36,000	-	100%	100%	Grade II	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%	Grade II	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%	Grade II	Yes	Not applicable	Not applicable
Guangzhou China Merchants Real-estate Co., Ltd.	Ltd. liability	Guangzhou	Property development	RMB50,000	Specialized property development, leasing and sales	50,000	-	100%	100%	Grade II	Yes	Not applicable	Not applicable
CM Property (Beijing) Ltd.	Ltd. liability	Beijing	Property development	RMB20,000	Property development and sales	20,000	-	100%	100%	Grade I	Yes	Not applicable	Not applicable
China Merchants	Ltd. liability	Suzhou	Property	RMB30,000	Property development, operation	30,000	-	100%	100%	Grade I	Yes	Not applicable	Not applicable

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

(Suzhou) Co., Ltd.			development		and sales								
CM (Chongqing) Ltd.	Ltd. liability	Chongqing	Property development	RMB30,000	Property development, leasing of self-owned properties	30,000	-	100%	100%	Grade I	Yes	Not applicable	Not applicable
CM (Nanjing) Ltd.	Ltd. liability	Nanjing	Property development	RMB30,000	Property development, sales, and services	30,000	-	100%	100%	Grade II	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%	Grade II	Yes	16,225,177	-
Shenzhen China Merchants Xin'an Properties Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB25,000	Leasing of self-owned properties	36,803	-	100%	100%	Grade I	Yes	Not applicable	Not applicable

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 1. Particulars of the subsidiaries

##### (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 %	Portion of voting rights	Grade	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders
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%	Grade II	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%	Grade II	Yes	Not applicable	Not applicable
Wuhan CM Property Management Co., Ltd.	Ltd. liability	Wuhan	Property	RMB5,000	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,000	-	100%	100%	Grade II	Yes	Not applicable	Not applicable
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%	Grade II	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%	Grade II	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%	Grade II	Yes	Not applicable	Not applicable
Shenzhen CM Qile Property Management Ltd.	Ltd. liability	Shenzhen	Property	RMB2,000	Managing of properties under possession	1,200	-	60%	60%	Grade II	Yes	(1,589,177)	2,389,177
Beijing CM Property Management Co., Ltd.	Ltd. liability	Beijing	Property	RMB5,000	Managing and operating of Hanghua Technologies and Trade Center including the parking lot, property management, redecoration, consulting, sales of property equipment, and maintenance	4,000	-	80%	80%	Grade II	Yes	5,175,805	-
Zhangzhou CM Honglong Property Ltd.	Ltd. liability	Zhangzhou	Property development	RMB40,000	Property development and sales	38,448	-	100%	100%	Grade II	Yes	Not applicable	Not applicable
Foshan Xincheng	Ltd. liability	Foshan	Property	USD127,000	Property development, sales, and	478,690	-	50%	50%	Grade III	Yes	866,358,706	-

# China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

Property Co., Ltd. (Note 1)			develop ment	services									
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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 %	Portion of voting rights	Grade	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders
Huipeng Property Development Co., Ltd. (Note 1)	Ltd. liability	HK	Property development	HKD 10	Property development, sales, and services	4	-	50%	50%	Grade II	Yes	2,313,256	-
Suzhou Shuanghu Property Co., Ltd. (Note 1)	Ltd. liability	Suzhou	Property development	USD244,000	Property developing, sales, and after-sale services within the authorized land	867,300	-	50%	50%	Grade II	Yes	787,688,203	79,611,797
Tianjing Zhaosheng Property Co., Ltd.	Ltd. liability	Tianjin	Property development	RMB30,000	Property development, sales, and services	30,000	-	100%	100%	Grade I	Yes	Not applicable	Not applicable
Shenzhen CM Anye Investment Development Co., Ltd.	Ltd. liability	Shenzhen	Investment	RMB10,000	Industrial investment, domestic commerce	5,100	-	51%	51%	Grade II	Yes	1,559,214	3,340,786
Shanghai CM Minsheng Property Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development, interior decoration, trade of construction materials	30,000	-	100%	100%	Grade II	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%	Grade II	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%	Grade II	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%	Grade I	Yes	92,640,783	-
Foshan Xinjie Property Co., Ltd. (Note 1)	Ltd. liability	Foshan	Property development	USD219,800	Property development, sales, and services	1,511,578	-	100%	100%	Grade III	Yes	Not applicable	Not applicable
China Merchants Properties (Chongqing) Co., Ltd.	Ltd. liability	Chongqing	Property development	RMB30,000	Property development, internal decoration service, trade of construction materials	30,000	-	100%	100%	Grade I	Yes	Not applicable	Not applicable

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 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 %	Portion of voting rights	Grade	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. (Note 2)	Ltd. liability	Beijing	Property development	RMB350,000	Property development, interior decoration, sales of construction material, import and export of technologies	175,000	-	50%	50%	Grade II	Yes	231,072,447	-
Shenzhen Commerce Development Ltd. (Note 3)	Ltd. liability	Shenzhen	Property development	RMB100,000	Developing of commercial property, operation, management, leasing, investment in industry	51,000	-	51%	51%	Grade II	Yes	42,215,848	6,784,152
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%	Grade II	Yes	7,626,775	4,373,225
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%	Grade II	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%	Grade I	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%	Grade III	Yes	Not applicable	Not applicable
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%	Grade II	Yes	342,529,875	-
Chongqing China Merchants Property Development Co., Ltd.	Ltd. liability	Chongqing	Property development	USD399,960	Developing, leasing, sales and management of property	2,712,784	-	100%	100%	Grade V	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%	Grade I	Yes	Not applicable	Not applicable
Foshan Jiulongchang Property Co., Ltd. (former Foshan CM Huidefeng Property Co., Ltd.)	Ltd. liability	Foshan	Property development	USD99,900	Developing, rent, and sales of property on land < 佛南 (拍)2010-001, 002, 003> in Nanhai Foshan	340,978	-	50%	50%	Grade II	Yes	340,049,534	928,466

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 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 %	Portion of voting rights	Grade	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders
Shanghai Jingyuan Property Development Co., Ltd.	Ltd. liability	Shanghai	Property development	RMB555,000	Property development, rent of properties, property management, interior decoration	305,250	-	55%	55%	Grade III	Yes	243,230,281	6,519,719
Foshan Yiyun Property Development Co., Ltd. (Note 4)	Ltd. liability	Foshan	Property development	RMB30,000	Property development, construction, sales, rent, and property management	15,000	-	50%	50%	Grade III	Yes	14,454,536	545,464
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%	Grade II	Yes	3,970,196	29,804
Fujian Zhongliansheng Property Development Co., Ltd. (Note 5)	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%	Grade I	Yes	18,091,941	6,908,059
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%	Grade I	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%	Grade II	Yes	Not applicable	Not applicable
Nanjing CM Ruisheng Property Development Co., Ltd. (Note 6)	Ltd. liability	Nanjing	Property development	RMB30,000	Property development, property management, project investment, property agency	30,000	-	100%	100%	Grade III	Yes	Not applicable	Not applicable
China Merchants Property (Wuhan) Co., Ltd. (Note 7)	Ltd. liability	Wuhan	Property development	RMB30,000	Property development, property management, project investment, property agency	30,000	-	100%	100%	Grade I	Yes	Not applicable	Not applicable
China Merchants Property (Zhenjiang) Co., Ltd. (Note 8)	Ltd. liability	Zhenjiang	Property development	RMB50,000	Property development, property management, project investment, property agency	50,000	-	100%	100%	Grade I	Yes	Not applicable	Not applicable
Zhenjiang Yingsheng Property	Ltd. liability	Zhenjiang	Property development	USD93,000	Property development, property management, project investment,	615,796	-	100%	100%	Grade III	Yes	Not applicable	Not applicable



**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

Development Co., Ltd. (Note 9)			ment		property agency									
Shenzhen CM Shangzhi Investment Co., Ltd. (Note 10)	Ltd. liability	Shenzhen	Property development	RMB200,000	Property development, property management, project investment , property agency	200,000	-	100%	100%	Grade I	Yes	Not applicable	Not applicable	
Tianjing CM Taida Investment Co., Ltd. (Note 11)	Ltd. liability	Tianjin	Property development	RMB30,000	Investing in property development by its own capital	18,000	-	60%	60%	Grade II	Yes	12,000,000	-	
Foshan CM Longyuan Property Co., Ltd. (Note 12)	Ltd. liability	Foshan	Property development	RMB10,200	Developing, sales, renting, and servicing of properties	10,200	-	100%	100%	Grade II	Yes	Not applicable	Not applicable	

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

### (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 %	Grade	Consolidated?	Minor shareholders' equity (RMB)	Amount of minor shareholders' equity used to offset the gain/loss of minor shareholders
Shenzhen China Merchants Property Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB300,000	Property development and sales	1,415,831	-	100%	100%	Grade I	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%	Grade I	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%	Grade I	Yes	182,450,274	-
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%	Grade II	Yes	14,409,286	276,714
China Merchants Property Management Co., Ltd.	Ltd. liability	Shenzhen	Property	RMB25,000	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	169,200	-	100%	100%	Grade I	Yes	Not applicable	Not applicable
Shanghai China Merchants Real-estates Co., Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development, sales, and services	30,000	-	100%	100%	Grade II	Yes	Not applicable	Not applicable

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

### (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 %	Grade	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, interinal decoration service, trade of construction materials	10,000	-	100%	100%	Grade II	Yes	Not applicable	Not applicable
Zhuhai CM Property Development Co., Ltd. (originally Zhuhai Huifeng Property Co., Ltd.)	Ltd. liability	Zhuhai	Property development	RMB8,000	Property development and sales	8,000	-	100%	100%	Grade II	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%	Grade II	Yes	(8,544,451)	12,464,451
Shanghai Fengyang Property Development Co., Ltd.	Ltd. liability	Shanghai	Property development	RMB30,000	Property development and sales	353,250	-	60%	60%	Grade II	Yes	276,902,429	-
Shenzhen Meiyue Properties Consultants Co., Ltd.	Ltd. liability	Shenzhen	Property development	RMB1,000	Property consultancy, planning and brokerage	82,666	-	100%	100%	Grade II	Yes	Not applicable	Not applicable
Shenzhen City Main Plaza Investment Co., Ltd.	Ltd. liability	Shenzhen	Investment	RMB10,000	Industry and domestic commerce	-	-	100%	100%	Grade II	Yes	Not applicable	Not applicable
Qingdao Zhongrunde Auto Trade Co., Ltd. (Note 19)	Ltd. liability	Qingdao	Property development	RMB2,640	Property development and sales	18,373	-	51%	51%	Grade I	Yes	176,526,667	-
Guangzhou Wanshang Property Development Co., Ltd. (Note 20)	Ltd. liability	Guangzhou	Property development	RMB10,000	Property development and sales	3,400	-	34%	51%	Grade II	Yes	66,041,921	-

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 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 Ruijia Investment & Industry Co., Ltd., the Company is holding 50% of the voting 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 julongcang Property Co., Ltd. respectively. Because Ruijia Investment & Industry Co., Ltd are holding the major amount of voting capital in these companies, Ruijia is substantially controlling over the financial and business operations of these companies. Thus the Company includes them in the consolidate range of the consolidated financial statements. In which, Huipeng Real Estate Co., Ltd. is holding 100% of the equity capital of Foshan Xinjie Real Estate Co., Ltd., thus Foshan Xinjie Real Estate Co., Ltd. is included in the consolidation range.

Note 2: The Company respectively holds 50% equity capital of China Merchants Jiaming (Beijing) Property Co., Ltd. and Shenzhen CM OCT Investment 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 And Shenzhen CM OCT Investment Co., Ltd., controls the financial and business decisions, thus the Group incorporates it into the range of consolidated financial statements.

Note 3: Shenzhen China Merchants Property Co., Ltd. was originally holding 100% of the equity of Shenzhen China Merchants Commercial Development Co., Ltd. In March 2011, according to the capital increasing agreement, Shenzhen Marine World Industrial Co., Ltd. invested RMB49 million into Shenzhen China Merchants Commercial Development Co., Ltd., therefore the Company's share of equity has reduced to 51%.

Note 4: 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 is included in the consolidation range.

Note 5: The Company is holding 50% of capital shares of Fujian Zhongliansheng Property Development Co., Ltd. For the Company is holding major voting rights in the board of Fujian Zhongliansheng Property Development Co., Ltd., thus take control over the financial and business decisions. Therefore it was included in the consolidation range.

Note 6: In January 2011, China Merchants Property (Nanjing) Co., Ltd. – one of the subsidiaries of the Company invested RMB30 million to found Nanjing China Merchants Ruisheng Property Co., Ltd. and held 100% of the share equity. Therefore it was included in the consolidating range.

Note 7: In January 2011, the Company invested RMB30 million to found China Merchants Property (Wuhan) Co., Ltd. and held 100% of the share equity. Therefore it was included in the consolidation range.

Note 8: In February 2011, Ruijian Investment Co., Ltd. – one of the subsidiaries of the Company invested HKD 10 thousand to found Yingze Development Co., Ltd. and held 100% of the share equity. Therefore it was included in the consolidation range.

Note 9: In March 2011, the Company invested RMB50 million to found China Merchants Property (Zhenjiang) Co., Ltd. and held 100% of the share equity, therefore it was included in the consolidation range.

## **China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

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

Note 10: In May 2011, The Company and Yingze Development Co., Ltd. – subsidiary of the Company, founded Zhenjiang Yingsheng Property Development Co., Ltd, with holding 100% of the capital shares, thus it is included in the consolidation range.

Note 11: In March 2011, Shenzhen China Merchants Property Co., Ltd. was split by mean of derivate, to Shenzhen China Merchants Property Co., Ltd. and Shenzhen China Merchants Shangzhi Investment Co., Ltd. The Company is holding 100% of capital shares of Shenzhen China Merchants Shangzhi Investment Co., Ltd., thus it is Included in the consolidation range.

Note 12: In March 2011, Shenzhen China Merchants Property Co., Ltd. and Tianjin Taida Development Co., Ltd. invested to found Tianjin China Merchants Taida Investment Co., Ltd. with registered capital of RMB30 million. Shenzhen China Merchants Property Co., Ltd. invested RMB18 million and held 60% of the capital shares, thus it is consolidated.

Note 13: In April 2011, The subsidiary of the company-- Shenzhen China Merchants Property Co., Ltd. invested RMB10.20 million to found Foshan China Merchants Longyuan Property Co., Ltd. and held 100% of the capital shares, thus it is consolidated.

Note 14: In July 2011, Ruijia Investment Co., Ltd. – subsidiary of the Company, invested HKD10 thousand to found Aoming Development Co., Ltd. and held 100% of the capital shares, thus it is consolidated.

Note 15: In July 2011, Ruijia Investment Co., Ltd. – subsidiary of the Company, invested HKD10 thousand to found Mingjie Development Co., Ltd. and held 100% of the capital shares, thus it is consolidated.

Note 16: In July 2011, Ruijia Investment Co., Ltd. – subsidiary of the Company, invested HKD10 thousand to found Xinde Development Co., Ltd. and held 100% of the capital shares, thus it is consolidated.

Note 17: In August 2011, Ruijia Investment Co., Ltd. – subsidiary of the Company, invested USD2.00 to found Libang Shareholding Co., Ltd. and held 100% of the capital shares, thus it is consolidated.

Note 18: In June 2011, Ruijia Investment Co., Ltd. – subsidiary of the Company, invested USD2.00 to found Juyang Co., Ltd. and held 100% of the capital shares, thus it is consolidated.

## **China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

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

Note 19: In December 2011, the Company entered the share equity transferring agreement with Qingdao Haiyuda Development Co., Ltd. and natural person Wang Fenghua to acquire the 28.05% and 22.95% of capital shares of Qingdao Zhongrunde Auto Trade Co., Ltd. held by them. The considerations were RMB101,052,510 and RMB82,679,326 respectively. The registration procedures have been completed in December 2011. The Company is holding 51% of the capital shares of Qingdao Zhongrunde Auto Trade Co., Ltd., thus it was consolidated.

Note 20: In November 2011, The subsidiary of the company-- Shenzhen China Merchants Property Co., Ltd. entered the capital increasing agreement with Guangzhou Wanke Property Co., Ltd. and Hangzhou Songlong Property Management Co., Ltd. Shenzhen China Merchants Property Co., Ltd. invested RMB34 million to hold 34% of the capital shares of Guangzhou Wanshang Property Development Co., Ltd. The share registration procedures have been completed in December 2011. For Shenzhen China Merchants Property Co., Ltd. has the majority of the voting rights in the board of Guangzhou Wanshang Property Development Co., Ltd., it has control power over the financial and business decisions. Therefore it was consolidated.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(IV) Merger of enterprises and consolidated financial statements – cont.****2. Entities newly consolidated and eliminated****(1) Subsidiaries newly consolidated**

RMB Yuan

Name	Net asset at end of term	Net profit of the current term (loss)
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	2,381,438,596	263,990,175
Zhenjiang Yingsheng Property Development Co., Ltd.	593,921,868	(6,729,606)
Guangzhou Wanshang Property Development Co., Ltd.	100,063,517	-
China Merchants Property (Zhenjiang) Co., Ltd.	49,989,433	(10,567)
Foshan China Merchants Longyuan Property Co., Ltd.	49,895,765	(104,235)
Tianjin CM Taida Investment Co., Ltd.	30,000,000	-
Yingze Development Co., Ltd.	29,622,545	29,614,036
Nanjing China Merchants Ruisheng Property Co., Ltd.	27,970,953	(2,029,047)
China Merchants Property (Wuhan) Co., Ltd.	27,178,633	(2,821,367)
Qingdao Zhongrunde Auto Trade Co., Ltd.	2,459,918	-
Aoming Development Co., Ltd.	8,000	-
Mingjie Development Co., Ltd.	8,000	-
Xinde Development Co., Ltd.	8,000	-
Li Bang Shareholding Co., Ltd.	13	-
Juyang Co., Ltd.	13	-

**(2) Subsidiaries eliminated**

RMB Yuan

Name	Net asset at day of disposal	Net profit from beginning of term to the date of disposal (loss)
Guangzhou Qidi Technology Garden Investment Co., Ltd. (Note)	30,001,912	-

Note: In December 2011, according to the merger agreement engaged between Guangzhou Qidi Technology Garden Investment Co., Ltd. and Guangzhou Fanyu Innovative Technology Garden Co., Ltd., Shenzhen China Merchants Property Co., Ltd. uses its long-term share equity in Guangzhou Qidi Technology Garden Investment Co., Ltd. and other receivable accounts amounted to RMB350 million as investment to Guangzhou Fanyu Innovative Technology Garden Co., Ltd. Guangzhou Qidi Technology Garden Investment Co., Ltd. was deregistered thereon.

Upon completion of the reorganizing, Shenzhen China Merchants Property Co., Ltd. is holding 51% of the share equity of Guangzhou Fanyu Innovative Technology Garden Co., Ltd. However the Articles of Association of Guangzhou Fanyu Innovative Technology Garden Co., Ltd. has stipulated that the financial and business decisions must be decided by over two third of the directors, therefore the Company is not holding control over Guangzhou Fanyu Innovative Technology Garden Co., Ltd., and it was not included in the consolidation range.

**3. Exchange rate of main accounts of overseas businesses**

RMB Yuan

Currency	Balance Sheet	Income Statement
HKD	0.8107	0.8297

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(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	40,873	1.00	40,873	53,947	1.00	53,947
HKD	3,510	0.8107	2,845	6,069	0.8509	5,164
Bank account:						
RMB	12,919,303,869	1.00	12,919,303,869	8,214,811,543	1.00	8,214,811,543
USD	115,643,593	6.3009	728,658,715	104,384,274	6.6176	690,772,033
HKD	14,762,474	0.8107	11,967,938	10,521,355	0.8509	098,952,621
Other monetary fund (Note)						
USD	1,000,000	6.3009	6,300,900	10,088,740	6.6176	66,738,549
RMB	817,522,876	1.00	817,522,876	695,051,195	1.00	695,051,195
Total			14,483,798,016			9,676,385,052

Note: Balance of other monetary capital was mainly prepayment for property according to the “Regulations of Capital Received from Presale”, 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	417,906(Note)	846,539
5. Hedge instruments	-	-
6. Others	-	-
Total	417,906	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	2,002,312(Note)	20,824,615
5. Others	-	-
Total	2,002,312	20,824,615



**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(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 Ruijia Investment Industrial Co., Ltd. and ING Bank N.V., Hong Kong Branch engaged for future foreign currency trading without transferring of principal. As of December 31, 2011, the nominal principal has amounted to USD100,000,000 (December 31, 2010: USD353,410,000). Such contracts will due amongst the period from April 13, 2012 to April 30, 2012.

**3. Account receivable**

RMB Yuan

Categories	End of Term			Beginning of Term		
	Amount	Bad debt provision	Book value	Amount	Bad debt provision	Book value
Receivable accounts on which bad debt provisions are provided on individual basis	59,640,907	6,063,658	53,577,249	5,945,634	5,115,149	830,485
Receivable accounts on with bad debt accounts are provided on group testing basis	42,764,976	4,786,398	37,978,578	106,072,338	4,299,730	101,772,608
Total	102,405,883	10,850,056	91,555,827	112,017,972	9,414,879	102,603,093

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Receivable accounts on which bad debt provisions are provided on age basis

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	36,559,286	85	1,888,179	34,671,106	94,394,691	89	1,192,668	93,202,023
1-2 years	1,667,937	4	162,492	1,505,445	8,485,365	8	848,537	7,636,828
2-3 years	2,487,190	6	746,158	1,741,032	592,970	1	177,891	415,079
Over 3 yrs	2,050,564	5	1,989,569	60,995	2,599,312	2	2,080,634	518,678
Total	42,764,976	100	4,786,398	37,978,578	106,072,338	100	4,299,730	101,772,608

**(2) Receivable accounts categorized on clients**

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	2,050,564	2	1,989,569	97	2,599,312	2	2,080,634	80
Other non-material receivables	100,355,319	98	8,860,487	9	109,418,660	98	7,334,245	7
Total	102,405,883	100	10,850,056	10	112,017,972	100	9,414,879	8

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

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**3. Account receivable – cont.**

(3) Top 5 receivable accounts

RMB Yuan

Name of the companies	Amount	Ages	Portion in total receivables
Client I	5,636,581	within 1 yr	6
Client II	4,388,701	within 1 yr	5
Client III	3,715,000	within 1-2 yrs	4
Client IV	3,045,391	within 1 yr	3
Client V	2,815,554	within 1 yr	3
Total	19,601,227		21

(4) Changes of bad debt provision on receivable accounts are:

RMB Yuan

	Current Year	Previous Year
Beginning of Term	9,414,879	5,309,107
Increased (decreased) due to altering of consolidating range	-	(3,233)
Provided in current year	3,107,251	4,178,746
Carried back this term	128,778	65,864
Written off in current year (Note)	1,543,296	3,877
Impact of translating of foreign currencies	-	-
End of Term	10,850,056	9,414,879

Note: Writing off of the receivable rental with Shenzhen China Merchants Shangzhi Investment Co., Ltd. which is not retrievable.

(5) No account receivable due from related parties.

**4. Other account receivable.**

(1) Other account receivable on categories

RMB Yuan

Categories	End of term			Beginning of term		
	Amount	Bad debt provision	Book value	Amount	Bad debt provision	Book value
Other receivables with major individual amount and bad debt provision provided individually	-	-	-	-	-	-
Other receivables provided bad debt provision in groups						
Group 1	6,134,875,248	1,446,225	6,133,429,023	4,101,751,421	-	4,101,751,421
Group 2	34,472,723	2,888,406	31,584,317	47,029,616	4,066,900	42,962,716
Sub-total of group	6,169,347,971	4,334,631	6,165,013,340	4,148,781,037	4,066,900	4,144,714,137
Total	6,169,347,971	4,334,631	6,165,013,340	4,148,781,037	4,066,900	4,144,714,137

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

able accounts:

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

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	5,040,459,427	82	1,838,299	5,038,621,128	3,221,925,971	77	186,740	3,221,739,231
1-2 years	1,066,229,369	17	1,083,076	1,065,146,293	899,212,085	22	940,655	898,271,430
2-3 years	55,189,297	1	388,462	54,800,835	21,156,183	1	856,140	20,300,043
Over 3 yrs	7,469,878	-	1,024,794	6,445,084	6,486,798	-	2,083,365	4,403,433
Total	6,169,347,971	100	4,334,631	6,165,013,340	4,148,781,037	100	4,066,900	4,144,714,137

(2) Group of other receivable accounts on which bad debt provisions are provided on ages

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	21,108,004	61	392,074	20,715,930	19,364,441	41	186,740	19,177,701
1-2 years	10,830,762	31	1,083,076	9,747,686	2,708,281	6	940,655	1,767,626
2-3 years	1,294,875	4	388,462	906,413	20,697,733	44	856,140	19,841,593
Over 3 yrs	1,239,082	4	1,024,794	214,288	4,259,161	9	2,083,365	2,175,796
Total	34,472,723	100	2,888,406	31,584,317	47,029,616	100	4,066,900	42,962,716

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**4. Other account receivable – cont.**

(3) Top five debtors at the year end

					RMB Yuan
The debtor	The creditor	Book balance	Amount provided	Age	Basis or reason of providing
The Company	Client I	1,579,258,424	-	within 1 yr	Transaction of co-operation
The Company	Client II	1,494,448,362	-	within 1 yr	Bidding deposit
Foshan Xincheng Property Co., Ltd.	Client III	1,157,769,894	-	within 1 yr	Transaction of co-operation
Chengdu China Merchants Beihu Property Co., Ltd.	Client IV	460,000,000	-	1-3 years	Investment of grade I development
China Merchants Jiaming (Beijing) Property Development Co., Ltd.	Client V	230,000,000	-	within 1 yr	Transaction of co-operation
Total		4,921,476,680	-		

(4) Change of bad debt provisions on other receivable accounts

		RMB Yuan	
		Current term	Amount of last term
Beginning of Term		4,066,900	2,334,114
Increased (decreased) due to altering of consolidating range		-	(8,377)
Provided in current year		300,883	3,377,201
Carried back this term		33,152	1,635,538
Written off in current year (Note)		-	500
Impact of translating of foreign currencies		-	-
End of Term		4,334,631	4,066,900

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

(6) Receivables from related parties

			RMB Yuan
Name of the companies	Relation with the Company	Amount	Portion in total other receivables (%)
Shenzhen TCL Optical-Electronics Technologies Ltd.	Affiliate of the Company	227,089,797	4
Shanghai Ledu Property Co., Ltd.	Affiliate of the Company	122,274,196	2

**China Merchants Property Development Co., Ltd.**  
Notes to the Financial Statements  
The Year Ended December 31, 2011

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

**5. Inventories**

RMB Yuan

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Real property development costs	49,292,709,293	296,210,000	48,996,499,293	36,376,901,757	296,210,000	36,080,691,757
Property products	2,435,017,597	-	2,435,017,597	2,524,202,875	-	2,524,202,875
Raw materials	5,018,878	-	5,018,878	4,292,763	-	4,292,763
Low-value consumables and others	3,811,856	162,982	3,648,874	2,322,998	162,982	2,160,016
Sub-total	51,736,557,624	296,372,982	51,440,184,642	38,907,720,393	296,372,982	38,611,347,411
Inventory formed by construction contract						
Completed but not settled	-	-	-	88,000,000	-	88,000,000
Sub-total	-	-	-	88,000,000	-	88,000,000
Total	51,736,557,624	296,372,982	51,440,184,642	38,995,720,393	296,372,982	38,699,347,411

(1) Composition of inventory

RMB Yuan

Items	Beginning of Term	Increased this year	Decreased this year	End of Term
Raw materials	4,292,763	16,986,494	16,260,379	5,018,878
Semi-finished and under-process products	-	-	-	-
Finished goods in stock	-	-	-	-
Circulation materials (packaging material and low-value materials)	2322998	27,047,825	25,558,967	3811856
Consumable biological asset	-	-	-	-
Real property development costs	36,37,6901,757	18,815,307,858	5,899,500,322	49292709293
Property products	2,524,202,875	5,899,500,322	5,988,685,600	2,435,017,597
Projects (completed but not settled)	88,000,000	-	88,000,000	-
Others	-	-	-	-
Total	389957203931	24,758,842,499	12,018,005,268	51736557624

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**5. Inventories – cont.**

Property development costs:

RMB Yuan

Projects	Start date	Planned finish date	Planned total investment RMB0'000	Beginning balance	Ending balance
Development costs of real estate under construction:					
Chongqing Danzishi Project	2011.06	2019.05	1,281,749	-	2,702,594,059
Shanghai Sheshan Longyuan Project	2010.10	2013.12	303,342	1,871,326,873	2,279,459,472
Beijing Longyuan and Xicheng Projects (Note 1)	2010.03	2013.12	408,328	1,484,891,572	1,896,435,011
Chengdu Yonghuafu (former Chengdu Zhaojue Temple Road South)	2011.05	2015.04	390,465	-	1,847,048,311
Shenzhen CM Guanyuan	2008.08	2012.06	195,073	1,564,201,188	1,831,280,985
Suzhou Xiaoshicheng Phase IV to X (Note 2)	2010.03	2015.08	485,432	1,275,198,927	1,780,596,318
Nanjing Zijinshan No.1 (former G67 project)	2010.08	2012.11	234,919	1,514,628,824	1,772,082,662
Guangzhou Jinshangu Phase III 2-9	2009.07	2016.10	670,181	1,078,338,580	1,523,380,235
Chongqing CM Garden City	2010.10	2015.05	425,195	1,353,107,713	1,522,760,036
Foshan Yiyun Tianhui	2011.02	2015.06	228,192	-	1,430,717,229
Shenzhen Jingshan Phase IX	2011.05	2014.04	328,268	8,434,400	1,411,317,798
Shenzhen Yongjinwan	2009.07	2012.08	176,059	1,111,636,624	1,403,264,750
Foshan Yiyunshangcheng Phase II, III	2011.02	2013.11	188,732	1,605,491,116	1,386,997,480
Nanjing China Merchants Longyuan	2011.07	2014.05	315,026	-	1,341,437,522
Xiamen Aide Park (former Xiamen Jimei P08 project)	2011.08	2014.10	228,087	-	1,258,068,436
Suzhou Yongjinwan	2011.03	2013.04	214,234	-	1,245,357,872
Shenzhen Xicheng phase V	2010.12	2012.10	117,267	898,234,818	1,216,053,006
Xiamen Haishang Wuyuehua (former Xiamen Jimei P01 project)	2011.03	2014.06	256,949	-	1,200,866,196
Foshan Yiyunshuan phase III and IV	2009.12	2012.12	145,649	687,842,476	1,107,546,637
Tianjin Star City	2007.10	2014.09	356,494	1,389,194,614	1,081,480,576
Tianjing Yonghuafu Project	2010.03	2012.06	129,031	754,907,374	1,040,566,328
Shanghai Haide Garden Section 2 phase I - V	2006.05	2013.08	183,812	841,406,982	929,020,364
Foshan Yunxi Town	2010.12	2015.06	218,372	719,491,596	904,067,598
Shanghai CM Haiwan Garden Phase IV - VII	2011.05	2013.11	139,059	711,662,172	836,133,370
Beijing Park 1872	2006.10	2013.12	422,646	708,620,374	739,311,901
Zhuhai CM Garden City Phase II and III	2009.12	2012.12	151,667	608,624,656	730,774,777
Zhenjiang Beiguwan Project Phase I	2011.05	2015.12	621,044	-	708,320,679
Beijing Kanglede Hotel	2009.12	2012.06	120,419	520,783,345	706,945,498
Zhangzhou Kadalansi	2010.12	2020.07	332,501	706,876,674	702,252,385
Shenzhen CM Plaza	2010.06	2012.11	121,232	524,210,113	700,397,013
Shenzhen CM Guoling Garden	2010.05	2013.05	143,588	498,973,326	680,137,328
Chongqing CM Jiangwancheng Phase II-V	2009.02	2012.12	155,000	819,190,312	676,366,938

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

### 5. Inventories – cont.

Cost of property development - continues

RMB Yuan

Projects	Start date	Planned finish date	Expected total investment RMB0'000	Beginning balance	Ending balance
Zhuhai CM Garden City Phase I	2008.12	2012.02	68,467	561,120,439	640,151,113
Shenzhen Xicheng Phase VI	2011.02	2012.08	82,814	-	622,099,942
Shenzhen Wuzi Apartment	2010.04	2012.12	75,530	368,973,403	503,062,546
Wuhan Yonghuafu	2011.07	2013.09	99,183	-	459,242,063
Chengdu CM Dongcheng International Business Plaza	2010.12	2012.09	60,255	236,957,219	356,768,498
Shenzhen Ship Front Square	2011.03	2012.06	39,056	7,624,267	234,686,417
Shenzhen Jingxiu Guanyuan	2011.12	2013.11	96,890	-	129,294,462
Shenzhen Marine World Hotel	2010.12	2013.02	81,209	6,862,498	122,492,087
Zhangzhou Kadakaisi Hotel	2011.07	2012.10	16,852	-	117,970,971
Zhangzhou Holiday 365	2010.07	2013.12	44,205	103,562,309	114,204,083
Zhangzhou CM Garden City	2008.07	2012.11	65,806	144,340,564	107,736,121
Shenzhen Ship Tail Square	2011.05	2012.06	41,302	-	90,133,930
Shenzhen Ship Back Square	2011.08	2012.09	45,546	-	82,201,125
Shenzhen Center Plaza	2011.02	2012.12	6,918	-	14,671,629
Shanghai CM Yonghua Garden	2008.07	2011.08	132,539	566,644,098	-
Foshan Yiyun Shangcheng phase I	2008.08	2011.08	81,741	251,509,064	-
Shenzhen Xicheng Phase IV	2010.02	2011.06	925,91	923,007,434	-
Foshan Yiyunshui'an Phase I and II	2008.04	2011.04	157,564	741,074,147	-
Shanghai CM Haiwan Garden Phase I - III	2008.10	2011.07	18,469	70,189,807	-
Shenzhen Lanxigu phase III	2008.08	2011.05	32,119	206,523,541	-
Others				79,385,106	162,037,201
Sub-total				27,525,048,545	44,349,790,958
Land to be developed:					
Chongqing Danzishi Project	2011.06	2019.05	1,281,749	2,352,153,521	-
Chengdu Yonghuafu (former Chengdu Zhaojue Temple Road South)	2011.05	2015.04	390,465	1,607,896,500	-
Foshan Yiyun Tianhui	2011.02	2015.06	228,192	1,140,786,275	-
Xiamen Haishang Wuyuehua (former 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	-
Xiamen Haide Park(former Xiamen Jimei P08 project)	2011.08	2014.10	228,087	1,028,657,965	-
Shenzhen Xicheng Phase VI	2011.02	2012.08	82,814	549,490,259	-
Zhangzhou Kadakaisi Hotel	2011.07	2012.10	16,852	92,700,000	-
Zhenjiang Beiguwan Project phase II - V	2012.02	2015.12	484,405	-	2,517,186,130
Guangzhou Wanshang Project	TBD	TBD	TBD	-	1,270,867,004
Foshan Longyuan Project	TBD	TBD	TBD	-	672,924,122
Qingdao Zhongrunde Project (Note 3)	TBD	TBD	TBD	-	481,941,079
Sub-total				8,851,853,212	4,942,918,335
Total				36,376,901,757	49,292,709,293

(Note 4)

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**5. Inventories – cont.**

Property development products:

RMB Yuan

Projects	Date of finish	Beginning balance	Increased this term	Decreased this term	Balance at the end of term
Shenzhen Xicheng Phase IV	2011.06	-	925,907,607	439,512,205	486,395,402
Shanghai CM Yonghuayuan Phase III	2011.08	-	346,884,762	-	346,884,762
Beijing Xicheng Home	2010.09	365,750,246	-	81,038,580	284,711,666
Foshan Yiyun Shangcheng phase I	2011.08	-	770,101,054	595,049,372	175,051,682
Zhangzhou CM Kadakaisi Phase I	2011.12	-	191,495,100	17,514,600	173,980,500
Foshan Yiyun Shui'an phase I,II	2010.06	54,094,313	850,310,933	767,680,022	136,725,224
Shanghai Haide Garden Section I Phase I to III	2010.12	238,291,732	-	104,350,806	133,940,926
Beijing Park 1872 phase I - II	2010.12	673,895,625	433,020,726	1,012,139,226	94,777,125
Zhangzhou CM Holiday 365 phase I	2011.12	-	116,418,364	46,018,875	70,399,489
Guangzhou Jinshangu Phase II, III	2010.05	95,471,774	-	26,568,290	68,903,484
Shanghai CM Yonghuayuan phase I	2010.02	24,975,132	-	5,734,035	19,241,097
Shanghai CM Yonghuayuan Phase II	2011.08	-	409,246,777	368,036,284	41,210,493
Shenzhen Lanxigu phase III	2011.05	-	286,738,900	228,021,827	58,717,073
Shanghai CM Haiwan Garden Phase I - III	2011.06	-	184,688,513	133,309,847	51,378,666
Chongqing CM Jiangwancheng Phase II	2011.01	-	434,310,900	383,877,595	50,433,305
Zhangzhou CM Garden City	2009.12-2011.04	101,603,058	136,426,748	199,834,404	38,195,402
Shenzhen Lanxigu Phase II.	2007.06	106,463,463	-	69,502,359	36,961,104
Chongqing CM. Jiangwancheng Phase I	2010.01	75,676,058	-	38,734,451	36,941,607
Shenzhen Xicheng Phase III	2010.03	56,481,438	-	25,843,686	30,637,752
Nanjing Yunxigu	2009.12	174,052,830	-	151,080,326	22,972,504
Shenzhen CM Lanyuan	2010.06	321,382,065	-	301,453,862	19,928,203
Shenzhen YishanJun phase II, III	2009.10	14,910,467	-	1,469,542	13,440,925
Zhangzhou Sun Garden Phase I	2006.06	11,479,422	-	-	11,479,422
Zhangzhou CM Jianzhu	2007.12	7,347,721	-	-	7,347,721
Shenzhen Haiyue Huating	2009.09	8,043,595	-	1,029,144	7,014,451
Zhangzhou Yinshanhai Phase II	2007.12	5,023,065	-	-	5,023,065
Suzhou Xiaoshicheng phase I to III	2010.12	75,273,267	-	71,748,774	3,524,493
36 Xikang Road Tianjin	2009.11	37,861,640	-	34,937,036	2,924,604
Phase V. Garden City	2010.11	52,272,781	-	49,985,257	2,287,524
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
Tianjin Star City	2011.04	-	546,486,816	546,486,816	-
Others		16,891,891	54,648	15,412,552	1,533,987
Total		2,524,202,875	5,632,091,848	5,721,277,126	2,435,017,597



**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**5. Inventories – cont.**

Property development products: - continues

Note 1: As of December 31, 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 Changping) was pledged to the bank for the loan of RMB309,000,000.00

Note 2: Suzhou China Merchants Nanshan Property Co., Ltd. – one of the subsidiaries of the Company uses the land using rights licensed with 吴国用(2008)第 20592 号 to secure for the bank loan of rMB57,000,000.

Note 3: Qingdao Zhongrunde Auto Trade Co., Ltd. – one of the Company’s subsidiaries uses the land using rights licensed 青房地权市字第20081837号 and 青房地权市第20081837号 to secure for the bank loans of RMB12,990,000 and RMB39,000,000 respectively.

Note 4: As of December 31, 2011, land using rights transferring agreements have been engaged covering 540,779 square meters including Chongqing Danzishi Project, Zhejiang Beiguwan Project, and Nanjing China Merchants Longyuan Project. The certificates are under processing.

No other pledging, guarantee, suspending, and interrupting of projects among the property inventory other than the above.

Loan expense capitalized in current year was RMB444,243,626 (2010: RMB267,277,090).

**(2) Inventory on age basis**

Items	RMB Yuan			
	within 1 year (included)	1-3 years (including 3)	Over 3 yrs	Total
Raw materials	5,018,878	-	-	5,018,878
Semi-finished and under-process products	-	-	-	-
Finished goods in stock	-	-	-	-
Circulation materials (packaging material and low-value materials)	2,801,803	486,118	523935	3811856
Consumable biological asset	-	-	-	-
Real property development costs	11,738,506,076	26,727,985,347	5883299535	44349790958
Property products	1,362,807,574	1,009,959,054	62,250,969	2,435,017,597
Land development cost (note)	4,942,918,335	-	-	4,942,918,335
Projects (completed but not settled)	-	-	-	-
Others	-	-	-	-
<b>Total</b>	18,052,052,666	27,738,430,519	5946074439	51736557624

Note: As of December 31, 2011, the Group has the land reserve of 6,987,684 square meters with

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

total cost of RMB4,942,918,335.

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

## 5. Inventories – cont.

## (3) Inventory impairment provision

RMB Yuan

Categories	Balance of book value at beginning	Provided this term	Decreased this term		Balance of book value at
			Written back	Transferred	
Real property development costs	296,210,000	-	-	-	296,210,000
Low-value consumables and others	162,982	-	-	-	162,982
Total	296,372,982	-	-	-	296,372,982

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

**6. Other current assets**

RMB Yuan

Items	End of term	Beginning of
Operation tax and surcharges prepaid	727,356,283	476,534,168
Prepaid income tax	416,148,740	283,586,580
Prepaid land VAT (Note)	595,188,164	192,505,466
Prepaid rent	-	8,968,112
Others	13,603,503	18,944,348
Total	1,752,296,690	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.

**7. Long-term receivables**

RMB Yuan

Items	End of term	Beginning of term
Entrusted loan	157,577,000(Note)	1,115,590,052
Balance of share transfer consideration	-	145,147,393
Total	157,577,000	1,260,737,445

Note: Shenzhen CM Property Co., Ltd. – one of the subsidiaries of the Company, entered the Entrusted Loan Contract with Shekou Branch of Bank of China, by which the bank is entrusted to provide RMB250,000,000 of loans to Huizhou Taitong Property Investment Co., Ltd. As of December 31, 2011, RMB157,577,000 of loan was raised, and interest receivable was RMB7,209,829 in total.

# China Merchants Property Development Co., Ltd.

## Notes to the Financial Statements

The Year Ended December 31, 2011

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

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

RMB Yuan

Name of the Companies	Share portion	Voting right portion	Total asset at end of term	Total liability at end of term	Total net asset at end of term	Total of turnover at current term	Net profit (loss) of the year
<b>I. Joint ventures</b>							
Guangzhou Panyu Innovative Technologies Garden Co., Ltd.(Note 1)	51%	51%	596,253,187	12,812,444	583,440,743	2,771,300	(15,225,800)
Shenzhen China Merchants OCT Investment Co., Ltd.	50%	50%	11,077,097	5,170,563	5,906,534	17,245,199	745,232
Huizhou Taitong Property Investment Co., Ltd.	50%	50%	324,965,351	317,362,088	7,603,263	-	(119,892)
Shenzhen Dehan Investment Development Co., Ltd. (Note 2)	70%	70%	20,233,387	669,441	19,563,946	-	(436,054)
<b>II. Affiliates</b>							
Beijing Tianping Property Management Co., Ltd.	49%	49%	5,925,725	1,272,310	4,653,415	10,958,328	637,840
China Merchants Guangming Technologies Garden Ltd.	49%	49%	568,986,778	213,053,404	355,933,374	11,045,872	(14,519,976)
Shenzhen Haitao Hotel Co., Ltd.	45%	45%	16,988,512	4,036,244	12,952,268	10,521,141	1,260,000
Tianjin Xinhai real Estate Development Co., Ltd.	45%	45%	252,130,944	20,038,038	232,092,906	-	(7,084,930)
Shenzhen TCL Optical Electronic Technologies Ltd. (Note 3)	40%	40%	815,352,155	447,957,677	367,394,478	555,551,440	135,597,707
Shanghai Ledu Property Co., Ltd. (Note 4)	33%	33%	765,565,117	566,326,775	199,238,342	-	(587,809)

Note 1: For details please see Note (IV)2(2)

Note 2: In January 2011, Shenzhen China Merchants Property Co., Ltd. invested to found Shenzhen Dehan Investment Development Co., Ltd. together with Guangdong Overseas Transportation Company. Shenzhen China Merchants Property Co., Ltd. holds 70% of the share equity. According to the Articles of Association of Shenzhen Dehan Investment Development Co., Ltd. and the related agreement, the financial and business decisions must be made upon mutual agreement of the two shareholders. Therefore Shenzhen China Merchants Property Co., Ltd. has no control over the company, and this company was not included in the consolidation range.

Note 3: Shenzhen TCL Electro-optical Technologies Co., Ltd. (TCL Electro-optical) has a different accounting policy on recognition of sales income. Therefore it reduced the net profit by RMB53,168,320 at preparing of financial statements of the Company. The net profit after adjustment was RMB135,597,707.

Note 4: In January 2011, Shanghai China Merchants Minsheng Property Co., Ltd. joined with Nanchang Shenbiao Property Development Co., Ltd. to found Shanghai Ledu Property Co., Ltd., Shanghai China Merchants Minsheng Property Co., Ltd. is holding 33% of the share equity.

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 9. Long-term equity investment

##### (1) Long-term equity investment segment

RMB Yuan

Items	Beginning of Term	Increased this year	Decreased this year	End of Term
Investment in joint ventures	345,677,267	14,000,000	15,792,542	343,884,725
Investment in partnerships	251,932,824	209,281,642	559,732	460,654,734
Investment in other enterprises	-	10,000,000	-	10,000,000
Sub-total	597,610,091	233,281,642	16,352,274	814,539,459
Less: Long-term investment impairment provision	-	-	-	-
Total	597,610,091	233,281,642	16,352,274	814,539,459

##### (2) Details of long-term equity investment

Company invested in	Calculating basis	Investment cost	Beginning balance	Changed by	Ending balance	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 Fanyu Innovation Technology Garden Co., Ltd.	Equity basis	350,000,000	337,461,874	(15,075,539)	322,386,335	51	40	Note 1	-	-	-
Huizhou Taitong Property Investment Co., Ltd.	Equity basis	4,900,000	4,801,249	(59,946)	4,741,303	50	50	-	-	-	-
Shenzhen Dehan Investment Development Co., Ltd.	Equity basis	14,000,000	-	13,694,762	13,694,762	70	50	Note 2	-	-	-
Shenzhen China Merchants OCT Investment Co., Ltd.	Equity basis	2,500,000	3,414,144	(351,819)	3,062,325	50	50	-	-	-	724,435
Tianjin Xinhai real Estate Development Co., Ltd.	Equity basis	6,750,000	100,628,537	(3,188,218)	97,440,319	45	45	-	-	-	-
China Merchants Guangming Technologies Garden Ltd.	Equity basis	196,000,000	83,522,141	90,885,212	174,407,353	49	49	-	-	-	-
Shenzhen TCL Optical-Electronics Technologies Ltd.	Equity basis	42,010,652	59,851,731	54,239,083	114,090,814	40	40	-	-	-	-
Shenzhen Haitao Hotel Co., Ltd.	Equity basis	4,996,675	5,932,561	7,268	5,939,829	45	45	-	-	-	559,732
Beijing Tianping Property Management Co., Ltd.	Equity basis	490,000	1,997,854	312,542	2,310,396	49	49	-	-	-	-
Shanghai Ledu Property Co., Ltd.	Equity basis	66,660,000	-	66,466,023	66,466,023	33	33	-	-	-	-
Shanghai Xinanshan Property Development Co., Ltd.	Cost basis	10,000,000	-	10,000,000	10,000,000	10	10	Note 3	-	-	-
Total			597,610,091	216,929,368	814,539,459	-	-	-	-	-	1,284,167
Less: Impairment provision			-	-	-	-	-	-	-	-	-
Long-term equity investment (net)			597,610,091	216,929,368	814,539,459	-	-	-	-	-	1,284,167

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 9. Long-term equity investment – cont.

Note 1: For details please see Note (IV)2(2)

Note 2: See Note (V)8,2

Note 3: In August 2011, Shenzhen China Merchants Property Co., Ltd. – one of the subsidiaries of the Company, and Shanghai Nanshan Property Development Co., Ltd. invested to found Shanghai Xinnanshan Property Development Co., Ltd. The registered capital was RMB100 million, in which RMB10 million was invested by Shenzhen China Merchants Property Co., Ltd. account for 10% of the share equity.

#### (3) Share equity investment on equity basis

RMB Yuan

Name of company	Initial amount	Beginning of Term	Change of investment cost	Adjustment of gain/loss		Change of other owners' equity	End of Term
				Outstanding gain/loss	Actual dividend of the year		
<b>Joint venture</b>							
Guangzhou Panyu Innovation Technology Garden Co., Ltd.	350,000,000	337,461,874	-	(15,075,539)	-	-	322,386,335
Huizhou Taitong Property Investment Co., Ltd.	4,900,000	4,801,249	-	(59,946)	-	-	4,741,303
Shenzhen Dehan Investment Development Co., Ltd.	14,000,000	-	14,000,000	(305,238)	-	-	13,694,762
Shenzhen China Merchants OCT Investment Co., Ltd.	2,500,000	3,414,144	-	372,616	724,435	-	3,062,325
<b>Affiliated company</b>							
Tianjin Xinhai real Estate Development Co., Ltd.	6,750,000	100,628,537	-	(3,188,218)	-	-	97,440,319
China Merchants Guangming Technologies Garden Ltd.	196,000,000	83,522,141	98,000,000	(7,114,788)	-	-	174,407,353
Shenzhen TCL Optical-Electronics Technologies Ltd.	42,010,652	59,851,731	-	54,239,083	-	-	114,090,814
Shenzhen Haitao Hotel Co., Ltd.	4,996,675	5,932,561	-	567,000	559,732	-	5,939,829
Beijing Tianping Property Management Co., Ltd.	490,000	1,997,854	-	312,542	-	-	2,310,396
Shanghai Ledu Property Co., Ltd.	66,660,000	-	66,660,000	(193,977)	-	-	66,466,023
<b>Total</b>	<b>688,307,327</b>	<b>597,610,091</b>	<b>178,660,000</b>	<b>29,553,535</b>	<b>1,284,167</b>	<b>-</b>	<b>804,539,459</b>

#### (4) Significant share investment on cost basis

RMB Yuan

Name of the Companies	Initial costs	Beginning of Term	Increased this year	Decreased this year	End of Term
Shanghai Xinnanshan Property Development Co., Ltd. (Note)	10,000,000	-	10,000,000	-	10,000,000

Note: See Note (V)9(2)3

(5) As of December 31, 2011, the Company's ability of retrieving capital from the entities, in which the Company is holding long-term equities, is not constrained.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

RMB Yuan

Items	Balance of book value at beginning of term	Increased this term	Decreased this term	Balance of book value at end of term
I. Total of original book value	4,360,579,304	16,067,543	32,443,839	4,344,203,008
1. House and buildings	3,039,355,806	16,067,543	32,443,839	3,022,979,510
2. Land using rights	1,321,223,498	-	-	1,321,223,498
II. Total of accumulated depreciation and amortizing	922,363,981	154,681,398	-	1,077,045,379
1. House and buildings	791,895,915	131,522,601	-	923,418,516
2. Land using rights	130,468,066	23,158,797	-	153,626,863
III. Total of net book value of investment property	3,438,215,323			3,267,157,629
1. House and buildings	2,247,459,891			2,099,560,994
2. Land using rights	1,190,755,432			1,167,596,635
IV. Total of impairment provision	-			-
1. House and buildings	-			-
2. Land using rights	-			-
V. Total of book value of investment property	3,438,215,323			3,267,157,629
1. House and buildings	2,247,459,891			2,099,560,994
2. Land using rights	1,190,755,432			1,167,596,635

Note 1: Amount amortized this period was RMB154,681,398.

Note 2: As of December 31, 2011 none of the Company's investment properties is on pledge.

Note 3: As of December 31, 2011, the Company still has investment properties of RMB550,841,866 which are not granted property certifications. They are Zhangzhou Ziweiyuan Phase I, Jinshangu Phase II Commercial, Meilun Apartment, Beike Building, and Shuiwan Building. Among them, Meilun Apartment was the investment property completed and transferred in 2010. 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.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**11. Fixed assets**

(1) Details of fixed assets

RMB Yuan

Items	Balance of book value at beginning of term	Increased this term		Decreased this term	Balance of book value at end of term
I. Total of original book value	529,485,994	213,145,186		21,552,162	721,079,018
Incl. House & Buildings	218,174,894	175,041,931		12,793,095	380,423,730
Equipment & machinery	193,267,833	9,251,333		4,009,128	198,510,038
Transportation equipment	59,324,819	11,863,908		3,795,938	67,392,789
Electronics, furniture, appliances	58,718,448	16,988,014		954,001	74,752,461
		Increased this term	Provided current term		
II. Total of accumulative depreciation	268,546,232	-	35,687,918	19,385,071	284,849,079
Incl. House & Buildings	58,999,188	-	13,176,855	11,513,785	60,662,258
Equipment & machinery	135,341,500	-	8,836,595	3,609,884	140,568,211
Transportation equipment	37,561,900	-	6,435,789	3,435,787	40,561,902
Electronics, furniture, appliances	36,643,644	-	7,238,679	825,615	43,056,708
III. Total of net book value of fixed assets	260,939,762				436,229,939
Incl. House & Buildings	159,175,706				319,761,472
Equipment & machinery	57,926,333				57,941,827
Transportation equipment	21,762,919				26,830,887
Electronics, furniture, appliances	22,074,804				31,695,753
IV. Total of impairment provisions	-				-
Incl. House & Buildings	-				-
Equipment & machinery	-				-
Transportation equipment	-				-
Electronics, furniture, appliances	-				-
V. Total of fixed asset book value	260,939,762				436,229,939
Incl. House & Buildings	159,175,706				319,761,472
Equipment & machinery	57,926,333				57,941,827
Transportation equipment	21,762,919				26,830,887
Electronics, furniture, appliances	22,074,804				31,695,753

Note 1: The depreciation of the term was RMB35,687,918

Note 2: The original value of fixed asset increased by transferring of construction-in-process was RMB4,652,100 in the current term.

Note 3: As of December 31, 2011, the Company still has houses and buildings of RMB35,252,686 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.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(V) Notes to the consolidated financial statements – cont.****11. Fixed assets – cont.**

(2) Other statements

Items	RMB Yuan	
	Amount	Note
1. Original value of fixed assets which have been fully provided for depreciation but still in use at the end of report period	18,838,921	
2. Original value of fixed asset temporarily idle at the end of report period	-	
3. Disposal and discarding of fixed asset in the report year		
3. (1) Original value of fixed asset disposed or discarded in the year	21,552,162	
3. (2) Net value of fixed asset disposed or discarded in the year	2,167,091	
3. (3) Gain/loss from disposing or discarding of fixed asset in the year	(256,440)	

**12. Construction-in-process**

Details of construction in process:

Items	Yuan			RMB		
	End of term			Beginning of term		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Transformer Station	58,643,789	-	58,643,789	20,391,018	-	20,391,018
Construction project	2,936,043	-	2,936,043	2,936,043	-	2,936,043
Total	61,579,832	-	61,579,832	23,327,061	-	23,327,061



**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**12. Construction in process – cont.**

Top 10 constructions in process in book value at end of year:

RMB Yuan

Items	Budget	Balance at the beginning of year	Increased this year	Transferred into fixed assets	Other decreases	Investment on budget (%)	Progress	Accumulate of interest capitalized	Incl. Interest capitalized in the year	Rate of interest capitalized in the year	Fund recourse	Balance at the end of year
1. Transformer station project	153,500,000	20,391,018	42,904,871	4,652,100	-	41	-	-	-	-	Independent	58,643,789
2. Reconstruction of workshop in area 34	660,035,400	2,936,043	-	-	-	0.44	-	-	-	-	Independent	2,936,043
Total	813,535,400	23,327,061	42,904,871	4,652,100	-	-	-	-	-	-		61,579,832

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

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

RMB Yuan

Items	At beginning of term	Increased this term	Amortized this term	Other decrease	At end of term	Reason of other decreasing
Renewing of fixed assets for rent	162,520,199	76,299,000	15,099,784	-	223,719,415	
Others	3,464,850	30,586,266	5,425,072	-	28,626,044	
Total	165,985,049	106,885,266	20,524,856	-	252,345,459	

**14. Differed income tax assets/ differed income tax liabilities**

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

RMB Yuan

Items	End of term	Beginning of term
Differed income tax assets:		
Land VAT drawn in advance	719,009,314	449,165,509
Neutralizable losses	7,927,333	2,280,706
Reserved expenses	4,981,624	772,832
Amortizing of other long-term assets	1,218,877	1,017,993
Bad debt provision on receivables	702,530	965,114
Bad debt provision on other receivables	460,897	1,641
Anticipated liabilities	-	6,251,570
Inventory impairment provision	-	-
Long-term equity investment impairment provision	-	-
Sub-total	734,300,575	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

RMB Yuan

Items	End of term	Beginning of term
Deductible provisional differences	587,536,910	838,088,182
Neutralizable losses	398,752,917	331,289,596
Total	986,289,827	1,169,377,778

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

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

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

RMB Yuan			
Year	End of term	Beginning of term	Note
2012	7,228,893	-	
2013	11,227,195	7,355,671	
2014	26,216,438	11,805,761	
2015	105,920,651	120,120,170	
2016	248,159,740	192,007,994	
<b>Total</b>	<b>398,752,917</b>	<b>331,289,596</b>	

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

RMB Yuan	
Items	Amount of temporary differences
<b>End of term:</b>	
Deductible provisional difference and deductible losses:	
Land VAT drawn in advance	2,876,037,256
Neutralizable losses	31,709,334
Reserved expenses	19,926,496
Amortizing of other long-term assets	4,875,507
Bad debt provision on receivables	2,810,120
Bad debt provision on other receivables	1,843,588
Anticipated liabilities	-
Inventory impairment provision	-
Long-term equity investment impairment provision	-
<b>Sub-total</b>	<b>2,937,202,301</b>
<b>Beginning of term:</b>	
Deductible provisional difference and deductible losses:	
Land VAT drawn in advance	1,874,421,859
Neutralizable losses	9,139,865
Reserved expenses	505,000
Amortizing of other long-term assets	4,071,971
Bad debt provision on receivables	4,022,300
Bad debt provision on other receivables	6,564
Anticipated liabilities	26,048,209
Inventory impairment provision	-
Long-term equity investment impairment provision	-
<b>Sub-total</b>	<b>1,918,215,768</b>

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(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	For decreasing of consolidation range	Increased this term	Decreased this term		Exchange rate adjustment	Balance of book value at end of term
				Written back	Transferred		
I. Bad debt provision	13,481,779	-	3,408,134	161,930	1,543,296	-	15,184,687
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	-	-	-	-	-	-	-
<b>Total</b>	<b>309,854,761</b>	<b>-</b>	<b>3,408,134</b>	<b>161,930</b>	<b>1,543,296</b>	<b>-</b>	<b>311,557,669</b>

**16. Short-term loans**

RMB Yuan

Items	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan (Note 1)	57,000,000	-
Guaranteed loan (Note 2)	1,026,202,269	-
Credit loan	1,790,000,000	1,172,132,283
<b>Total</b>	<b>2,873,202,269</b>	<b>1,172,132,283</b>
<b>Including: Default borrowing</b>	<b>-</b>	<b>-</b>

Note 1: See Note (V)5(1) Note 2

Note 2: The Company raised bank loan of RMB56,300,000 which was guaranteed by China Merchants Shekou Industrial Zone Co., Ltd.; Shenzhen China Merchants Property Co., Ltd. raised bank loan of RMB485,000,000 which was guaranteed by China Merchants Shekou Industrial Zone Co., Ltd. Shenzhen CM Power Supply Co., Ltd. – one of the subsidiaries of the Company, raised RMB350,000,000 and USD21,410,000(RMB134,902,269) of loan from the bank, which was guaranteed by the Company.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**17. Notes payable**

RMB Yuan

Categories	End of term	Beginning of term
Commercial acceptance	-	-
Bank acceptance	3,714,276	275,616,189
Total	3,714,276	275,616,189

**18. Account payable**

(1) Details of payable accounts:

RMB Yuan

Items	End of term	Beginning of term
Project payment	3,043,087,571	2,051,849,132
Land price	1,325,303,129	2,529,091,908
Payment for purchasing of share equity	70,650,000	70,650,000
Warranty fund	59,449,642	34,572,057
Others	60,828,647	71,504,066
Total	4,559,318,989	4,757,667,163

(2) None of the balances in the payable account is due to shareholders with over 5% (included) of shares of the Company or related parties.

(3) Age analyzing of payable accounts:

RMB Yuan

Age	End of Term		Beginning of Term	
	Amount	Proportion %	Amount	Proportion %
within 1 year (included)	4,046,295,268	89	4,500,992,530	95
1-2 yrs (include 2 yrs)	271,104,872	6	142,842,000	3
2-3 years (including 3)	142,842,000	3	42,916,211	1
Over 3 yrs	99,076,849	2	70,916,411	1
Total	4,559,318,989	100	4,757,667,163	100

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

RMB Yuan

Name of the companies	End of term	Age	Reason of overdue	Amount to repay after the report term
Shanghai Baoshan Yanghang Government	72,190,000	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.	50,707,910	1-3 years	Project quality warranty, payment on due	-
Total	193,547,910			

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**19. Account received in advance**

(1) Age analyse of prepayment received

RMB Yuan

Age	End of term		Beginning of term	
	Amount	%	Amount	%
within 1 yr	15,236,581,178	90	11,245,023,346	100
1-2 years	1,641,224,773	10	23,184,800	-
2-3 years	4,496,058	-	446,680	-
Over 3 yrs	-	-	-	-
Total	16,882,302,009	100	11,268,654,826	100

Including: presale of properties:

RMB Yuan

Projects	End of term	Beginning of term	Planned finish date	Presell portion
Beijing Xicheng Home and Longyuan Projects	2,147,777,793	992,697,243	2013	69%
Guangzhou Jinshangu Phase IV	2,040,535,965	-	2012	96%
Shenzhen Yongjinwan	1,708,396,562	-	2012	42%
Beijing Park 1872 Phase III	933,930,241	-	2013	73%
Zhuhai CM Garden City Phase I	892,252,710	670,216,271	2012	69%
Shanghai CM Yonghuayuan Phase III	808,865,694	-	completed	100%
Shenzhen CM Guanyuan	797,864,616	-	2012	40%
Tianjing Yonghuafu	715,821,514	-	2012	60%
Foshan Yiyunshui'an Phase III	711,005,885	-	2012	38%
Suzhou Xiaoshicheng Phase IV	689,158,922	-	2012	77%
Tianjing Xingcheng Phase II	657,584,909	-	2013	52%
Foshan Yiyunshui'an Phase IV	476,580,000	-	2012	27%
Chongqing CM Jiangwancheng Phase III	421,804,087	38,222,830	2012	76%
Foshan Yiyunshangcheng Phase II	376,872,235	-	2012	49%
Chengdu CM Dongcheng International Business Plaza	361,882,820	-	2012	61%
Shenzhen CM Guoling Garden (original Xixiang Golf Garden)	275,699,315	-	2013	22%
Foshan Yiyunshui'an Phase II	273,878,722	1,686,286,477	completed	100%
Xiamen Haishang Wuyuehua (former Xiamen P01 project)	216,496,647	-	2014	38%
Zhuhai China Merchants Garden City Phase II	185,604,814	-	2012	14%
Chengdu Yonghuafu Phase I	174,408,991	-	2012	25%
Shenzhen Xicheng Phase IV	154,762,162	559,576,579	completed	54%
Zhenjiang Beiguwan Project Phase I	154,419,755	-	2013	47%
Zhangzhou Kadakaisi Phase I	148,935,473	-	2012	39%
Chongqing CM Jiangwancheng Phase V	139,663,181	-	2013	82%
Nanjing Zijinshan No.1 (former G67 project)	108,911,909	-	2012	20%
Suzhou Yongjingwan	102,603,079	-	2013	19%
Shanghai CM Haiwan Garden Phase I - IV	102,009,885	145,086,710	2013	49%
Foshan Yiyun Shangcheng phase I	97,855,756	499,079,745	completed	82%
Foshan Yiyunshui'an Phase I	83,152,542	-	completed	100%
Tianjin Xincheng phase I	67,207,958	876,104,628	completed	97%
Guangzhou Jinshangu Phase III	54,605,738	-	completed	13%
Shanghai CM Yonghuayuan Phase II	52,880,769	-	completed	99%
Chongqing CM Jiangwancheng Phase IV	50,507,580	-	2012	12%

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**19. Account received in advance – cont.**

(1) Age analyzing of account received in advance – cont.

Including: presale of properties:

RMB Yuan				
Projects	End of term	Beginning of term	Planned finish date	Presell portion
Suzhou Xiaoshicheng Phase VI	50,144,147	-	2014	10%
Chongqing CM Jiangwancheng Phase II	47,136,828	710,104,431	completed	84%
Zhangzhou CM Garden Town Phase II	41,889,135	-	2012	26%
Xiamen Aide Park (Former Xiamen P08 project)	37,880,181	-	2014	4%
Shanghai Haide Garden Phase III	25,025,916	41,376,464	completed	82%
Chongqing Jiangwancheng Phase I	24,017,952	85,832,850	completed	69%
Suzhou Xiaoshicheng Phase V	23,907,078	-	2013	3%
Zhangzhou CM Holiday 365 phase I	23,106,466	-	completed	56%
Zhangzhou CM Garden City Phase I	17,081,650	167,359,485	completed	99%
Shenzhen Lanxigu Phase II.	16,487,885	82,296,586	completed	98%
Shenzhen Lanxigu phase III	15,986,789	496,043,699	completed	82%
Shenzhen CM Lanyuan	7,768,346	84,756,830	completed	100%
Shanghai Haide Garden Phase I Commercial	5,376,246	-	completed	62%
Suzhou Xiaoshicheng Phas II, III	4,093,113	43,558,381	completed	100%
Shenzhen Haiyue Huating	1,237,550	1,845,847	completed	100%
Guangzhou Jinshangu phase II	677,842	957,034,244	completed	99%
Phase V. Garden City	435,857	15,253,943	completed	99%
Shenzhen Yishanjuan phase II, III	138,535	894,469	completed	93%
Zhangzhou CM Jianzhu	147,089	147,089	completed	100%
Shenzhen Xicheng Phase III	100,000	77,181,711	completed	99%
Beijing Park. 1872 Phase I II	-	1,907,866,683	completed	100%
Shanghai CM Yonghuayuan phase I	-	703,029,613	completed	100%
Nanjing Yiyunxigu Phase III	-	322,461,693	completed	99%
Tianjin 36 Xikang Road	-	8,658,000	completed	100%
Shanghai CM Nanqiao Yayuan	-	3,508,642	completed	95%
Shenzhen Haijing Plaza	-	1,327,894	completed	100%
Others	267,937,162	15,891,487		
Total	16,794,513,996	11,193,700,524		

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

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(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	Increased by enlarging of consolidation range	Other decrease this term	Balance of book value at end of term
I. Wage, bonus, allowances	166,245,620	808,102,973	64,555	743,625,202	230,787,946
II. Employees' welfare	541,895	52,544,143	-	53,086,038	-
III. Social security	1,843,461	82,685,092	-	83,563,504	965,049
Incl. 1. Medical insurance	231,729	18,623,053	-	18,684,342	170,440
2. Basic life insurance	393,098	46,590,211	-	46,806,619	176,690
3. Annual fee (supplementary life insurance)	1,083,694	11,344,566	-	11,964,616	463,644
4. Unemployment insurance	57,301	2,904,106	-	2,913,231	48,176
5. Workplace injury insurance	45,498	1,621,317	-	1,617,945	48,870
6. Maternity insurance	32,141	1,601,839	-	1,576,751	57,229
7. Others	-	-	-	-	-
IV. Housing fund	15,740,645	27,888,156	-	42,831,369	797,432
V. Trade union fee and employee training	20,193,804	20,807,524	-	16,130,006	24,871,322
VI. Non-monetary welfare	-	-	-	-	-
VII. Dismissing and retirement compensation	1,280,000	1,136,248	-	1,136,248	1,280,000
Incl. (1) Compensation for dismissing of employment	1,280,000	1,136,248	-	1,136,248	1,280,000
(2) Expenditure for expected internal retirement	-	-	-	-	-
VIII. Others	1,387,086	8,559,890	-	8,158,657	1,788,319
Incl. Dividend paid in cash	-	-	-	-	-
Total	207,232,511	1,001,724,026	64,555	948,531,024	260,490,068

Note: Balance of Trade Union fund and employee training fund is RMB24,871,322. Balance of dismissing compensation is RMB1,280,000.

**21. Tax payable**

RMB Yuan

Items	Beginning of term	Provided this year	Impact of changing of consolidation range	Impact of translating of foreign currency statements	Paid this year	End of term
Enterprise income tax	365,498,608	1,538,538,563	37,976	50,985	1,169,364,119	734,762,013
Land VAT (Note)	118,920,233	1,650,081,944	-	-	1,302,693,724	466,308,453
Business tax	86,918,764	957,165,414	-	-	1,038,625,236	5,458,942
Personal income tax	20,155,272	82,870,203	-	-	98,885,524	4,139,951
VAT	6,364,197	26,192,582	-	-	26,858,263	5,698,516
City maintenance and construction tax	4,733,034	64,978,651	-	-	67,807,746	1,903,939
Land using tax	4,547,650	23,505,088	-	-	20,307,422	7,745,316
Others	7,651,260	176,864,152	-	-	138,031,611	46,483,801
Total	614,789,018	4,520,196,597	37,976	50,985	3,862,573,645	1,272,500,931

Note: See Note (V)6.



**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**22. Tax disburseable**

RMB Yuan

Items	End of term	Beginning of
Long-term loan interest with instalments	110,022,202	106,863,476
Short-term borrowing interests payable	9,157,791	2,260,163
Total	119,179,993	109,123,639

**23. Dividend payable**

RMB Yuan

Name of the companies	End of term	Beginning of term	Reason of overdue for over 1 year
Shenzhen OCT Property Co., Ltd.	-	54,627,032	
Shenzhen Nanshan Property Development Co., Ltd.	39,604,987	39,604,987	Payment can be delayed with agreement of partner
Tianjin Shenmiao Investment Group Co., Ltd.	9,692,329	29,692,329	Payment can be delayed with agreement of partner
Shenzhen Huayuan Seafood Restaurant	285,600	285,600	To be neutralized
Total	49,582,916	124,209,948	

**24. Other account payable.**

(1) Details of other payable accounts

RMB Yuan

Items	End of term	Beginning of term
Interchange with co-operative companies	4,505,441,156	4,082,251,898
Interchange with related parties	1,024,975,736	1,067,095,804
Deposit	440,625,762	418,765,712
Temporary payment	786,663,763	154,437,315
Others	113,706,402	20,830,785
Total	6,871,412,819	5,743,381,514

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**24. Other account payable – cont.**

(2) Age analyzing of other payable accounts:

RMB Yuan

Age	End of Term		Beginning of Term	
	Amount	Proportion %	Amount	Proportion %
within 1 year (included)	3,902,614,686	57	2,996,588,063	52
1-2 yrs (include 2 yrs)	446,219,208	6	1,993,290,482	35
2-3 years (including 3)	1,795,724,129	26	703,147,797	12
Over 3 yrs	726,854,796	11	50,355,172	1
Total	6,871,412,819	100	5,743,381,514	100

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

(4) 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	1,102,551,161	1-3 years	Prepaid by minority shareholder
Client II	692,540,497	1-3 years	Prepaid by minority shareholder
Client III	226,258,059	1-2 years	Deposit for limited property
Client IV	155,014,997	1-3 years	Prepaid by minority shareholder
Client V	138,235,302	2-3 years	Prepaid by minority shareholder
Client VI	136,991,475	1-2 years	Prepaid by minority shareholder
Client VII	106,081,399	2-3 years	Prepaid by minority shareholder
Client VIII	70,878,024	Over 3 yrs	Prepaid by minority shareholder
Total	2,628,550,914		

**25. 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	3,608,045,000	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	3,608,045,000	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	-	152,906,972
Pledged loan (Note 1)	309,000,000	122,000,000
Guaranteed loan (Note 2)	1,056,500,000	781,515,187

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

Credit loan	2,242,545,000	800,000,000
Total	3,608,045,000	1,856,422,159
Including: Default borrowing	-	-

Note 1: See Note (V)5(1) Note 1

Note 2: See Note (V)28(1) Note 2

(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	2009.07.21	2012.07.21	RMB	5.985	-	1,000,000,000
Financial Institution II	2009.07.27	2012.07.27	RMB	4.86	-	470,000,000
Financial Institution III	2009.07.24	2012.07.23	RMB	4.86	-	400,000,000
Financial Institution IV	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
Total					-	2,470,000,000

## 26. Other current liability

RMB Yuan

Items	Balance of book value at end of term	Balance of book value at beginning of term
Land VAT drawn in advance (Note)	3,152,088,802	2,331,464,209
Outsourced cleaning and security guard services	6,019,679	13,048,065
Agencies	3,716,512	3,012,000
Uniform fee	1,907,827	2,510,750
Others	15,866,729	7,706,659
Total	3,179,599,549	2,357,741,683

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

## 27. Long-term loans

(1) Categories of long-term loans

RMB Yuan

Items	End of term	Beginning of term
Loan by pledge	-	-
Pledged loan (Note 1)	51,990,000	49,000,000
Guaranteed loan (Note 2)	8,870,471,800	5,753,519,344
Credit loan	6,113,992,275	4,193,316,000
Entrusted loan (Note 3)	584,980,300	-
Total	15,621,434,375	9,995,835,344
Including: Default borrowing	-	-

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 27. Long-term loans – cont.

##### (1) Categories of long-term loans – cont.

Note 1: See Note (V)5(1)Note 3

**Note 2:** The Company raised loan of RMB2,000,000,000 from bank which was guaranteed by China Merchants Group Co., Ltd.; the loan of RMB274,000,000 which was guaranteed by Shenzhen China Merchants Property Co., Ltd. – one of the subsidiaries of the Company; the loan of RMB940,000,000 was raised from the bank which was guaranteed by China Merchants Shekou Industrial Zone Co., Ltd. All of these will due within one year.

Fujian Zhongliansheng Property Development Co., Ltd. – one of the subsidiaries of the Company raised loan of RMB296,200,000 from the bank, which was guaranteed by the Company and Baoli Property (Group) Co., Ltd. according to their share portion, and in which RMB4,500,000 will due in one year.

Shanghai Jingyuan Property Development Co., Ltd. – one of the subsidiaries of the Group raised loan of RMB261,000,000 from the bank, which was guaranteed by Shanghai Wangke Property Co., Ltd. and Shenzhen China Merchants Property Co., Ltd. – subsidiary of the Company, according to their share portion; another RMB560,000,000 of loan was guaranteed by Shanghai Wanke Property Co., Ltd., and in which RMB112,000,000 will due in one year.

Ruijian Investment Co., Ltd. – one of the subsidiaries of the Company, raised loan of USD488,000,000 (RMB3,074,839,200) and HKD980,000,000 (RMB794,486,000) from the bank, which were guaranteed by China Merchants Group (HK) Co., Ltd.; the loan of USD194,000,000 (RMB1,222,374,600) was guaranteed by the Company; and the loan of USD50,000,000 (RMB315,045,000) was guaranteed by Dafeng International Co., Ltd.

Shenzhen CM Power Supply Co., Ltd. – one of the subsidiaries of the Company, raised RMB30,000,000 (RMB189,027,000) of loan from the bank, which was guaranteed by the Company.

Note 3: According to the Entrusted Loan Contract engaged between Foshan Yiyun Property Co., Ltd., the bank, and Jiulongchang (Guangzhou) Co., Ltd., Jiulongchang (Guangzhou) Co., Ltd. entrusted the bank to provide loan to Foshan Yiyun Property Co., Ltd. amounted to RMB584,980,300.

##### (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	2017.04.19	RMB	6.4	-	2,000,000,000	-	2,000,000,000
Financial Institution II	2011.07.08	2013.07.08	RMB	9.25	-	1,070,000,000	-	-
Financial Institution II	2011.07.07	2013.07.07	RMB	9.25	-	890,000,000	-	-
Financial Institution III	2010.01.05	2013.12.23	USD	Floating	130,000,000	819,117,000	130,000,000	860,951,000
Financial Institution IV	2011.10.17	2014.09.26	USD	Floating	100,000,000	630,090,000	-	-
Total						5,409,207,000		2,860,951,000

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**28. Long term payables**

Unit	RMB Yuan	
	Ending balance	Initial amount
Main body maintaining fund	82,365,123	57,387,176
Shenzhen China Merchants Landmark Co., Ltd.	1,200,000	1,200,000
Total	83,565,123	58,587,176

**29. Anticipated liabilities**

Items	RMB Yuan				
	Beginning of term	Increased this term	Decreased this term	End of term	Cause of change
Providing of external guarantees	-	-	-	-	
Unsettled lawsuit	26,048,209	-	26,048,209	-	Lawsuit closed
Including: Lawsuit of Yishanjun (Note 1)	26,048,209	-	26,048,209	-	
Dismissing policy	-	-	-	-	
Loss contract to be executed	-	-	-	-	
Predicted expenses (Note 2)	80,241,380	-	80,241,380	-	
Total	106,289,589	-	106,289,589	-	

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 2010. The compensation was predicted to RMB27,810,000 based on 0.03% to 0.05% of the contract amount and was provided as anticipated liabilities. The compensations of RMB1,761,791 and RMB4,200,702 were paid in 2010 and 2011 respectively. For the balance of the compensation was due for the claiming period, thus the balance of anticipated liabilities were written back.

Note 2: According to the agreement engaged with Nanjing Fucheng Property Development Co., Ltd., the Group is expected to pay for the possible 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. For the payment related to this transaction has been settled in the year, and the possibility of the above predicted expenses is basically eliminated, therefore the Group has written back the anticipated liability.

**30. Other non-current liabilities**

Items	RMB Yuan	
	Balance of book value at end of term	Balance of book value at beginning of term
Deffered rental income	1,650,040	2,316,700
Special grant for culture development	1,500,000	1,500,000
Infrastructure construction fund granted by Bureau of Water Service	-	-
Other water supply grants	-	-

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

Total	3,150,040	3,816,700
Less: Other non-current liabilities due in 1 year	-	-
Incl. Infrastructure construction fund granted by Bureau of Water Service	-	-
Non-current liabilities due beyond 1 year	3,150,040	3,816,700

**31. Capital Share**

RMB Yuan

Items	Beginning of term	Changed this term					Sub-total	End of term
		Issuing of new shares	Bonus shares	Transferred from reserves	Others			
<b>Year 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	-	-	-	11,699	11,699	477,150	
Total of conditional shares	891,594,208	-	-	-	11,699	11,699	891,605,907	
II. Shares without trading limited conditions		-	-	-	-	-	-	
1. RMB common shares	684,265,720	-	-	-	20,176	20,176	684,285,896	
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 of unconditional shares	825,706,295	-	-	-	(11,699)	(11,699)	825,694,596	
III. Total of capital shares	1,717,300,503	-	-	-	-	-	1,717,300,503	

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**31. Capital shares – cont.**

RMB Yuan

Items	Beginning of term	Changed this term					Sub-total	End of term
		Issuing of new shares	Bonus shares	Transferred from reserves	Others			
<b>Year 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 of 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 of unconditional shares	787,861,019	-	-	-	37,845,276	37,845,276	825,706,295	
III. Total of capital shares	1,717,300,503	-	-	-	-	-	1,717,300,503	

The above shares are with par value of RMB1 yuan.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(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>Year 2011:</b>				
Share capital premium	8,369,949,610	-	97,382,762	8,272,566,848
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)	-	97,382,762	(482,249,718)
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	-	97,382,762	8,387,070,659
<b>Year 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)
Acquiring share equities from minor shareholders of subsidiaries	(384,866,956)	-	-	(384,866,956)
Capital reserves capitalized	(168,973,400)	-	-	(168,973,400)
Other misc incomes	13,565,536	-	3,473,483	10,092,053
Other capital reserves	104,411,758	-	-	104,411,758
Incl. Equity part distilled from convertible bond	-	-	-	-
Fair value of equity instrument accounted at equity basis	-	-	-	-
Balance of moving compensation granted by government for public interests	-	-	-	-
Transferred from capital reserves under original system	104,411,758	-	-	104,411,758
Total	8,487,926,904	-	3,473,483	8,484,453,421

Note 1: It was the balance of share transferring consideration of RMB97,382,762 paid to the natural person minority shareholders of Shenzhen Meiyue Property Consulting Co., Ltd. according to the share transferring agreement engaged by Shenzhen CM Property Co., Ltd. Therefore the capital reserves were reduced correspondingly.



**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**33. Surplus reserves**

RMB Yuan

Items	Beginning of term	Increased this term	Decreased this term	End of term
<b>Year 2011:</b>				
Statutory surplus reserves	759,342,546	68,566,185	-	827,908,731
Optional surplus reserves	140,120,038	-	-	140,120,038
Preserved fund	-	-	-	-
Enterprise development fund	-	-	-	-
Others	-	-	-	-
Total	899,462,584	68,566,185	-	968,028,769
<b>Year 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	-	-	-	-
Total	785,793,010	113,669,574	-	899,462,584

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

**34. Retained profit**

RMB Yuan

Items	Amount	Percentage of drawing or allocation
<b>Year 2011:</b>		
Before adjustment: Retained profit at end of last year	6,940,907,225	
Adjusted: Total of 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	2,591,781,031	
Less: Statutory surplus reserves	68,566,185	Note 1
Optional surplus reserves	-	
Common risk provisions	-	
Common share dividend payable	206,076,060	Note 2
Common share dividend transferred to capital share	-	
Retained profit at the end of term	9,258,046,011	
<b>Year 2010:</b>		
Before adjustment: Retained profit at end of last year	5,214,909,610	
Adjusted: Total of 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	Note 1
Optional surplus reserves	-	
Common risk provisions	-	
Common share dividend payable	171,730,050	Note 2
Common share dividend transferred to capital share	-	
Retained profit at the end of term	6,940,907,225	

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 34. Retained profit - continues

Note 1. Providing of surplus reserves

According to the Articles of Association, the statutory surplus reserve is provided at 10% of net profit.

Note 2: 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 RMB206,076,060 as cash dividend.

Note 3: Profit distribution or capitalizing of reserves decided after the balance sheet date

According to the profit distribution plan adopted at the 2nd meeting of the 7th term of Board held on March 16, 2012, RMB343,460,101 is about to be distributed to 1,717,300,503 shares as of December 31, 2011. This plan is subject to approval by the Shareholders' Meeting.

Note 4: Surplus reserves already provided by the subsidiaries

As of December 31, 2011, there were RMB674,678,692 of surplus reserves provided by the subsidiaries which has been included in the retained profit of the Group. (December 31, 2010: RMB597,625,044).

#### 35. Operational turnover and cost

(1) Turnover

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Major business turnover	15,111,366,642	13,782,425,231
Other business income	-	-
Operation cost	7,194,483,295	8,300,379,948

(2) Main businesses (on industries)

Name of industry	RMB Yuan			
	Turnover	Operation cost	Turnover	Operation cost
Property development	14,013,413,716	6,346,200,598	12,725,172,419	7,446,144,328
Public Utilities	619,401,840	437,768,548	649,480,997	462,290,953
Property management	478,551,086	410,469,149	407,771,815	391,944,667
Total	15,111,366,642	7,194,438,295	13,782,425,231	8,300,379,948

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(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	81,004,848	0.53
Client II	53,584,046	0.36
Client III	42,149,597	0.28
Client IV	40,341,965	0.27
Client V	39,958,467	0.26
Total	257,038,923	1.70

**36. Business tax and surcharge**

Items	Occurred current term	Occurred in previous term	RMB Yuan
			Rate
Land VAT	2,107,843,843	966,384,579	Note
Business tax	719,626,396	647,305,034	Note
City maintenance and construction tax	41,280,630	18,384,400	Note
Education surtax	30,108,220	11,415,312	Note
Others	9,945,648	3,707,069	
Total	2,908,804,737	1,647,196,394	

Note: See Note (III).

**37. Financial expenses**

Items	Occurred current term	Occurred in previous term	RMB Yuan
Interest expense	761,665,109	482,591,465	
Less: Interest expenses capitalized	501,015,507	310,764,403	
Less: Interest income	113,132,178	110,966,786	
Exchange differences	(384,496,363)	(18,966,193)	
Less: Exchange difference capitalized	(56,771,881)	(43,487,313)	
Others	11,616,738	7,632,800	
Total	(168,590,320)	93,014,196	

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(V) Notes to the consolidated financial statements – cont.****38. Asset impairment loss**

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
I. Bad debt loss	3,246,204	5,854,545
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	3,246,204	5,854,545

**39. Income from fair value fluctuation**

Source of income from fluctuation of fair value	RMB Yuan	
	Occurred current term	Occurred in previous term
Transactional financial assets	(428,633)	(5,504,644)
Incl. Gains from fluctuation of fair value of derivate financial instruments	(428,633)	(5,504,644)
Trade off financial liabilities	18,822,302	(8,630,494)
Investment property measured at fair value	-	-
Others	-	-
Total	18,393,669	(14,135,138)

**40. Investment income****(1) Detailed investment gains**

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Long-term equity investment gains on cost basis	-	-
Long-term equity investment gains on equity basis	29,553,535	(5,444,537)
Investment gains from disposal of long-term equity investment	-	8,092,707
Investment gains in the period of holding transactional financial assets	-	-
Investment gains in the period from receiving to	-	-

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

expiration		
Investment gains in period of holding disposable financial assets	-	-
Investment gains from disposal of transactional financial assets	(37,818,471)	(2,643,524)
Investment gains from disposal of investment hold to expiration	-	-
Investment gains from disposal of available-for-sale financial assets	-	5,330,350
Others (Note)	61,609,182	59,973,887
Total	53,344,246	65,308,883

Note: It includes RMB43,482,103 of interest of entrusted loan after deducting of related taxes, and RMB18,127,079 of compensation received for disposal of Elite Trade Investments Limited in previous year.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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**(V) Notes to the consolidated financial statements – cont.****40. Investment gains – cont.**

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

RMB Yuan

Company invested in	Occurred current term	Occurred in previous term	Causation of change
Shenzhen TCL Optical-Electronics Technologies Ltd.	54,239,083	19,778,158	Profit growth of invested entity in the year
Guangzhou Panyu Innovative Technology Garden Co., Ltd.	(15,075,539)	(7,947,671)	Profit decline of invested entity in the year
China Merchants Guangming Technologies Garden Ltd.	(7,114,788)	(2,488,747)	Profit decline of invested entity in the year
Tianjin Xinhai real Estate Development Co., Ltd.	(3,188,218)	(16,109,895)	Profit growth of invested entity in the year

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

## (1) Details of non-operational income

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Anticipated liabilities written back (Note)	102,088,887	-
Government subsidy	1,876,900	13,728,792
Income from penalties	1,452,501	2,402,362
Total of gains from disposal of non-current assets	321,492	87,118
Incl. Gains from disposal of fixed assets	321,492	87,118
Gains from disposal of intangible assets	-	-
Gains from debt reorganization	-	-
Gains from exchange of non-monetary assets	-	-
Donation received	-	-
Others	3,028,665	1,782,131
Total	108,768,445	18,000,403

Note: See Note (V)25 Note 1 and 2.

## (2) Details of government subsidy

Items	RMB Yuan		
	Occurred current	Occurred in	Remarks
VAT refund for electric power	-	10,012,063	
Subsidy for solar energy	-	1,020,600	
Tax refund	456,900	856,129	
Industrial development special	-	705,000	
Award for great tax payer	1,120,000	620,000	
Subsidy for culture and sport	300,000	300,000	
Others	-	215,000	
Total	1,876,900	13,728,792	

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(V) Notes to the consolidated financial statements – cont.****42. Non-business expenditures**

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Total of loss from disposal of non-current assets	577,931	418,349
Incl. Loss from disposal of fixed assets	577,931	418,349
Loss from disposal of intangible assets	-	-
Losses from debt restructuring	-	-
Loss from exchange of non-monetary assets	-	-
Expected liability expense	-	110,037
Donations	390,000	3,762,000
Others	5,462,929	6,128,975
Total	6,430,860	10,419,361

**43. Income tax expenses**

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Income tax calculated according to the law and regulations of current term	1,452,739,114	958,106,193
Adjustment of differed income tax	(273,845,210)	(169,969,393)
Total	1,178,893,904	788,136,800

Adjustments on income tax expenditure and accounting profit:

	RMB Yuan	
	Occurred current term	Occurred in previous term
Accounting profit	4,491,848,414	3,272,123,773
Income tax at 24% (22% last year)	1,078,043,619	719,867,230
Influence of taxes may not be neutralized by expenses	69,078,968	80,162,759
Influence of tax-free income	(7,092,848)	(1,197,754)
Influence of taxes not confirmed to neutralize loss and neutralizable provisional differences	(43,941,108)	12,429,510
Tax influence by using of unrecognized previous loss and deductible provisional differences	(11,066,985)	(13,477,404)
Influence of change in timing of writing back differed income tax asset/liability	(19,182,158)	(38,447,897)
Influence of inconsistency in tax rates of subsidiaries in other region	44,211,131	28,644,724
Others	68,843,285	155,632
Income tax expenses	1,178,893,904	788,136,800



**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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**(V) Notes to the consolidated financial statements – cont.****44. Government allowance**

	RMB Yuan	
	Accumulated this year	Accumulated last year
Income-related government subsidy received		
Refund of VAT on power import	-	10,012,063
Tax refund	456,900	856,129
Others	1,420,000	2,860,600
Sub-total	1,876,900	13,728,792
Total	1,876,900	13,728,792
Less: Government subsidy accounted into deferred income	-	-
Plus: Government subsidy transferred from deferred income to current gain/loss	-	-
Government subsidy counted into current gain/loss account	1,876,900	13,728,792

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(V) Notes to the consolidated financial statements – cont.****45. Rental**

Property for rent as of December 31, 2011:

Category of property for rent	End of Term	RMB Yuan
		Beginning of Term
1. Houses & buildings	2,099,560,994	2,247,459,891
2. Land using rights	1,167,596,635	1,190,755,432
Total	3,267,157,629	3,438,215,323

**46. Calculation of basic earning per share and diluted earning per share**

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

	RMB Yuan	
	Occurred current term	Occurred in previous term
Net profit of current term attributable to common shareholders	2,591,781,031	2,011,397,239
Incl. Net profit attributable to continuous operation	2,591,781,031	2,011,397,239
Net profit attributable to terminating operation	-	-

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

	RMB Yuan	
	Occurred current term	Occurred in previous term
Net profit of current term attributable to common shareholders	2,591,781,031	2,011,397,239
Diluting potential common share interests recognized as expenses at current term		
The part attributable to common shareholders after deducting of income tax	-	-
The part of income or expenses generated by converting of diluted potential common shares attributable to common shareholders after deducting of income tax	-	-
Incl. Net profit attributable to continuous operation	2,591,781,031	2,011,397,239
Net profit attributable to terminating operation	-	-

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**46. Calculation of basic earning per share and diluted earning per share – cont.**

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

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

At calculating of diluted earning per share, the formula for weighted average amount of common shares issued outside is as:

	RMB Yuan	
	Occurred current term	Occurred in previous term
Weighted average of common shares used in calculating of basic earnings per share	1,717,300,503	1,717,300,503
Plus: Weighted average amount of common shares increased with assumption of the diluted potential common shares have been converted to current common shares	-	-
Incl. Weighted amount of common shares increased by converting of convertible bonds	-	-
Weighted amount of common shares increased by exercising of subscription certificate / share option	-	-
Weighted amount of common shares increased by executing of repurchasing commitment	-	-
Weight average amount of common shares used in calculating of diluted earning per share	1,717,300,503	1,717,300,503

**Earnings per share**

	RMB Yuan	
	Occurred current term	Occurred in previous term
Calculated according to net profit attributable to the shareholders of the parent company		
Basic earnings per share	1.5092	1.1713
Diluted earnings per share	1.5092	1.1713
Calculated according to continuous operation net profit attributable to the shareholders of parent company		
Basic earnings per share	1.5092	1.1713
Diluted earnings per share	1.5092	1.1713
Calculated according to termination net profit attributable to the shareholders of parent company		
Basic earnings per share	-	-
Diluted earnings per share	-	-

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
1. Gain(loss) generated by sellable financial assets	-	(4,205,196)
Less: Income tax influence of available-for-sale financial assets	-	(731,713)
Net amount written into other gains and transferred into gain/loss in previous terms	-	-
Sub-total	-	(3,473,483)
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	(83,674,829)	156,644,585
Less: Net amount of disposing overseas business and transferred to current gain/loss	-	-
Sub-total	(83,674,829)	156,644,585
5. Others	-	-
Less: Income tax influence by other accounted into other misc. incomes	-	-
Net amount accounted into other misc. income and transferred into current gain/loss in previous terms	-	-
Sub-total	-	-
Total	(83,674,829)	153,171,102

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

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Operational trade money received	2,375,627,228	1,962,782,070
Project deposit received	583,921,306	395,964,469
Interest received	114,214,376	104,958,865
Operational provisional money received	1,317,850,424	148,777,208
Others	874,672,800	38,301,689
Total	5,266,286,134	2,650,784,301

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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**(V) Notes to the consolidated financial statements – cont.****48. Notes to cash flow statements – cont.**

## (2) Other cash paid relating to business operation

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Operational trade money paid	3,543,482,676	3,393,186,876
Project deposit refunded	372,743,100	146,671,681
Cash paid for sales expenses	304,990,658	188,358,534
Cash paid for administrative expenses	160,236,466	91,713,876
Others	200,559,395	284,774,694
Total	4,582,012,295	4,104,705,661

## (3) Other cash received relating to investment operation

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Balance of disposing Elite Trade Investments Limited received	161,835,207	-

## (4) Other cash paid relating to investment operation

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
Cash paid for trade of foreign currency future contract	36,569,960	2,579,455
Total	36,569,960	2,579,455

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

**49. Supplementary data of cash flow statement**

(1) Supplementary cash flow statement

	RMB Yuan	
Supplementary Info.	Amount of the Current Term	Amount of the Previous Term
<b>1. Net profit adjusted to cash flow of business operation</b>		
Net profit	3,312,954,510	2,483,986,973
Plus: Asset impairment provision	3,246,204	5,854,545
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	35,687,918	26,191,153
Amortizing of intangible assets and investment properties	154,681,398	140,798,301
Amortizing of long-term expenses	20,524,856	20,323,825
Loss from disposal of fixed assets, intangible assets and other long-term assets	256,439	331,231
Loss of disposing fixed assets	-	-
Loss (gain) from fair value fluctuation	(18,393,669)	14,135,138
Financial expenses	(31,582,748)	215,484,399
Investment loss (gains)	(53,344,246)	(65,308,883)
Decrease of differed income tax assets (increase)	(273,845,210)	(169,969,393)
Increase (decrease) of differed income tax liabilities	-	(731,713)
Decreasing (increase) of inventory	(14,727,252,347)	(6,061,257,372)
Decrease (increase) of operational receivables	1,660,471,460	(2,457,903,958)
Increase (decrease) of operational payable items	7,804,255,737	1,401,771,744
Others	-	-
Cash flow generated by business operation, net	(2,112,339,698)	(4,446,294,010)
<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	13,659,974,240	8,914,595,308
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	4,745,378,932	138,934,241

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

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

**(2) Information about acquisition or disposal of subsidiaries or businesses**

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
<b>I. Acquisition of subsidiaries and businesses</b>		
1. Price in acquisition of subsidiaries and businesses	217,731,836	15,313,617
2. Cash and cash equivalents paid for acquisition of subsidiaries and businesses	165,301,836	15,313,617
Less: Cash and cash equivalents held by the subsidiaries and other businesses	9,747,854	6,731
3. Net cash received from subsidiaries and other operational units	155,553,982	15,306,886
4. Net asset of the business acquired	460,258,491	30,026,731
Current Assets	1,762,578,188	30,026,731
Non-current assets	-	-
Current Liabilities	1,250,329,697	-
Non-current liabilities	51,990,000	-
<b>II. Disposal of subsidiaries and businesses</b>		
1. Price in disposal of subsidiaries and businesses	-	164,113,200
2. Cash and cash equivalents received from disposal of subsidiaries and businesses	-	164,113,200
Less: Cash and cash equivalents held by the subsidiaries and other businesses	-	5,281,185
3. Net cash received from disposal of subsidiaries or other operational units	-	158,832,015
4. Net asset of the business disposed	-	157,394,450
Current Assets	-	104,061,519
Non-current assets	-	105,353,645
Current Liabilities	-	46,796,797
Non-current liabilities	-	5,223,917

**(3) Composition of cash and cash equivalents**

Items	RMB Yuan	
	End of term	Beginning of term
<b>I. Cash</b>	13,659,974,240	8,914,595,308
Incl: Cash in stock	43,718	59,111
Bank savings could be used at any time	13,659,930,522	8,914,536,197
Other monetary capital could be used at	-	-
Usable money in Central Bank	-	-
Money saved in associated financial	-	-
Money from associated financial bodies	-	-
<b>II. Cash equivalents</b>	-	-
Incl. Bond investment due in 3 months	-	-
<b>III. Balance of cash and cash equivalents at end</b>	13,659,974,240	8,914,595,308

# China Merchants Property Development Co., Ltd.

## Notes to the Financial Statements

The Year Ended December 31, 2011

### (VI) Related parties and related transactions

#### 1. Particulars about the parent company of the Company

RMB Yuan

Name of the parent co.	Relationship	Ownership type	Reg. Add.	Legal representative	Business property	Registered capital	Shareholding of the parent co.	Voting power of the parent company %	Ultimate holder of the Company	Organization code
China Merchants Shekou Industrial Zone Co., Ltd.	Controlling shareholder	Ltd. liability	Shenzhen	Fu Yuning	Establishment and management of various types of enterprises.	2,236,000,000	51.89%	51.89%	China Merchants Group Co., Ltd.	10001146 - 0

The ultimate controlling party of the Group is China Merchants Group Co., Ltd. The parent company and the ultimate controlling party of the Group do not provide financial statements to outsiders.

#### 2. Particulars of the subsidiaries

See Note (IV)

#### 3. Joint-ventures and affiliates

See Note (V) 8

#### 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
China Merchants Property Co., Ltd.	Under common ultimate controlling shareholder	Not applicable
China Merchants International IT Co., Ltd.	Under common ultimate controlling shareholder	73207614X
China Merchants Asia-Pacific Transportation Infrastructure Management (Shenzhen) Co., Ltd.	Under common ultimate controlling shareholder	769181613
Shenzhen China Merchants International Shipping Agency Co., Ltd.	Under common ultimate controlling shareholder	708402005
Shenzhen China Merchants Network Co., Ltd.	Under common ultimate controlling shareholder	715243815
Shenzhen CM Marine Logistics Co., Ltd.	Under common ultimate controlling shareholder	750451150
Huizhou Taitong Property Investment Co., Ltd.	Affiliate of the Company	67314099 - 0
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
Shanghai Ledu Property Co., Ltd.	Affiliate of the Company	570782622
Director, general manager and vice general manager	Key management	



## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

### (VI) (7) Related Parties and Related Transactions -continues

#### 5. Related transactions

##### (1) Related transactions of goods and services

RMB Yuan

Related parties	Type of trade	Subjects of the related transactions	Pricing and decision making process	Occurred current term		Occurred in previous term	
				Amount	Percentage in similar trades %	Amount	Percentage in similar trades %
Shenzhen CM Qianhaiwan Property Co., Ltd.	Providing of labor service	Note	Approved by the Board	146,118,430	100	108,170,000	100

Note: It was the income from the construction work contract of the phase I and II of Qianhaiwan Garden Project undertaken by Shenzhen CM Construction Co., Ltd. from Shenzhen CM Qianhaiwan Property Co., Ltd.

##### (2) Related rents

RMB Yuan

Name of the owner	Name of the tenant	Description of the property	Starting date	Stop date	Rental income (expenditure) of the Company
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen China Merchants Property Co., Ltd.	Nanhai E-cool	2010.09.01	2023.08.31	(16,958,930 )
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen China Merchants Property Co., Ltd.	Land using right	2007.01.01	2012.12.31	(7,618,354)
China Merchants Shekou Industrial Zone Co., Ltd.	Shenzhen CM Power Supply Co., Ltd.	Land using right	2007.01.01	2011.12.31	(2,285,886)
Shanghai CM Plaza Property Co., Ltd.	Subsidiary in Shanghai	Shanghai CM Plaza	2010.12.01	2013.12.31	(3,357,895)
Huajian Transportation Economic Development Center	China Merchants (Beijing) Co., Ltd.	CM Tower	2007.05.10	2012.05.09	(778,172)
China Merchants Property Co., Ltd.	China Merchants Property Management Co., Ltd.	Office rental	2011.01.01	2011.12.31	214,025
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	China Merchants Shekou Industrial Zone Co., Ltd.	Office building of New Time Plaza	2011.01.01	2011.12.31	10,788,702
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	China Merchants International (China) Investment Co., Ltd.	Office building of New Time Plaza, industrial building	2011.01.01	2011.12.31	4,530,721
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	China Merchants International IT Co., Ltd.	Nanhai E-cool and the Finance Center	2011.01.01	2014.02.28	1,546,416
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	China Merchants Asia-Pacific Transportation Infrastructure Management (Shenzhen) Co., Ltd.	New Age Plaza	2011.01.01	2012.03.31	10,788,702
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	Shenzhen China Merchants International Shipping Agency Co., Ltd.	Lianhe Building	2011.01.01	2012.10.31	445,739
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	China Merchants Group Co., Ltd.	New Age Plaza	2011.01.01	2012.10.31	628,558
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	Shenzhen China Merchants Network Co., Ltd.	China Merchants Building	2011.01.01	2012.03.31	223,080
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	Shenzhen CM Marine Logistics Co., Ltd.	Marine Center	2011.01.01	2011.10.31	64,628
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	Shenzhen Beike Venture Co., Ltd.	Beike Chuangye Building	2000.07.01	2015.06.30	666,660

The above transactions are implemented according to agreement price.

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

### (VI) (7) Related Parties and Related Transactions -continues

#### 5. Related transactions – cont.

##### (3) Guarantees among the related parties

RMB Yuan

The guarantor	The beneficiary	Amount guaranteed	Start date	Due date	Completed or not
CMSIZ. (Note 1)	The Company	996,300,000	2009.05.26	2012.07.27	No
CMSIZ. (Note 1)	Shenzhen China Merchants Property Co., Ltd.	485,000,000	2011.05.26	2012.04.16	No
CMSIZ. (Note 1)	Shenzhen China Merchants Property Co., Ltd.	82,012,509	2009.11.15	2012.03.20	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	105,391,000	2010.12.23	2013.12.23	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	405,350,000	2011.10.21	2014.10.13	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	283,745,000	2011.11.28	2014.11.25	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	296,142,300	2010.12.23	2013.12.23	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	630,090,000	2010.04.27	2013.04.27	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	126,018,000	2011.10.31	2013.10.31	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	315,045,000	2007.11.19	2014.01.19	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	630,090,000	2011.07.18	2014.07.18	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	315,045,000	2011.10.14	2014.10.26	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	630,090,000	2011.10.17	2014.10.26	No
China Merchants Group (HK) Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	132,318,900	2011.12.28	2014.12.28	No
Dafeng International Holdings Co., Ltd. (Note 2)	Ruijia Investment Industrial Ltd.	315,045,000	2011.11.28	2014.11.28	No
CM Group Co., Ltd. (Note 3)	The Company	2,000,000,000	2010.04.20	2017.04.20	No

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

Note 1: China Merchants Shekou Industrial Zone Co., Ltd. provided RMB996,300,000 of loan guarantee for the company; RMB82,012,509 of guarantee for accepted draft to Shenzhen China Merchants Property Co., Ltd., and RMB485,000,000 of guarantee for loans to Shenzhen China Merchants Property Co., Ltd.

Note 2: Ruijia Investment Co., Ltd. – subsidiary of the Company, raised bank loan of USD488,000,000 (RMB3,074,839,200) and HKD980,000,000 (RMB794,486,000), which were guaranteed by China Merchants Group (HK) Co., Ltd. And another loan of USD50,000,000 (RMB315,045,000) was guaranteed by Dafeng International Co., Ltd.

Note 3: China Merchants Group Co., Ltd. has provided guarantee to the Company for the bank loan of RMB2,000,000,000.

##### (4) Purchasing of assets

RMB Yuan

Name of the parties	Occurred current term	Occurred in previous term
China Merchants Shekou Industrial Zone Co., Ltd.	1,304,541,800	-

Note 1: In December, 2011, Shenzhen China Merchants Property Co., Ltd. signed the “Land Using Right Confirmation Contract” with CMSIZ regarding the land using rights of Jingshan Project phase IX. By this contract, Shenzhen China Merchants Property Co., Ltd. accept the land using rights of this project, with consideration of RMB1,192,790,000 in total.

Note 1: In December 2011, Shenzhen China Merchants Commercial Development Co., Ltd. signed the “Land Using Right Confirmation Contract” with CMSIZ regarding the land using rights of the Shipyard Square of the Marine World. By this contract, Shenzhen China Merchants Property Co., Ltd. accept the land using rights of this project, with consideration of RMB111,751,800 in total.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(VI) (7) Related Parties and Related Transactions –cont.**

**5. Related transactions – cont.**

(5) Borrowing demolition from related parties

Previous year:

					RMB Yuan
Related parties	Amount of demolition	Start date	Expired on	Balance at end of term	Remarks
Borrow in					
Dafeng International Holdings	887,698,968	2009.12.17	2010.01.17	-	Return in 2010

Note: No inter-associated-party loan occurred this year.

(6) Remuneration of key executives

		RMB Yuan	
Projects	Occurred current term	Occurred in previous term	
Remunerations of key managements	19,307,696	18,032,851	

**6. Receivable and payables due with related parties**

		RMB Yuan	
Projects	Related parties	Amount at end of term	Initial amount
Other account receivable	Shenzhen TCL Optical-Electronics Technologies Ltd.	227,089,797	291,155,457
Other account receivable	Shanghai Ledu Property Co., Ltd.	122,274,196	-
Other account receivable	China Merchants Guangming Technologies Garden Ltd.	-	13,960,000
Long-term receivable	Huizhou Taitong Property Investment Co., Ltd. (Note)	157,577,000	134,579,000
Dividend payable	Shenzhen Nanshan Property Development Co., Ltd.	39,604,987	39,604,987
Other account payable	CM Zhangzhou Development Zone Ltd.	365,953,535	393,929,535
Other account payable	Shenzhen Nanshan Property Development Co., Ltd.	255,915,212	344,987,895
Other account payable	Shenzhen Shekou Dazhong Investment Co., Ltd.	138,235,302	138,235,302
Other account payable	Tianjin Xinhai real Estate Development Co., Ltd.	106,081,399	133,081,399
Other account payable	Shenzhen China Merchants Financing Service Co., Ltd.	117,510,000	53,440,000
Other account payable	Shenzhen China Merchants Landmark Co., Ltd.	693,279	1,838,494
Other account payable	China Merchants Guangming Technologies Garden Ltd.	40,058,858	1,055,028
Other account payable	China Merchants Hanghua Technologies and Trade Center Co., Ltd.	528,151	528,151
Long-term payable	Shenzhen China Merchants Landmark Co., Ltd.	1,200,000	1,200,000

Note: See Note (V)7 Note.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(VII) Contingency**

As of December 31, 2011, the Group has provided guarantee for the mortgage amounted to RMB76,248,652 (December 31, 2010: RMB205,889,457). It made no significant influence on the financial position of the report year or the post-balance-sheet period.

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

Items	RMB Yuan	
	End of term	Beginning of term
Signed but not yet recognized in the financial statements		
- commitment of long-term asset purchasing	819,572	2,743,729
- Outsourcing contract with large amount	-	-
— Real estate development projects	5,802,293,271	7,570,722,695
— Investment commitment to the outside	-	-
Total	5,803,112,843	7,573,466,424

**(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.	48,122,864	44,037,562
The Second years since the balance sheet date.	43,805,828	41,559,497
The Third years since the balance sheet date.	43,445,893	41,335,434
The following years.	327,129,997	346,187,586
Total	462,504,582	473,120,079

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

Items	RMB Yuan	
	Amount	
Profit or dividend to be distributed (Note)	343,460,101	
Approved and announced profit or dividend	To be decided by Shareholders' Meeting	

Note: See Note (V)34 Note 3.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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**(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 the Financial Statements  
The Year Ended December 31, 2011

**(X) Segment report - continues**

**(1) Information of segment report**

RMB Yuan

	Property development		Public Utilities		Property management		Unclassified projects		Neutralized between segments		Total	
	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year
Turnover												
Income from external trade	14,014,896,364	12,725,172,419	617,919,192	649,480,997	478,551,086	407,771,815	-	-	-	-	15,111,366,642	13,782,425,231
Income among the segments	-	-	1,482,648	2,087,965	103,711,170	53,326,496	-	-	(105,193,818)	(55,414,461)	-	-
Total turnover of the segments	14,014,896,364	12,725,172,419	619,401,840	651,568,962	582,262,256	461,098,311	-	-	(105,193,818)	(55,414,461)	15,111,366,642	13,782,425,231
Adjusted items:												
Total of turnover in the financial statement											15,111,366,642	13,782,425,231
Operation cost	6,346,200,598	7,487,313,486	437,768,548	462,290,953	502,015,383	391,944,667	-	-	(91,546,234)	(41,169,158)	7,194,438,295	8,300,379,948
Segment operation profit (loss)	7,668,695,766	5,237,858,933	181,633,292	189,278,009	80,246,873	69,153,644	-	-	(13,647,584)	(14,245,303)	7,916,928,347	5,482,045,283
Adjusted items:												
Business tax and surcharge	2,875,247,472	1,622,245,584	2,831,927	1,752,027	30,725,338	23,198,783	-	-	-	-	2,908,804,737	1,647,196,394
Sales expense	505,979,900	293,554,454	-	-	-	-	-	-	(13,177,584)	(8,258,813)	492,802,316	285,295,641
Administrative expense	283,111,359	200,734,882	9,746,420	10,769,817	32,700,058	29,555,565	37,804,659	2,241,747	(470,000)	(5,986,490)	362,892,496	237,315,521
Financial expenses	(7,429,156)	41,216,427	(13,338,466)	(13,743,823)	(3,598,936)	(3,272,857)	(144,223,762)	68,814,449	-	-	(168,590,320)	93,014,196
Asset impairment loss	1,801,640	1,998,623	1,447,462	3,331,166	(2,898)	524,756	-	-	-	-	3,246,204	5,854,545
Income from change of fair value	-	-	-	-	-	-	18,393,669	(14,135,138)	-	-	18,393,669	(14,135,138)
Investment income	43,482,104	45,274,217	-	14,699,468	-	-	9,862,142	5,335,198	-	-	53,344,246	65,308,883
<b>Operation profit</b>	4,053,466,655	3,123,383,180	180,945,949	201,868,290	20,423,311	19,147,397	134,674,914	(79,856,136)	-	-	4,389,510,829	3,264,542,731
Non-operational income	28,003,583	7,014,234	3,879	10,073,912	519,603	912,257	80,241,380	-	-	-	108,768,445	18,000,403
Non-operational expenditure	1,195,949	5,220,133	5,101,423	5,034,705	133,488	164,523	-	-	-	-	6,430,860	10,419,361
<b>Total profit</b>	4,080,274,289	3,125,177,281	175,848,405	206,907,497	20,809,426	19,895,131	214,916,294	(79,856,136)	-	-	4,491,848,414	3,272,123,773
Income tax	1,313,406,561	908,475,523	43,099,533	42,979,423	8,465,910	6,651,247	(186,078,100)	(169,969,393)	-	-	1,178,893,904	788,136,800
<b>Net profit</b>	2,766,867,728	2,216,701,758	132,748,872	163,928,074	12,343,516	13,243,884	400,994,394	90,113,257	-	-	3,312,954,510	2,483,986,973

**China Merchants Property Development Co., Ltd.**  
Notes to the Financial Statements  
The Year Ended December 31, 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	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year	Current year	Prev. year
<b>Total asset of the segments</b>	112,360,003,043	60,359,991,108	4,273,192,780	3,387,484,587	435,353,696	380,273,590	8,981,328,993	2,469,561,136	(46,383,384,144)	(6,779,069,658)	79,666,494,368	59,818,240,763
Total asset in the financial statements	112,360,003,043	60,359,991,108	4,273,192,780	3,387,484,587	435,353,696	380,273,590	8,981,328,993	2,469,561,136	(46,383,384,144)	(6,779,069,658)	79,666,494,368	59,818,240,763
<b>Total liability of the segments</b>	78,143,136,655	59,174,343,905	3,227,449,573	2,466,045,420	337,568,951	295,045,804	8,392,071,817	6,025,712,952	(34,710,726,327)	(29,288,823,724)	55,389,500,669	38,672,324,357
Total liability in the financial statements	78,143,136,655	59,174,343,905	3,227,449,573	2,466,045,420	337,568,951	295,045,804	8,392,071,817	6,025,712,952	(34,710,726,327)	(29,288,823,724)	55,389,500,669	38,672,324,357
<b>Supplementary info.</b>												
Depreciation	24,063,425	14,805,482	9,308,795	9,511,926	2,315,698	1,873,745	-	-	-	-	35,687,918	26,191,153
Amortized	173,000,040	160,814,019	46,533	44,100	44100	-	2,115,581	264,007	-	-	175,206,254	161,122,126
Interest income	71,787,728	104,576,066	36,071,291	5,129,530	3,956,403	725,406	1,316,756	535,784	-	-	113,132,178	110,966,786
Interest expense	123,946,937	34,992,263	41,172,309	80,850,000	-	-	95,530,356	55,984,799	-	-	260,649,602	171,827,062
Impairment recognized in current term	1,801,640	5,329,789	1,447,462	524,756	-2,898	-	-	-	-	-	3,246,204	5,854,545
Investment gains recognized with long-term equity investment on equity basis	-	-	-	-	-	-	29,553,535	5,444,537	-	-	29,553,535	(5,444,537)
Amount of long-term equity investment on equity basis	-	-	-	-	-	-	804,539,459	597,610,091	-	-	804,539,459	597,610,091
Non-current asset other than long-term equity investment	3,990,448,066	4,886,103,078	142,966,063	108,169,800	10,408,494	9,300,357	765,367,811	606,086,770	-	-	4,909,190,434	5,609,660,005
Capital expenditure	204,238,087	85,412,132	43,783,203	13,353,607	3,622,745	3,949,894	-	-	-	-	251,644,035	102,715,633
Incl. Expenditure of construction-in-process	-	-	42,904,871	12,971,407	-	-	-	-	-	-	42,904,871	12,971,407
Expenditure for purchasing of investment property	246,078	922,573	-	-	-	-	-	-	-	-	246,078	922,573
Expenditure for purchasing of fixed assets	203,992,009	84,489,559	878,332	382,200	3,622,745	3,949,894	-	-	-	-	208,493,086	88,821,653
Expenditure for purchasing of intangible assets	[ ]	-	[ ]	-	[ ]	-	-	-	-	-	[ ]	-
Non-cash expenses other than depreciation and amortizing	[ ]	-	[ ]	-	[ ]	-	[ ]	-	-	-	[ ]	-

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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### (X) Segment report - continues

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

Items	RMB Yuan	
	Occurred current term	Occurred in previous term
External trade income from mainland China	15,111,366,642	13,782,425,231
External trade income from Hong Kong and abroad	-	-
Total	15,111,366,642	13,782,425,231

Items	RMB Yuan	
	End of term	Beginning of term
Non-current asset located in mainland China	4,153,822,623	5,003,573,235
Non-current asset located in Hong Kong and abroad	21,067,236	145,631,405
Total	4,174,889,859	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 analyze the risks, set appropriate bottom line for risks, and manage and monitor on each risk and constrain them in a certain extent.



## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 1. Objective and policies of risk management- continues

##### 1.1 Market risk

##### 1.1.1 Foreign currency risk

Foreign currency risks are those generated by vibration of exchange rates. Foreign currency risks of the Company are mainly involved with Hong Kong Dollar, and US Dollar. Except for the overseas subsidiaries of the Company incorporated in Hong Kong Special Executive Zone and other countries, which are doing their businesses by local currencies, all other main business operations of the Company are in Renminbi. As of December 31, 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.

	RMB Yuan	
Items	End of term	Beginning of term
Cash and cash equivalents	746,930,398	766,468,367
Other account receivable	825,595	811,826
Long-term receivable	-	145,147,392
Other account payable	2,088,191,666	1,157,654,458
Short-term loans	134,902,269	472,132,283
Long-term loans due in 1 year	315,045,000	661,515,187
Long-term borrowings	6,066,764,075	4,402,688,087

Note: As of December 31, 2011, except for the above assets and liabilities accounted in HKD or USD, the Company has the nominal principal of USD100,000,000 (RMB630,090,000) 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.

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 1. Objective and policies of risk management- continues

##### 1.2 Credit risks

As at December 31, 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.

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	1-5 yrs	RMB Yuan over 5 yrs
Monetary capital	14,483,798,016	14,483,798,016	14,483,798,016	-	-
Account receivable	91,555,827	91,555,827	91,555,827	-	-
Notes receivable	500,000	500,000	-	-	-
Other account receivable	6,165,013,340	6,165,013,340	6,165,013,340	-	-
Non-current asset due in 1 year	1,395,887	1,395,887	1,395,887	-	-
Long-term receivable	157,577,000	167,787,990	-	167,787,990	-
Short-term loans	(2,873,202,269)	(2,961,508,141)	(2,961,508,141)	-	-
Notes payable	(3,714,276)	(3,714,276)	(3,714,276)	-	-
Account payable	(4,559,318,989)	(4,559,318,989)	(4,559,318,989)	-	-
Interest payable	(119,179,993)	(119,179,993)	(119,179,993)	-	-
Dividend payable	(49,582,916)	(49,582,916)	(49,582,916)	-	-
Other account payable	(6,871,412,819)	(6,871,412,819)	(6,871,412,819)	-	-
Non-current liability due in 1 year	(3,608,045,000)	(3,715,479,623)	(3,715,479,623)	-	-
Long-term borrowings	(15,621,434,375)	(17,681,397,657)	(840,744,115)	(14,801,897,986)	(2,038,755,556)
Long-term payable	(83,565,123)	(83,565,123)	-	(83,565,123)	-

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 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.

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

RMB Yuan

	End of term			
	Level 1	Level 2	Level 3	Total
Transactional financial assets:				
- Derivate financial assets	417,906	-	-	417,906
Available-for-sale financial asset				
- equity instruments	-	-	-	-
Total	417,906	-	-	417,906
Transactional financial liabilities:				
- Derivate financial liabilities	2,002,312	-	-	2,002,312
Total	2,002,312	-	-	2,002,312

## China Merchants Property Development Co., Ltd.

Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 2. Fair value – cont.

Levels of fair value measurement – cont.

RMB Yuan

	Beginning of term			
	Level 1	Level 2	Level 3	Total
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.

### 3. Sensitivity analyze

#### 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 asset 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.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

1. Other account receivable.

(1) Other account receivable categorized by portfolio characterizes

RMB Yuan

Categories	End of term			Beginning of term		
	Amount	Bad debt provision	Book value	Amount	Bad debt provision	Book value
Other receivable with major individual amount						
No major amount individually but with great risk after combined with others with similar credit risk						
Portfolio1	25,073,202,106		25,073,202,106	19,692,350,788		19,692,350,788
portfolio2						
Subtotal	25,073,202,106	-	25,073,202,106	19,692,350,788	-	19,692,350,788
Total	25,073,202,106	-	25,073,202,106	19,692,350,788	-	19,692,350,788

Note: Other receivable with major individual amount is defined to account over RMB 10 million.

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	5,593,842,974	22	-	5,593,842,974	19,690,541,912	100	-	19,690,541,912
1-2 years	19,477,863,399	78	-	19,477,863,399	1,294,376	-	-	1,294,376
2-3 years	981,233	-	-	981,233	514,500	-	-	514,500
Over 3 yrs	514,500	-	-	514,500	-	-	-	-
Total	25,073,202,106	100	-	25,073,202,106	19,692,350,788	100	-	19,692,350,788

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

## (2) Top other receivable accounts

Name of the companies	Relation with the Company	Amount	Ages	RMB Yuan
				Portion in total other receivables (%)
Note 1: China Merchants Shekou Industrial Zone Co., Ltd. provided RMB996,300,000 of loan guarantee for the company; RMB82,012,509 of guarantee for accepted draft to Shenzhen China Merchants Property Co., Ltd., and RMB485,000,000 of guarantee for loans to Shenzhen China Merchants Property Co., Ltd.	Subsidiary of the Company	4,865,199,929	within 1 yr	19
Shenzhen CM Power Supply Co., Ltd.	Subsidiary of the Company	2,000,000,000	within 1 yr	8
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	Subsidiary of the Company	1,769,961,295	within 1 yr	7
Chengdu CM Beicheng Property Co., Ltd.	Subsidiary of the Company	1,655,184,329	within 1 yr	7
China Merchants Properties (Chongqing) Co., Ltd.	Subsidiary of the Company	1,532,072,967	within 1 yr	6
Total		11,822,418,520		47

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

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

# China Merchants Property Development Co., Ltd.

## Notes to the Financial Statements

The Year Ended December 31, 2011

### (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	Beginning balance	Changed by	Ending balance	Percentage of share in the firm %	Voting power in the firm %	Statement on differences between the shareholding and voting rights	Impairment provision	Provided current term Impairment provision	Cash dividend of the term
China Merchants Guangming Technologies Garden Ltd.	Equity basis	196,000,000	83,522,141	90,885,212	174,407,353	49	49	Not applicable	-	-	-
Shanghai China Merchants Properties Co., Ltd.	Cost basis	3,000,000	3,000,000	-	3,000,000	100	100	Not applicable	-	-	-
Shenzhen CM Property Consultancy Ltd.	Cost basis	400,000	400,000	-	400,000	100	100	Not applicable	-	-	-
Shanghai China Merchants Real-estates Co., Ltd.	Cost basis	3,000,000	3,000,000	-	3,000,000	100	100	Not applicable	-	-	-
Note 1: China Merchants Shekou Industrial Zone Co., Ltd. provided RMB996,300,000 of loan guarantee for the company; RMB82,012,509 of guarantee for accepted draft to Shenzhen China Merchants Property Co., Ltd., and RMB485,000,000 of guarantee for loans to Shenzhen China Merchants Property Co., Ltd.	Cost basis	300,000,000	2,734,841,461	(200,000,000)	2,534,841,461	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	-	-	-
Shenzhen China Merchants Xin'an Properties Co., Ltd.	Cost basis	25,000,000	20,822,211	-	20,822,211	60	60	Not applicable	-	-	-
Ruijia Investment Industrial Ltd.	Cost basis	19,919,300	19,919,300	-	19,919,300	99	99	Not applicable	-	-	-
China Merchants (Beijing) Co., Ltd.	Cost basis	18,000,000	18,000,000	-	18,000,000	90	90	Not applicable	-	-	646,707,702
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	-	-	187,318,011
China Merchants	Cost basis	22,500,000	36,460,597	-	36,460,597	90	90	Not applicable	-	-	-

# China Merchants Property Development Co., Ltd.

## Notes to the Financial Statements

The Year Ended December 31, 2011

Property Management Co., Ltd.												
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	Not applicable	-	-	-	-
Shenzhen China Merchants Shangzhi Investment Co., Ltd.	Cost basis	200,000,000	-	200,000,000	200,000,000	100	100	Not applicable	-	-	-	-
China Merchants Property (Zhenjiang) Co., Ltd.	Cost basis	50,000,000	-	50,000,000	50,000,000	100	100	Not applicable	-	-	-	-
China Merchants Property (Wuhan) Co., Ltd.	Cost basis	30,000,000	-	30,000,000	30,000,000	100	100	Not applicable	-	-	-	-
Zhenjiang Yingsheng Property Development Co., Ltd.	Cost basis	6,045,000	-	6,045,000	6,045,000	1	1	Not applicable	-	-	-	-
Qingdao Zhongrunde Auto Trade Co., Ltd.	Cost basis	183,731,836	-	183,731,836	183,731,836	51	51	Not applicable	-	-	-	-
Total			3,538,956,943	360,662,048	3,899,618,991							834,025,713



**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

## 2. Long-term equity investment – cont.

## (2) Investment in affiliates and joint-ventures

RMB Yuan

Name of the Companies	Shares held by the Company %	Voting power of the Company in the entity %	Total asset at end of term	Total liability at end of term	Total net asset at end of term	Total of turnover at current term	Net profit of the current term
I. Affiliates							
China Merchants Guangming Technologies Garden Ltd.	49	49	568,986,778	213,053,404	355,933,374	11,045,872	(14,519,976)

(3) The Company's ability to retrieve capital from the invested entities in which the Company is holding long-term equities is not constrained as of December 31, 2011.

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(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	56,300,000	-
Credit loan	1,790,000,000	998,021,500
Total	1,846,300,000	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	3,182,545,000	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	3,182,545,000	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	940,000,000	-
Credit loan	2,242,545,000	500,000,000
Total	3,182,545,000	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	
					Amount of foreign currency	Amount of original currency
Financial Institution I	2009.07.21	2012.07.20	RMB	5.04	-	1,000,000,000
Financial Institution II	2009.07.27	2012.07.27	RMB	4.86	-	470,000,000
Financial Institution III	2009.07.24	2012.07.24	RMB	4.86	-	400,000,000
Financial Institution IV	2009.04.24	2012.04.24	RMB	4.86	-	300,000,000
Financial Institution V	2009.05.26	2012.05.26	RMB	4.86	-	300,000,000
total						2,470,000,000

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

**(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)	2,274,000,000	2,940,000,000
Credit loan	4,987,992,275	3,843,316,000
Entrusted loan	-	-
<b>Total</b>	<b>7,261,992,275</b>	<b>6,783,316,000</b>

Note: See Note (V)27(1)

(2) Long-term loans 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	2010.04.20	2017.04.20	RMB	6.40	-	2,000,000,000
Financial Institution II	2011.07.08	2013.07.08	RMB	9.25	-	1,070,000,000
Financial Institution III	2011.07.07	2013.07.06	RMB	9.25	-	890,000,000
Financial Institution IV	2011.08.08	2013.08.07	RMB	9.25	-	500,000,000
Financial Institution V	2010.07.22	2013.07.22	RMB	5.60	-	300,000,000
<b>Total</b>						<b>4,760,000,000</b>

6. Investment income

(1) Detailed investment gains

Items	Occurred current term	RMB Yuan
		Occurred in previous term
Long-term equity investment gains on cost basis	834,025,713	1,123,731,000
Long-term equity investment gains on equity basis	(7,114,788)	(2,488,748)
Investment gains from disposal of long-term equity investment	-	27,481,930
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	-	5,330,350
Others	19,734,626	45,274,219
<b>Total</b>	<b>846,645,551</b>	<b>1,199,328,751</b>

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

## 6. Investment gains – cont.

## (2) Long-term equity investment gains on cost basis:

RMB Yuan

Company invested in	Occurred current term	Occurred in previous term	Causation of change
China Merchants (Beijing) Co., Ltd.	646,707,702	-	Dividend of invested entity
CM (Chongqing) Ltd.	187,318,011	-	Dividend of invested entity
Total	834,025,713	-	

## 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.	673,929,269	2010.06.18	2013.06.18	No
The Company	Fujan Zhongliansheng Property Development Co., Ltd.	148,100,000	2011.06.27	2014.06.26	No
The Company	Ruijia Investment Industrial Ltd.	1,222,374,600	2010.01.05	2013.12.23	No
China Merchants Shekou Industrial Zone Co., Ltd.	The Company	996,300,000	2009.05.26	2012.07.27	No
Shenzhen China Merchants Property Co., Ltd.	The Company	274,000,000	2011.12.27	2014.12.27	No
China Merchants Group Co., Ltd.	The Company	2,000,000,000	2011.04.20	2017.04.20	No

# China Merchants Property Development Co., Ltd.

## Notes to the Financial Statements

The Year Ended December 31, 2011

### (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

RMB Yuan

Items	Related parties	Amount at end of term	Initial amount
Dividend receivable	Shenzhen China Merchants Property Co., Ltd.	1,913,775,224	1,913,775,223
Dividend receivable	China Merchants (Beijing) Co., Ltd.	646,707,702	-
Dividend receivable	CM (Chongqing) Ltd.	187,318,011	-
Dividend receivable	Suzhou CM Nanshan Property Co., Ltd.	59,407,480	59,407,480
Dividend receivable	Shanghai China Merchants Properties Co., Ltd.	13,298,824	13,298,824
Dividend receivable	China Merchants (Suzhou) Co., Ltd.	-	182,635,545
	<b>Total</b>	<b>2,820,507,241</b>	<b>2,169,117,072</b>
Other account receivable	Shenzhen China Merchants Property Co., Ltd.	4,865,199,929	5,421,906,548
Other account receivable	Shenzhen CM Power Supply Co., Ltd.	2,000,000,000	2,000,000,000
Other account receivable	Shenzhen China Merchants Shangzhi Investment Co., Ltd.	1,769,961,295	-
Other account receivable	Chengdu CM Beicheng Property Development Co., Ltd.	1,655,184,329	793,380,770
Other account receivable	China Merchants Properties (Chongqing) Co., Ltd.	1,532,072,967	1,351,114,146
Other account receivable	Nanjing China Merchants Ruisheng Property Co., Ltd.	1,314,837,087	-
Other account receivable	CM (Nanjing) Ltd.	1,224,385,444	2,144,700,000
Other account receivable	CM Property Xiamen Co., Ltd.	1,218,794,700	-
Other account receivable	Shanghai Jingyuan Property Development Co., Ltd.	1,073,021,775	1,001,489,668
Other account receivable	Shanghai CM Fengrui Property Ltd.	700,879,200	700,879,200
Other account receivable	Zhuhai Huifeng Property Co., Ltd.	654,022,238	548,346,527
Other account receivable	Tianjing Zhaosheng Property Co., Ltd.	600,066,254	599,248,516
Other account receivable	Fujian Zhongliansheng Property Development Co., Ltd.	523,055,000	-
Other account receivable	China Merchants Property (Zhenjiang) Co., Ltd.	508,082,600	-
Other account receivable	Guangzhou China Merchants Real-estate Co., Ltd.	464,155,000	1,282,901,475
Other account receivable	Chengdu China Merchants Beihu Property Co., Ltd.	442,757,571	213,133,617
Other account receivable	China Merchants Property (Wuhan) Co., Ltd.	433,638,224	-
Other account receivable	Suzhou CM Nanshan Property Co., Ltd.	384,131,127	517,777,820
Other account receivable	Beijing Kanglade Property Development Co., Ltd.	381,803,158	286,983,158
Other account receivable	Zhangzhou China Merchants Properties Co., Ltd.	373,795,000	406,716,900
Other account receivable	Shanghai Fengyang Property Development Co., Ltd.	220,643,596	220,643,596
Other account receivable	Foshan CM Jiulongcang Property Co., Ltd.	92,365,639	18,081,580
Other account receivable	Foshan Yiyun Property Co., Ltd.	79,926,203	-
Other account receivable	Ruijia Investment Industrial Ltd.	79,904,799	80,681,323
Other account receivable	Chengdu CM Property Co., Ltd.	78,227,104	242,957,993
Other account receivable	Foshan Xinjie Property Ltd.	40,189,776	-
Other account receivable	CM (Chongqing) Ltd.	38,500,000	100,000,001
Other account receivable	Shenzhen Shekou Sea World Hotel Management Co., Ltd.	30,024,139	-
Other account receivable	Shenzhen China Merchants Business Development Consultancy Co., Ltd.	16,360,676	2,000
Other account receivable	Shenzhen China Merchants Xin'an Properties Co., Ltd.	10,517,752	25,896,380
Other account receivable	Foshan Xincheng Property Co., Ltd.	3,654,214	-
Other account receivable	Shenzhen Meiyue Property Development Co., Ltd.	65,210	55,110
Other account receivable	Yunnan CM Chengtuo Property Co., Ltd.	5,000	-
Other account receivable	Foshan Xinjie Property Ltd.	-	35,551,640
Other account receivable	Zhuhai Yuanfeng Property Co., Ltd.	-	104,349
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
	<b>Total</b>	<b>23,178,962,706</b>	<b>18,323,747,052</b>

# China Merchants Property Development Co., Ltd.

## Notes to the Financial Statements

The Year Ended December 31, 2011

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

#### 7. Related transactions – cont.

##### (2) Receivable and payable due with the related parties – cont.

RMB Yuan

Projects	Related parties	Amount at end of term	Initial amount
Other account payable	Shenzhen CM Power Supply Co., Ltd.	2,644,568,567	1,900,525,832
Other account payable	Guangzhou China Merchants Real-estate Co., Ltd.	1,212,561,532	349,538,399
Other account payable	China Merchants (Beijing) Co., Ltd.	821,047,090	607,250,847
Other account payable	Shanghai CM Minsheng Property Ltd.	671,434,570	183,032,337
Other account payable	CM (Chongqing) Ltd.	346,748,340	93,271,426
Other account payable	Suzhou Shuanghu Property Co., Ltd.	239,476,999	-
Other account payable	Shanghai CM Fengsheng Property Ltd.	223,965,503	267,669,457
Other account payable	Shanghai China Merchants Properties Co., Ltd.	192,504,557	181,633,305
Other account payable	Tianjing Zhaosheng Property Co., Ltd.	183,385,219	114,220,454
Other account payable	Shanghai Fengyang Property Development Co., Ltd.	176,150,578	83,150,426
Other account payable	Shenzhen China Merchants Property Management Co., Ltd.	137,012,448	155,596,500
Other account payable	Fujian Zhongliansheng Property Development Co., Ltd.	135,000,000	-
Other account payable	China Merchants Jiaming (Beijing) Property Development Co., Ltd.	123,329,154	123,329,154
Other account payable	Shenzhen CM Construction Co., Ltd.	107,632,385	150,783,764
Other account payable	Shekou Xinghua Industrial Holdings Co., Ltd.	104,198,188	98,946,477
Other account payable	Chengdu CM Beicheng Property Development Co., Ltd.	87,096,823	9,000,000
Other account payable	Zhangzhou China Merchants Properties Co., Ltd.	63,149,147	96,530,810
Other account payable	Shanghai CM Fengrui Property Ltd.	55,430,748	81,127,410
Other account payable	China Merchants Property (Zhenjiang) Co., Ltd.	49,903,723	-
Other account payable	Chengdu CM Property Co., Ltd.	44,576,869	-
Other account payable	Zhenjiang Yingsheng Property Development Co., Ltd.	42,113,274	-
Other account payable	Shanghai CM Property Management Co., Ltd.	41,333,882	42,467,549
Other account payable	Tianjin China Merchants Properties Co., Ltd.	32,151,108	132,759,411
Other account payable	Shanghai China Merchants Real-estates Co., Ltd.	30,497,188	30,498,688
Other account payable	Shenzhen CM Property Consultancy Ltd.	25,930,152	50,383,640
Other account payable	Wuhan CM Property Management Co., Ltd.	25,563,642	18,305,889
Other account payable	China Merchants (Suzhou) Co., Ltd.	14,476,080	466,677,757
Other account payable	Zhangzhou CM Honglong Property Ltd.	13,865,965	13,865,965
Other account payable	Shenzhen CM Qile Property Management Ltd.	13,454,782	11,616,514
Other account payable	Shenzhen Taige Apartment Management Co., Ltd.	11,404,573	76,290,642
Other account payable	CM Property Xiamen Co., Ltd.	10,387,315	48,500,000
Other account payable	Shenzhen China Merchants Property Co., Ltd. Meilun Club	7,461,424	-
Other account payable	Nanjing CM Property Management Co., Ltd.	6,192,034	4,038,353
Other account payable	China Merchants Property (Wuhan) Co., Ltd.	5,670,423	-
Other account payable	Shenzhen City Main Plaza Investment Co., Ltd.	4,449,228	30,136,096
Other account payable	Shenzhen China Merchants Xin'an Properties Co., Ltd.	3,625,747	4,225,893
Other account receivable	Zhuhai Yuanfeng Property Co., Ltd.	3,000,000	-
Other account payable	Shenzhen CM Commercial Development Co., Ltd.	899,614	49,969,324
Other account payable	Beijing Kanglade Property Development Co., Ltd.	31,659	1,022,582
Other account payable	CM (Nanjing) Ltd.	-	192,889,813
Other account payable	Beijing China Merchants Property Management Co., Ltd.	-	108,303,386
Other account payable	China Merchants Property Management Co., Ltd.	-	14,515,492
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	Ruijia Investment Industrial Ltd.	-	3,416,349
Other account payable	China Merchants Guangming Technologies Garden Ltd.	-	1,055,028
	<b>Total</b>	<b>7,911,680,530</b>	<b>5,819,157,026</b>

**China Merchants Property Development Co., Ltd.**

Notes to the Financial Statements

The Year Ended December 31, 2011

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

7. Related transactions – cont.

(4) 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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**(XIII) Supplementary Info.**

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

RMB Yuan

Items	Amount	Remarks
Gain/loss of non-current assets	(256,439)	-
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)	1,876,900	-
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	100,717,125	-
Other gain/loss items satisfying the definition of non-recurring gain/loss account	-	-
Influenced amount of income tax	(192,214)	-
Influence on minority shareholders' equity (after tax)	(598,846)	-
Total	101,546,524	-



(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	13.39%	1.5092	1.5092
Net profit attributable to the common owners of the PLC after deducting of non-recurring gains/losses	12.87%	1.4501	1.4501

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

RMB Yuan

	Items	Year 2011	Year 2010	Scale of change	Causation of differences
1	cash	14,483,798,016	9,676,385,052	50%	Increase of property sales income and financing cash inflows
2	Other account receivable	6,165,013,340	4,144,714,137	49%	increase of land bidding deposit
3	inventory	51,440,184,642	38,699,347,411	33%	
4	Other current asset	1,752,296,690	980,538,674	79%	Increase of prepaid tax due to increase of property sales
5	Long-term share equity investment	814,539,459	597,610,091	36%	Increase of cooperation projects
6	Long-term receivable	157,577,000	1,260,737,445	(88%)	Decreased by retrieving of receivable accounts
7	Fixed assets	436,229,939	260,939,762	67%	Increase of fixed asset purchasing
8	Construction in process	61,579,832	23,327,061	164%	Increase of power supply project
9	Long-term amortizable expenses	252,345,459	165,985,049	52%	Increase by transferring in of decoration projects
10	Differed income tax asset	734,300,575	460,455,365	59%	Increase of provisional differences in pre-drawn land VAT
11	Short-term borrowings	2,873,202,269	1,172,132,283	145%	Business expanding
12	Trade off financial liabilities	2,002,312	20,824,615	(90%)	Decreased due to fluctuation of NDF market
13	Notes payable	3,714,276	275,616,189	(99%)	Decrease of mature notes
14	Prepayment received	16,882,302,009	11,268,654,826	50%	Increase of property sales
15	Tax payable	1,272,500,931	614,789,018	107%	Increase of revenue
16	Dividend payable	49,582,916	124,209,948	(60%)	Decrease of dividend
17	Long-term loans due in one year	3,608,045,000	1,856,422,159	94%	Business expanding
18	Other current liability	3,179,599,549	2,357,741,683	35%	Increase of property sales caused increase of pre-drawn land VAT
19	Long-term borrowings	15,621,434,375	9,995,835,344	56%	Business expanding and structural adjustment of long and short term debts.
20	Long-term payable	83,565,123	58,587,176	43%	Increase of payable maintain fund
21	Anticipated liabilities	-	106,289,589	(100%)	Decrease by written back of anticipated liabilities
22	Asset impairment loss	3,246,204	5,854,545	(44%)	Decrease of bad debt provision
23	Income from change of fair value	18,393,669	(14,135,138)	230%	Gain from fluctuation of NDF fair value

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### **Chapter 12. Documents Available for Reference**

1. Financial statements carrying the personal signatures and seals of Legal Representative, Person in Charge of Accounting Works and Person in Charge of Accounting Department;
2. Original of Auditors' Report carrying the seals of Certified Public Accountants as well as personal signatures and seals of certified public accountants;
3. Originals of all documents and notices publicly disclosed on newspapers designated by CSRC in the report period in 2010;
4. English version of Annual Report 2011 of the Company.

**China Merchants Property Development Co., Ltd.**  
March 20, 2012