

Stock Code: 000024, 200024 Stock ID: G China Merchants, China Merchants B
Public Notice No: [CMPD] 2006-011

China Merchants Property Development Co., Ltd.

Summary of Annual Report 2005

§ 1 Important Declaration

1.1 The Board of Directors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report. This summary is abstracted from the completed text of Annual Report 2005, for details of the report please go to the complete text.

1.2 None of the directors, supervisors, nor senior executives is holding uncertain opinion or disagreement over the truthfulness, accuracy, and completeness over the Annual Report.

1.3 Director(s) absented the board meeting

Name of the Director	Reason of absent	Consignee
Liu Hongyu	Business engagement	Wu Yinong
Shi Xinping	Business engagement	Wu Yinong
Meng Yan	Business engagement	Wu Yinong

1.4 The financial reports were audited by Deloitte Touche Tohmatsu (Shanghai) CPA Ltd. and Deloitte Touche Tohmatsu (Hong Kong) CPA as domestic and overseas auditor respectively. Both of the CPAs issued standard auditing report without qualified opinion.

1.5 Mr. Sun Chengming - the legal representative, Mr. Huang Peikun – the chief financial officer, and Ms. Xu Yixia – the manager of accounting department declare: the financial reports carried in this annual report is secured for its truthfulness and completeness.

§ 2 Company Profile

2.1 Company Profile

Stock ID	G China Merchants, China Merchants B
Stock Code	000024、 200024

Stock Exchange	Shenzhen Stock Exchange
Registered address and office address	Registered Add. 9/F, New Times Plaza, Shekou Industrial Zone, Nanshan District, Shenzhen Office Add. 9/F, New Times Plaza, Shekou Industrial Zone, Nanshan District, Shenzhen
Post Code	Post code of registered address: 518067 Post code of office address: 518067
Website	http://www.cmpd.cn
Email.	investor@cmpd.cn

2.2 Liaison people

	Secretary of the Board	Representative of Stock Affairs
Name	Chen Yu	Liu Ning
Address	9/F, New Times Plaza, Shekou Industrial Zone, Nanshan District, Shenzhen	9/F, New Times Plaza, Shekou Industrial Zone, Nanshan District, Shenzhen
Tel.	518067	518067
Fax.	(0755) 26819600 _	(0755) 26819680
Email.	investor@cmpd.cn	investor@cmpd.cn

§ 3 Financial Highlights

3.1 Major accounting data

In RMB Yuan

	Year 2005	2004 adjusted	2004 not adjusted	Increase/decrease (%)	2003
Major business income	2,659,475,668.00	3,475,895,992.00	3,475,895,992.00	-23.49%	4,838,834,917.00
Total profit	536,044,939.00	471,734,945.00	471,734,945.00	13.63%	455,199,188.00
Net profit	421,580,919.00	359,802,928.00	359,802,928.00	17.17%	330,477,566.00
Net profit deducted non-recurring gain/loss	420,776,680.00	376,323,778.00	376,323,778.00	11.81%	349,825,263.00
Net Cash flow generated by business operation	-1,366,547,989.00	-1,224,631,082.00	-1,215,908,082.00	11.59%	-202,355,920.00
	End of 2005	End of 2004 adjusted	End of 2004 not adjusted	Increase/decrease (%)	End of 2003
Gross Assets	8,936,565,336.00	8,454,998,786.00	8,454,998,786.00	5.70%	5,923,647,954.00
Shareholders' Equity (Exclude Minority Shareholders' Equity)	3,775,757,154.00	3,451,290,272.00	3,451,290,272.00	9.40%	3,118,874,132.00

3.2 Major financial indices

In RMB Yuan

	Year 2005	2004 adjusted	2004 not adjusted	Increase/decrease (%)	2003
Earnings per share	0.681	0.581	0.581	17.21%	0.641
Net earnings / capital ratio	11.17%	10.43%	10.43%	0.74%	10.60%
Net earnings / capital ratio basing on net profit after deducting of non-recurring gain/loss (%)	11.14%	10.90%	10.90%	0.24%	11.22%
Net Cash flow per share generated by business operation	-2.208	-1.979	-1.965	16.74%	-0.392
	End of 2005	End of 2004 adjusted	End of 2004 not adjusted	Increase/decrease (%)	End of 2003
Net asset per share	6.102	5.577	5.577	9.41%	6.048
Net asset per share, adjusted	6.093	5.557	5.557	9.65%	5.985

Non-recurring gain and loss items

applicable not applicable

In RMB Yuan

Non-recurring gain and loss items	Amount
Non-business gain/loss, net	676,456.00
Disposal of fixed assets	-306,908.00
Write-back from impairment provisions	2,166,022.00
Government allowance	2,090,600.00
Predictive liabilities provided	-3,882,437.00
Impact of income tax and minor shareholders' gains/losses	60,506.00
Total	804,239.00

3.3 Diversity between the international and domestic accounting standards

applicable not applicable

In RMB Yuan

	Domestic Accounting Standard	Overseas accounting standard:
Net profit	421,580,919.00	450,966,684.00
Statement about the diversity	The net profit of the year suggested by the overseas auditor was RMB450,966,684. The differences were caused by different accounting policies adopted in recognition and tax calculating of asset exchanges, equity investment discrepancy (incur and amortizing) as well as the subsidies occurred in previous year.	

§ 4 Changes in Share Capital & Particulars about Shareholders

4.1 As of December 31st 2005, the share capital structure was not changed comparing with that of at the previous year.

As of February 9th 2006, after the implementation of share reallocation, the share structure is as following:
(in shares)

Change of share capital

	Before the change		Changed (+,-)		After the changed	
	Amount	Proportion	Bonus shares	Sub-total	Amount	Proportion
I. Shares with conditional subscription	251,086,400	40.57%	-40,854,022	-40,854,022	210,232,378	33.97%
1. State-owned shares	0	0	0	0	0	0

2. State-owned legal person shares	188,288,100	30.43%	-40,861,142	-40,861,142	147,426,958	23.82%
3. Other domestic shares	35,600	0	7,120	7,120	42,720	0.01%
Including:						
Domestic legal person shares	0	0	0	0	0	0
Domestic natural person shares	35,600	0	7,120	7,120	42,720	0.01%
4. Share held by foreign investors	62,762,700	10.14%	0	0	62,762,700	10.14%
Including:						
Foreign legal person shares	62,762,700	10.14%	0	0	62,762,700	10.14%
Foreign natural person shares	0	0	0	0	0	0
II. Shares with unconditional subscription	367,736,272	59.43%	40,854,022	40,854,022	408,590,294	66.03%
1. Common shares in RMB	204,270,112	33.01%	40,854,022	40,854,022	245,124,134	39.61%
2. Foreign shares in domestic market	163,466,160	26.42%	0	0	163,466,160	26.42%
3. Foreign shares in overseas market	0	0	0	0	0	0
4. Others	0	0	0	0	0	0
III. Total of capital shares	618,822,672	100.00%	0	0	618,822,672	100.00%

As of February 9th 2006 when the share reallocation plan was implemented, the holders of A-shares with conditional subscription are as the following:

Name of the shareholder	Amount of conditional shares	Date when the shares are allowed to be placed in market	Condition of subscription
CMSIZ	147,426,958	Feb. 9 th 2008	(1) The original non-negotiable shares shall not be placed in the market or sold within 24 months since the placing right been granted. (2) Shares placed in Shenzhen Stock Exchange in 12 months upon the above 24 months shall not exceed 5% of the total shares of the Company. 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.

4.2 As of December 31st 2005, the top 10 shareholders and holders of current shares

In Shares

Total of shareholders	47,756				
Top 10 Shareholders					
Name of the shareholder	Properties of shareholder	Share proportion %	Total shares	Conditional shares	Pledged or frozen
China Merchants Shekou Industrial Zone Co., Ltd.	State-owned	30.43%	188,288,100	0	0

Hong Kong Panorama Investment Ltd.	Foreign shares	10.14%	62,762,700	0	0
DBS VICKERS(HONG KONG)LTD A/C CLIENTS	Foreign shares	3.03%	18,741,600	0	0
FOXTROT INTERNATIONAL LIMITED	Foreign shares	2.99%	18,480,000	0	0
ORIENTURE INVESTMENT LTD	Foreign shares	2.87%	17,735,430	0	0
Boshi Value Growth Securities Investment Foundation	Others	1.79%	11,050,457	0	0
National Social Insurance Foundation 108 Portfolio	Others	1.39%	8,606,251	0	0
National Social Insurance Foundation 102 Portfolio	Others	1.25%	7,761,760	0	0
Yang Bang International Ltd.	Others	1.21%	7,507,402	0	0
Yu Yang Securities Investment Foundation	Others	0.83%	5,155,945	0	0
Top 10 Current Share Holders					
Name of the shareholder		Unconditional shares		Category of shares	
Hong Kong Panorama Investment Ltd.		62,762,700		Foreign shares placed in domestic exchange	
DBS VICKERS(HONG KONG)LTD A/C CLIENTS		18,741,600		Foreign shares placed in domestic exchange	
FOXTROT INTERNATIONAL LIMITED		18,480,000		Foreign shares placed in domestic exchange	
ORIENTURE INVESTMENT LTD		17,735,430		Foreign shares placed in domestic exchange	
Boshi Value Growth Securities Investment Foundation		11,050,457		RMB common shares	
National Social Insurance Foundation 108 Portfolio		8,606,251		RMB common shares	
National Social Insurance Foundation 102 Portfolio		7,761,760		RMB common shares	
Yang Bang International Ltd.		7,507,402		Foreign shares placed in domestic exchange	
Yu Yang Securities Investment Foundation		5,155,945		RMB common shares	
Jing Fu Securities Investment Foundation		4,777,583		RMB common shares	
Notes to relationship or "action in concert" among the top ten shareholders.		<p>(1) Hong Kong Panorama Investment Ltd., Foxtrot International Ltd., and Orienture Investment Ltd. are the wholly-owned subsidiaries of CMSIZ; Yangbang International Co., Ltd. is a wholly-owned subsidiary of China Merchants Holdings (International) CO., Ltd. CMSIZ is a wholly-owned subsidiary of China Merchants Group Co., Ltd.; China Merchants Holdings (International) Co., Ltd. is a holding subsidiary of China Merchants Group Co., Ltd.</p> <p>(2) Boshi Value Growth Securities Investmnet Foundation, National Social Insurance Foundation 108 and 102 Portfolio, and Yuyang Securities Investment Foundation are under the administration of Boshi Foundation</p>			

	<p>Management Co., Ltd.</p> <p>(3) In November 2005, as approved by Document Zheng-Jian-Gong-Si-Zi [2005]108 of China Securities Regulatory Commission, titled "The approval notice to CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD. for the placing of its non-negotiable foreign shares in the market", the totally 62,762,700 of non-negotiable foreign legal person shares were put into trading in the market as current B-shares. These shares will be negotiable in Shenzhen Stock Exchange since November 1st 2006.</p> <p>(4) Shares held by the shareholders who are holding over 5% or above of total shares did not been pledged or frozen.</p>
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4.3 Change in Controlling Shareholder and the Actual Controller

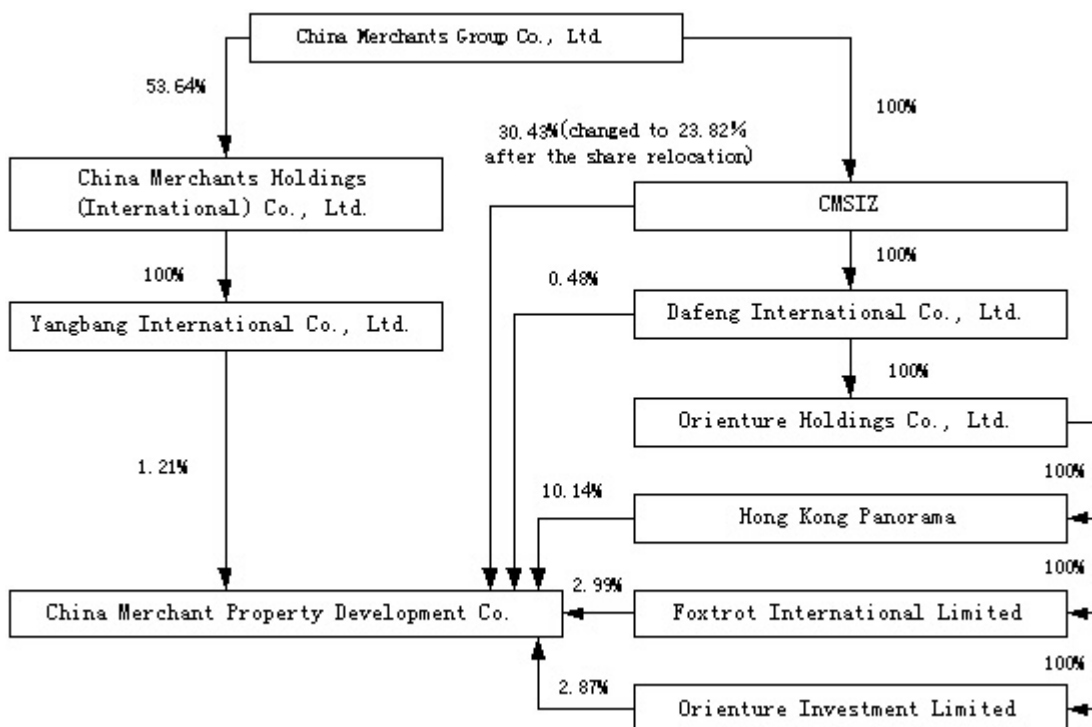
4.3.1 Change in Controlling Shareholder and the Actual Controller

applicable not applicable

4.3.2 Particulars about Controlling Shareholder and the Actual Controller

<p>(1) CMSIZ Legal representative: Fu Yuning Registration date: April 1st 1992 Registered capital: RMB2,236,000,000 Business scope: establishment and management of communication and transportation, industrial manufacturing, finance and insurance, foreign trade, real estate, post and telecommunications, tourism, restaurant, etc.; organization and management of the affiliated enterprises, associated enterprises, foreign-funded enterprises and enterprises in which the Company holds equity interest; dock and warehousing business; overall contracting of water/land construction projects and the related offshore petroleum development projects, and their construction organization and logistics services; product sale of the affiliated enterprises and supply and sale of the required equipment, raw materials and components and parts (where there are state regulations for special operation of special items, handle according to regulations); holding commodity exhibitions, sports games, theatrical performances and cable TV business etc.; and providing technical, operation and legal consultation related to the above business, as well as technology and information services.</p> <p>(2) Hong Kong Panorama Investment Ltd. Legal representative: Qin Yi Date of incorporation: August 13th 1997 Registered capital: HKD10,000 Business scope: Investment and shareholding</p> <p>(3) The substantial controller of the Company China Merchants Group Co., Ltd. is the controlling shareholder of CMSIZ, whose legal representative is Qin Xiao. The foundation date is in Oct. 1986, as well as registered capital of RMB 800 million. Its business scope include: lease and agency of water/land passenger-cargo transportation, water/land conveyance and facilities; dock and warehousing 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 serDeputys; procurement, supply and sale of water/land communication and transportation equipment; establishment of transportation and industry and commerce; organization and management of finance, insurance and the other relevant business; development, management of Shekou Industrial Zone.</p>
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4.3.3 Controlling relationship chart



§ 5 Directors, Supervisors and Senior Executives

5.1 Changing in shareholding and remuneration of the directors, supervisors and senior executives

Name	Position	Gender	Age	Job term	Shares held at the beginning of term	Shares held at the end of term	Cause of change	Remuneration accepted from the company in report term (RMB0'000)	Accept remuneration from shareholding or related parties
Sun Chengming	Chairman	M	46	Jul.29,05 – Jul.28,08	0	0	None	0.00	Yes
Lin Shaobin	Director, GM	M	45	Jul.29,05 – Jul.28,08	15,600	15,600	None	76.53	No
Hong Xiaoyuan	Director	M	42	Jul.29,05 – Jul.28,08	0	0	None	0.00	Yes
Li Yasheng	Director	M	52	Jul.29,05 – Jul.28,08	0	0	None	0.00	Yes
Hua Li	Director	M	34	Jul.29,05 – Jul.28,08	0	0	None	0.00	Yes
Chen Gang	Director	M	47	Jul.29,05 – Jul.28,08	0	0	None	0.00	Yes
Yang Baiqia	Director, Deputy	M	40	Jul.29,05 – Jul.28,08	0	0	None	52.30	No

n	GM									
Liu Hongyu	Independent Director	M	43	Jul.29,05 – Jul.28,08	0	0	None	6.50	No	
Shi Xinping	Independent Director	M	47	Jul.29,05 – Jul.28,08	0	0	None	6.50	No	
Meng Yan	Independent Director	M	50	Jul.29,05 – Jul.28,08	0	0	None	3.30	No	
Wu Yinong	Independent Director	M	43	Jul.29,05 – Jul.28,08	0	0	None	3.30	No	
Zhou Yali	Chairman of the supervisory commission	M	50	Jul.29,05 – Jul.28,08	0	0	None	0.00	Yes	
Feng Bohai	Supervisor	M	50	Jul.29,05 – Jul.28,08	0	0	None	0.00	Yes	
Wen Chongping	Supervisor	M	55	Jul.29,05 – Jul.28,08	0	0	None	0.00	Yes	
Zhang Linmei	Supervisor	F	29	Sept 16,05 – Jul.28,08	0	0	None	25.89	No	
Xiong Yan	Supervisor	F	32	Jul.29,05 – Jul.28,08	0	0	None	24.19	No	
Yang Zhiguan	Vice General Manager	M	42	Jul.29,05 – Jul.28,08	0	0	None	51.43	No	
He Jianya	Vice General Manager	M	40	Jul.29,05 – Jul.28,08	0	20,000	Purchased	52.51	No	
Meng Cai	Vice General Manager	M	47	Jul.29,05 – Jul.28,08	0	0	None	52.81	No	
Hu Jianxin	Vice General Manager	M	47	Jul.28,05 – Jul.28,08	0	0	None	39.08	No	
Huang Peikun	CFO	M	43	Jul.29,06 – Jul.28,08	0	0	None	53.26	No	
Chen Yu	Secretary of the Board	M	34	Jul.29,05 – Jul.28,08	0	0	None	39.72	No	
Total	-	-	-	-	15,600	35,600	-	487.32	-	

§ 6 Report of the Board

6.1 Report of the Executives

I. Business summary of the report term

The Company is a large enterprise with business extending throughout the country, with real estate development and sales, operation of leased properties and power & water supply in residence estates as the core business. The Company achieved rapid growth against its positive and stable operation. For the year of 2005, the Company had realized the major business turnover of RMB2,659,475,668, 23.49% less than the same period of last term, major business profit of RMB628,255,542, 0.11% less than last term, and net profit of RMB421,580,919, 17% over the same period of previous year. During the year, the Company launched its property development projects synchronously in 9 cities in the country. Constructions in processing and planning were totalled to 4.0412 million square meters. Totally 210 thousand square meters were transferred into merchandise property. The properties on leasing grew up to 445.5 thousand square meters. It also realized power outlet of 884 million KWH and water supply of 36.2 million ton.

In the report term, basing on the plan at the beginning of year, 211.2 thousand square meters of constructions were put into commodity, which has decreased by 27.84% from the same period of last year. On the other hand, the Company has sold its shares in China Merchants Petrol Chemical, therefore the sales income of it was not included in the major business income of year 2005. That caused decreasing of major business income. But for the increasing of sales profit of real-estate businesses and increasing of rent income, the net profit was increasing steadily.

(I) Major business operation

In the report term, the Company kept concentrating on the major businesses. The business results had reached or exceeded the expectation. Major business turnover and profit were from the businesses located in Shenzhen area during the year.

(1) Property development and sales

For the latest years, the businesses of property development and sales were growing rapidly. In the report term, with the businesses in Shenzhen as the core growth point, the Company had extended its property businesses (primarily residential properties) to other 8 cities including Guangzhou, Shanghai, Nanjing, Suzhou, Beijing, Tianjin, Chongqing, and Zhangzhou. As of the end of report term, totally 211.2 thousand square meters of properties were put into sales, and some RMB1,662,222,000 of revenue was realized thereof.

In the report term, the Company introduced the strategy of "Aggressive in core area, steadily in primary area". On one hand, the Company was focusing on Shenzhen and its surrounding area, on the other hand, seeking for opportunities in major cities such as Beijing and Shanghai, in viewing of stepwise extending. For the year, the newly scheduled projects were totalled to 275.9 thousand square meters. As of the end of the year, the projects on schedule were totalled to 2.9407 million square meters. Furthermore, CMSIZ, the major shareholder of the Company, promised to input high quality assets such as lands successively to support the development of the Company.

(2) Property leasing businesses

Properties on Leasing (x 10,000 square meter)

	Area for lease	Leased accumulated	Average ratio	Representative project
Total	44.55	472.34	91.84%	
Incl. Apartments	3.59	36.23		Seashore Apartments
Houses	6.29	67.17		Wale Hill Houses
Office buildings	7.48	79.89		Finance Center
Plants (Misc.)	14.44	165.39		Technologies Building
Shops	12.74	123.66		Shekou Walmart

Remarks:

1. Taige Apartment was not included for its has not been put into operation yet.

2. For the newly obtained properties for lease and function changing of old plants under Xinan Properties – one of the controlled subsidiaries of the Company, the on-leasing area of plants, apartments, and shops were changed accordingly.

The Company has long invested in and possessed high quality properties for lease, in viewing of obtain steady increasing of rent income. As of the end of the report term, the leasing properties on operation were totalled to 445.5 thousand square meters. Leasing properties in construction, such as Taige Apartment, Garden City Center (partial), were totalled to 260.1 thousand square meters. The leasing properties were mostly located in Shenzhen, including houses, apartments, offices, plants and shops.

Following with the development of the real-estate market in Shenzhen, the property leasing business of the Company was in steady growth. For the report term, the annual average ratio of leasing properties reached up to 91.84%. The properties on leasing were accumulated to 4723.4 thousand square meters throughout the year. Which increased by 32.35% over the previous year. The rent income realized was RMB235,277,000, which was a 19.82% increasing over the previous year.

(3) Water and power supply

Water and Power Supply

Business	Unit	Year 05	Year 04	Year 03
Power supply	10K Kwh	88,400	87,463	82,382
Water supply	10K Ton	3,260	3,022	2,878

The water and power supply businesses were mostly located in Shekou. Following with the increasing industrial and civil demand in water and power supply, the Company's business was increasing successively in recent years. For the report year, the income from power supply has reached up to RMB626,698,000 which was a 2.1% of growth, and that from water supply has reached up to RMB81,563,000 which was a 3.9% of growth.

In the report term, the Company was awarded "The top 3 best public companies of real estate industry in China 2005", "The best integrated real estate enterprise who resolved the structural weaknesses", "Champion of the top 10 properties sales of Shenzhen 2004", "The 2nd place of total real estate enterprise of Shenzhen 2004 (2003)", and "Top 10 remarkable enterprises of Shenzhen for latest 25 years", as well as "The best blue-chips real estate enterprise of year 2004-2005".

(II) Business operation and performance of major controlled and shareholding subsidiaries

At the end of the report term, there were 3 subsidiaries under the controlling of the Company, they are: China Merchants Real Estate, China Merchants Power Supply and China Merchants Water Supply. The followings are the business operation and performance:

1. China Merchants Real Estate (CMRE)

Established in 1984, CMRE has the registered capital of RMB 106 million. The Company holds 95% of its equity. Ended the report period, its total assets reached RMB 5,211.287 million and net assets was RMB 1,567.311million. Of the report term, CMRE has realized the major business turnover of RMB1,884.176 million, the major business profit of RMB475.684 million, and net profit of RMB316.641 million. As of the year 2005, CMRE has had a history of 21 years. It was one of the first real-estate developers in the country. Till present, the Company has extended its businesses all over the country. It has been awarded the top 3 best real-estate developers in Shenzhen for successive years.

2. China Merchants Power Supply (CMPS)

Established on November 9, 1980, CMPS has the registered capital of RMB 57 million. The Company holds 99.75% of its equity. Ended the report period, its total assets reached RMB 759.305 million and net assets was RMB 264.379 million. In the report period, CMPS sold 884 million KWH of power products, which was close to that of the previous year, and realized business turnover of RMB626.698 million, business profit of RMB109.597 million, and net profit of RMB119.745 million. CMPS is the unique authorized power supply enterprise in Shekou, enjoying significant regional superiority.

The Company has formed an advanced overall plan for power supply network and exercises up-to-date technical management. In the report period, CMPS completed the 3rd sea floor cables, which has laid a foundation for the power supply of Shekou district.

3. China Merchants Water Services (CMWS)

Established on October 29, 1989, CMWS has the registered capital of RMB 43 million. The Company holds 99.75% of its equity. Ended the report period, its total assets reached RMB211.794 million and net assets was RMB167.503 million. In the report period, CMWS sold 32.60 million tons of water, a 7.88% growth over the previous year. The business turnover for the whole year was RMB81.563 million, business profit of RMB9.845 million, and net profit of 19.966 million. CMWS is the unique authorized water supply enterprise in Shekou, enjoying significant regional superiority. In the report term, CMWS reached an agreement with Shenzhen Water Service Group over the lawsuit on original water. According to the agreement, CMWS would pay RMB2.250 million to Shenzhen Water Service Group and return 13.14 million m3 of original water (worth of RMB10.249 million) to Shenzhen Water Service Group in 18 months. Compare with the judgment made by Guangdong Provincial High Court, this result saved the Company RMB7.751 million of loss.

(III) Major structural assets in the report term. (RMB'000)

Items	December 31 st 2005		Dec. 31 2004		Increasing of percentage in total assets
	Amount	Portion in total asset (%)	Amount	Portion in total asset (%)	
Total of assets	8,936,565	100.00%	8,454,999	100.00%	0.00%
Monetary fund	340,516	3.81%	401,432	4.75%	-0.94%
Account receivable	27,305	0.31%	74,937	0.89%	-0.58%
Inventories	5,677,797	63.53%	5,169,342	61.14%	2.39%
Long-term share equity investment	1,161,339	13.00%	1,186,655	14.03%	-1.03%
Net fixed asset	582,235	6.52%	606,579	7.17%	-0.65%
Construction in progress	15,228	0.17%	10,837	0.13%	0.04%
Other long-term assets	1,078,670	12.07%	874,932	10.35%	1.72%
Short-term loans	1,659,189	18.57%	1,740,751	20.59%	-2.02%
Notes payable	318,849	3.57%	0	0.00%	3.57%
Account payable	835,995	9.35%	2,065,014	24.42%	-15.07%
Account received in advance	58,479	0.65%	460,795	5.45%	-4.80%
Tax payable	52,069	0.58%	147,415	1.74%	-1.16%
Other account payable	425,959	4.77%	364,511	4.31%	0.46%
Long-term borrowings	1,600,000	17.90%	3,566	0.04%	17.86%

Major facts that caused the changing in asset structure:

1. Account receivable and advance received: the account receivable occurred in previous term has been retrieved, while the property sales advances which have reached the conditions of income recognition has been carried over to the gain/loss account of the current report term. The Company adjusted the progress of certain projects according responding to the change of market environment, which caused the properties reached

presales condition in the current term were less than usual, and no increasing in property sales advances.

2. Inventories and other long-term assets: expanding of real-estate business.

3. Long-term share equity investment: long-term share equity investment was decreasing gradually following with the amortizing of share equity investment discrepancy.

4. Notes payable, short-term borrowings, and long-term borrowings: increasing of liabilities with interests was to satisfy the needs of real-estate business development. The Company carried out number of adjustments over the liability structure during the report term, which increased the portion of mid-long-term loans in the liabilities. As of the end of 2005, the long-term borrowings were taking 45% of the total borrowings. In the meantime, the Company adopted various financing channels, such as bank accepted drafts with lower discount rate, to support the needs on short-term borrowings.

5. Account payable: payment was made for land which was payable in the previous term.

(IV) Changing of accounting data, such as operational expenses, administrative expenses, financial expenses, and income taxes, during the report term. (RMB'000)

Items	Year 2005	Year 2004	Increase / decrease rate (%)	Statement on major movement
Operational expenses	31,331	32,639	-4.01%	Normal movement
Administrative expense	92,730	85,646	8.27%	Normal movement
Financial expenses	-36,451	10,257	-455.38%	Income from long-term foreign currency security service realized in the report term
Investment income	-35,921	-49,555	-27.51%	The impairment provision provided in the previous term was relatively big in amount, while the income from partnership companies recognized under equity method has increased.
Non-business income	1,217	596	104.19%	Income from penalties increased
Non-business expenditure	4,605	20,103	-77.09%	Great loss occurred in fixed asset disposal in previous year.
Income tax	96,127	90,034	6.77%	Normal movement

(VI) Changing of cash flow in the report term (RMB'000)

Items	Year 2005		Year 2004		Percent of structural ratio increased	Cause of change
	Amount	Structural ratio	Amount	Structural ratio		
Cash inflow from business activities	2,858,615		3,835,106			
Incl. Cash received from selling of commodities and services	2,510,162	87.81%	3,644,280	94.81%	-6.93%	Income from property presale decreased
Cash outflow for business activities	4,225,163		5,059,737			
Incl. Cash paid for buying of commodities and services	3,627,915	85.86%	4,598,230	90.88%	-5.16%	Decreasing of payment for land using
Net Cash flow generated by business operation	-1,366,548		-1,224,631			
Net cash flow generated by investment	-62,475		-10,274			Investment retrieved by selling of Petrol Chemical shares.
Net cash flow generated by financing	1,339,863		941,303			Primarily new bank loans.

The Company realized net profit of RMB421.581 million in the report term, whereas the net cash flow from business activities was RMB-1,366.548 million. Which means there was significant discrepancy between the net profit and the cash flow from business activities. This was because: (1) It is the characteristic of the real-estate industry, which decided that there should be major discrepancy between two of the indices. (2) The

Company's business was in rapid growth, it is not surprising that the investment was faster than cash inflow.

II. Looking into future development

As predicted by the development plan of the national government, China will step into a richer well-off society. As the carrier of wealth and essential part of civil needs, the supplying of real-estates is of scarcity relatively. Following with the expanding of cities and increasing of civil wealth, the demand for real-estates shall be increasing successively and rapidly in a fairly long period in the future.

At present, contrast exists between the arising demands for high quality constructions and limited supplying in the domestic market. Because of the rigorous national policies on land using, adjustment of city planning, and appreciation of Renminbi, the contrast was becoming furthermore significant. Rapid inflating of property prices can be seen in major cities such as Shanghai, Shenzhen, and Beijing. The government unveiled a series of controlling policies and effectively prevented the market from overheating. Obviously the contrast between demand and supply will remain for a long period of time along with political controlling policies. This is bringing the operators opportunities and challenges at the same time.

With real estate developing and sales businesses as the leading business, depending on the supporting of property leasing and power & water supplying, the Company concentrates its superior resources in Shenzhen and its surrounding areas, and develops the markets aggressively and restrainedly in other major cities such as Shanghai and Beijing. Till present, the Company has already formed an integrated business line covering real estate developing, property leasing, property agency, and property management services. This has enabled the Company to provide a full range of value-adding services to the clients. To satisfy the needs of rapid developing and enforce the business, the Company is seeking for various financing channels, upgrading its administrative power, introducing and implementing more effective staff-motivating scheme. CMIZ, the major shareholder of the Company, is also providing powerful supporting in term of land using and cash capitals. It further secured the rapid and stable development of the Company.

In year 2006, there will be 9 real estate projects of the Company throughout the country step into sales stage (5 of them will be sold in areas other than Shenzhen, they are: Shanghai Yiyunjun, Suzhou Yiyunshui, Nanjing International Finance Center, Zhangzhou Yishanhai, and Zhangzhou Coral Garden 4th phase. 4 of them will be sold in Shenzhen, they are: Garden City 3rd phase No.2, Lanxi Valley 2nd phase, Jiangang Hill Houses and Longgang Yishanjun.). The newly accomplished properties, including Taige Apartment and Garden City Center, will be put into leasing operation. The constructions in progress, sales volume and leasing properties will break the historic records in year 2006. On the other hand, in viewing of reinforce the power of growth, the Company will further expand its stock of lands and push forward the issuing of 1.65 billion convertible bonds.

In this point of view, for the year of 2006, the Company will conduct its overall operation under the principle of balanced development with concerning over Scale, Quality and Efficiency. The management will further study and seize the business characters in the stage of developing, face the changes and competitions of the market, reinforce the management of performance assessment, and look for a breakthrough in the Company's business on the basis of consolidating the national business layout.

For year 2006, the Company is targeting on commodity houses of 210 thousand square meters, accumulated leasing properties of 4.86 million square meters, power supply of 868.13 million KWH, and water supply of 31.90 million tons.

The Company is in rapid growth stage and expanding the investment in real estate business, which brings greater pressure on cash capital. To achieve its long-term target, with considering of the needs and plan of cash capital, the Company is predicting a need of some RMB2.5 billion in year 2006. It is expected to successfully issue convertible bonds of RMB1.65 billion and bank loan of 0.85 billion to cover the needs in cash capital. Furthermore, the Company will keep trying new financing channels, such as issuing of asset supported bills in inter-bank market against its stable cash flow, and issuing of real estate credit fund against its high quality

properties. In the meantime, the Company will enforce the retrieving of account receivable and other receivables, stir up cash inflow from business activities, to release the pressure of external financing efforts.

6.2 Principal businesses classified based on industries/products

In RMB 10 thousand Yuan

Distribution on industries						
On industry or product	Major business income	Major business cost	Major business profit ratio (%)	Increase/decrease of major business turnover (%)	Major business cost increased/decreased over corresponding term	Decrease/increase of major business profit over previous year
Property development and sales	166,222.20	118,480.00	23.67%	-23.31%	-29.01%	5.72%
Property leasing	23,527.70	12,348.40	42.30%	19.82%	23.95%	1.77%
Water and power supply	70,826.20	58,142.70	17.77%	2.32%	5.04%	2.08%

6.3 Major businesses distribution on regions

In RMB 10 thousand Yuan

Regions	Major business income	Increase/decrease of major business turnover (%)
Shenzhen	265,947.57	-23.49%

6.4 Utilization of fund raised from financing actions

applicable not applicable

Changing of projects

applicable not applicable

6.5 Utilizing of non-raised fund

applicable not applicable

In RMB 10 thousand Yuan

Projects	Amount of the project	Progress of the project	Turnover of the project
Garden City 2 nd phase	20,381.70	Property for leasing, interior decoration in process	No profit yet
City Main Plaza *	13,318.40	Completed in year 2005	Gross profit of RMB115.289 million for the year
CM Yishanjuan	10,610.00	Main body in process	No profit yet
Suzhou Yiyunshuian	10,439.20	Main body in process	No profit yet
Lanxi Valley 2 nd Phase	9,228.20	Main body in process	No profit yet
Garden City 3 rd phase, land No. 2	8,607.50	Main body in process	No profit yet
Haiyue 4 th phase	7,671.10	Main body in planning stage	No profit yet
Yiyuntingxiang Garden	4,129.70	Main body in process	No profit yet
Taige Apartment	4,057.50	Finished in 2005, put into	Gross profit of RMB-10.22

		operation at the end of year	million for the year
Jiangang Hill 1 st phase	3,770.80	Demo unit and other parts' body finished	No profit yet
Xianlin Proj. Nanjing	3,411.10	Initial planning	No profit yet
Xikang Proj. Tianjin	2,209.20	Initial planning	No profit yet
Balizhuang East, Beijing	1,941.80	Initial planning	No profit yet
Marine Center	935.20	Main body in planning stage	No profit yet
Jinshan Proj. Panyu	166.30	Initial planning	No profit yet
Jiangang Hill 2 nd phase	108.00	Initial planning	No profit yet
Dongjiaxi Proj. Chongqing	76.40	Initial planning	No profit yet
Total	101,062.10	-	-

6.6 Statement on the None Standard Opinion issued by the CPA

applicable not applicable

6.7 Profit distribution or capitalizing of common reserves adopted by the Board of Directors

applicable not applicable

According to the provision of adopting the lower amount between Chinese Accounting Standards and International Accounting Standards as the maximum for distribution, the profit available for distribution is RMB1,117,884,778 for year 2005.

According to the requirements of the relevant regulations and the Articles of Association, the profit distribution scheme is as the followings:

Providing 10% of the net profit under Chinese Accounting Standards as statutory public reserves amounting to RMB42,158,092.

Providing 5% of net profit under Chinese Accounting Standards as statutory public welfare amounting to RMB21,079,046.

Out from the net profit of the year, based on the issued shares amounting to 618,822,672 shares, RMB0.20 (tax included) is about to be distributed upon each 10 shares, totally RMB12,376,453 of cash dividend will be distributed.

No capitalizing of common reserves will be executed this time.

No cash dividend proposal was raised though the Company is making profit for the report term.

applicable not applicable

§ 7 Significant Events

7.1 Acquisition

applicable not applicable

7.2 Selling of property

applicable not applicable

7.3 Significant guarantee

applicable not applicable

In RMB 10 thousand Yuan

External Guarantee (Exclude controlled subsidiaries)						
Guarantee provided to	Date of contract	Amount guaranteed	Type of guarantee	Term	Completed or not	Related party or not
Total occurred in the report term						0.00
Total of balance of guarantee at the end of report term						0.00
Guarantee provided to controlled subsidiaries						
Total of guarantee provide to controlled subsidiaries in the report term						25,000.00
Total of balance of guarantee provide to controlled subsidiaries in the report term						0.00
Total of guarantee (including controlled subsidiaries)						
Total of guarantees						0.00
Proportion of the total guarantee in the net asset of the Company						0.00%
Including:						
Guarantee provided to shareholders, substantial controller and their related parties						0.00
Total of guarantee provided directly or indirectly to parties with liability/asset ratio over 70%						0.00
Guarantees totalled over 50% of the net asset						0.00
Total of the above 3 items						0.00

7.4 Significant Related Transactions

7.4.1 Related transactions regarding normal operation

applicable not applicable

7.4.2 Related credit and debt interchange

applicable not applicable

In RMB 10 thousand Yuan

Related parties	Provide money to the related parties		Accept money from the related parties	
	Amount occurred	Balance	Amount occurred	Balance
CMSIZ	0.00	0.00		532.00
China Merchants Guangming Technologies Garden Ltd.	0.00	0.00		9,105.83
Shenzhen China Merchants Property Management Co., Ltd.	0.00	0.00		1,571.67
Total				11,209.50

Including: RMB0.00 provided by the Company to the controlling shareholder or its subsidiaries, and the balance was RMB0.00.

Capital adoption and returning plan

applicable not applicable

Whether or not the returning plan for the adopted capital is to be completed for certain.

Yes No Not applicable

7.5 Financing proxy

applicable not applicable

7.6 Fulfilling of consent issues

7.6.1 Commitment for share relocation process

1. Details of commitments

In the share equity relocation process, CMSIZ committed the followings:

(1) CMSIZ will perform its obligation with abiding the laws, regulations and rules;

(2) The original non-negotiable shares shall not be placed in the market or sold within 24 months since the placing right been granted. Shares placed in Shenzhen Stock Exchange in 12 months upon the above 24 months shall not exceed 5% of the total shares of the Company. The price of A-shares of the Company shall not be lower than 120% of the arithmetical average (say RMB11.51) in 30 days prior to the publishing of share reallocation announcement. In case of the commitment was broken, the illegal income from selling of shares will be transferred to the Company's bank account and under the possession of all shareholders.

(3) CMSIZ will accept the expenses paid for the share relocation processes such as financial consultants, sponsors, lawyers, agents, and media advertisement.

(4) CMSIZ will propose a management shareholding motivation scheme. But the scheme can only be put into operation under the approval of the Board of Directors and the Shareholders' General Meeting.

(5) Upon execution of the share relocation plan, according to the needs of business operation, CMSIZ will keep introduce high quality resources such as lands to support the growth of the Company.

2. Fulfilling of the commitments

Fulfilled thoroughly

3. Violating of the commitment

applicable not applicable

7.6.2 Other commitments

applicable not applicable

CMSIZ, the controlling shareholder of the Company, promised not to engage in any business or activities possibly competing with the Company in terms of business, new commodities and new technology in any forms (including but not limited to direct operation, indirect operation, joint investment). It also promised to urge its wholly or partially (over 50% equity) owned subsidiaries and actually controlled affiliates to follow the promise. CMSIZ has fulfilled the commitment thoroughly for the report year.

7.7 Material Lawsuits/Arbitrations

applicable not applicable

§ 8 Report of the Supervisory Committee

applicable not applicable

I. Performing of duties

The Supervisory Committee convened 5 meetings in the report term. All of the supervisors presented the board meetings and participated in the discussion of major decision-making issues, as well as the periodic reports of the Company. Backed by the laws and regulations, the Supervisory Committee supervised over the procedures of holding and decision-making of the Shareholders' General Meeting and the Board Meeting, execution of the resolutions of the Shareholders' General Meeting by the Board of Directors, performance of the senior executives, and execution of administrative rules of the Company. It also monitored the operation of the Board and executive teams in viewing of scientific decision-making and normative operation of financial issues.

The followings are the summary of meetings held in the report term:

(I) The 13th meeting of the 4th term of Committee was held on January 21st 2005. The resolutions were adopted as follows:

1. The Auditors' Report 2004, Annual Report 2004, Summary of Annual Report 2004, Profit Distribution Plan 2004, Proposal on Revising of the Articles of Association, Proposal on Extending the Service of CPAs.
2. Examined and adopted the "Report of the Supervisory Committee" carried in the Annual Report 2004.

The resolutions were published by February 4th 2005 issues of China Securities Journal, Securities Times, and Ta Kung Pao.

(II) The 14th meeting of the 4th term of Committee was held on May 29th 2005, the proposal of revising the 掙ules of Supervisory Meetings?was examined and adopted. The resolutions were published by May 31st 2005 issues of China Securities Journal, Securities Times and Ta Kung Pao.

(II) The 15th meeting of the 4th term of Committee was held on June 23rd 2005, the proposal of nominating the members of the 5th term of Committee was examined and adopted. Mr. Zhou Yali, Mr. Feng Bohai, and Ms. Wen Chongping were nominated the candidate of the 5th Supervisory Committee. The resolutions were published by June 28th 2005 issues of China Securities Journal, Securities Times and Ta Kung Pao.

(IV) The 1st meeting of the 5th term of Committee was held on July 29th 2005, the proposal of nominating the Chairman of the 5th term of Committee was examined and adopted. Mr. Zhou Yali was nominated the Chairman of the 5th Supervisory Committee. The resolutions were published by July 30th 2005 issues of China Securities Journal, Securities Times and Ta Kung Pao.

(V) The 2nd meeting of the 5th term of Committee was held on August 28th 2005. The Semi-annual Report 2005 was examined and adopted. The resolutions were disclosed by the August 30th 2005 issues of China Securities Journal, Securities Times and Ta Kung Pao.

II. The Supervisory Committees issued independent opinions on the following events

(I) Operation according to the laws

The Company established legal person administration structure and more perfect internal control system according to relevant laws, regulations and Article of Association. The procedures of decision-making of the Company are in compliant with the laws and regulations and there existed no actions of breaking the laws, regulations and Articles of Association and harmful to the Company's interest in terms of implementation of the Company's duty by the directors and managers.

(II) Financial inspection

The financial statements was reflecting the financial status and business results frankly. Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants Ltd. audited 2005 financial statements of the Company respectively and all issued standard auditor's reports with no qualified opinion.

(III) Application of raised funds

In Nov. 2003, the Company executed share allotment and the actual raised capital was RMB 339,901,009. The Supervisory Committee supervised over the collection and use of the raised capital and the colleted capital has been put into use of the items that were promised in Allotment Share Explanation and obtained prospective income. The Company raised no fund in the report term.

(IV) Purchasing or selling of assets and related transactions

In the report term, the Company conducted related transactions including selling of the 25% share equity held in Shenzhen Xunlong Shipping Service Co., Ltd., purchasing of the 80% share equity of Fucheng (China) Co., Ltd., and purchasing of China Merchants Property Management Co., Ltd. All transactions were on fair prices and no under-table trades or actions harming the shareholders' interests or causing losses in the Company's assets were found.

§ 9 Financial Report

9.1 Auditor's Opinion

Standard auditing statement without qualified opinion

9.2 Financial Statements

9.2.1 Balance Sheet

Prepared by: China Merchants Property Development Co., Ltd. Dec. 31st 2005 in RMB Yuan

Items	At the end of term		Initial	
	Consolidated	Parent company	Consolidated	Parent company
Current asset:				
Monetary fund	340,515,961.00	159,381,928.00	401,432,202.00	222,396,666.00
Short-term investment				
Notes receivable				
Dividend receivable	184,301.00			
Interest receivable				
Account receivable	27,304,751.00		74,936,608.00	
Other account receivable	34,960,327.00	3,866,693,893.00	105,599,916.00	2,504,438,740.00
Advance account	93,966.00		47,643.00	
Allowance receivable				
Inventories	5,677,796,682.00		5,169,342,052.00	
Expense to be amortized	1,260,589.00		1,822,054.00	
Long-term credit invest expire in 1 year				
Other current asset				
Total of current asset	6,082,116,577.00	4,026,075,821.00	5,753,180,475.00	2,726,835,406.00
Long-term investment:				
Long-term share equity investment	1,045,345,307.00	3,198,848,911.00	1,096,573,994.00	2,875,166,547.00
Long-term credit investment	115,993,954.00		90,080,801.00	
Total of long-term investment	1,161,339,261.00	3,198,848,911.00	1,186,654,795.00	2,875,166,547.00
Consolidated price difference	874,308,931.00	874,308,931.00	923,276,406.00	923,276,406.00
Fixed asset:				
Original value of fixed assets	975,390,332.00	312,252,747.00	958,563,179.00	312,244,634.00
Less: Accumulated depreciation	387,564,275.00	92,117,010.00	346,329,317.00	82,990,213.00
Net fixed assets	587,826,057.00	220,135,737.00	612,233,862.00	229,254,421.00
Less: Fixed asset impairment provision	5,590,908.00		5,654,781.00	
Net fixed asset	582,235,149.00	220,135,737.00	606,579,081.00	229,254,421.00
Engineering material				
Construction in progress	15,228,245.00		10,836,957.00	
Fixed asset disposal				
Total of fixed assets	597,463,394.00	220,135,737.00	617,416,038.00	229,254,421.00
Intangible and others:				
Intangible assets	14,810,981.00		15,329,580.00	
Long-term expenses to be amortized	2,165,252.00	458,185.00	7,485,450.00	
Other long-term assets	1,078,669,871.00		874,932,448.00	
Total of intangible and other assets	1,095,646,104.00	458,185.00	897,747,478.00	
Deferred tax:				
Deferred tax debit				
Total of assets	8,936,565,336.00	7,445,518,654.00	8,454,998,786.00	5,831,256,374.00

Current liabilities				
Short-term loans	1,656,188,929.00	1,064,685,600.00	1,740,751,418.00	1,123,875,675.00
Notes payable	318,848,657.00			
Account payable	835,995,343.00		2,065,014,380.00	
Account received in advance	58,479,028.00		460,794,941.00	
Prepaid wages	37,978,064.00	1,533,407.00	65,496,893.00	2,995,504.00
Welfare payable	9,831,853.00	1,228,458.00	6,918,055.00	944,277.00
Dividend payable				
Tax payable	52,069,322.00	-5,610,170.00	147,414,910.00	117,370.00
Other accounts to be delivered	146,539.00		133,856.00	
Other account payable	425,959,120.00	1,148,552,821.00	364,511,436.00	1,234,730,226.00
Reserved expenses	24,871,607.00	10,791,336.00	10,275,529.00	3,013,638.00
Expected liabilities	14,943,744.00		27,776,027.00	
Long-term liability expire in 1 year	3,424,721.00		563,713.00	
Other current liability				
Total of current liability	3,438,736,927.00	2,221,181,452.00	4,889,651,158.00	2,365,676,690.00
Long-term liabilities				
Long-term borrowings	1,600,000,000.00	1,430,000,000.00	3,566,316.00	
Bond payable				
Long-term payable				
Special payable	3,460,000.00		2,460,000.00	
Other long-term liability	5,650,000.00		6,320,000.00	
Total of long-term liability	1,609,110,000.00	1,430,000,000.00	12,346,316.00	
Deferred tax:				
Deferred tax credit				
Total of liability	5,047,846,927.00	3,651,181,452.00	4,901,997,474.00	2,365,676,690.00
Minor shareholders' equity	112,961,255.00		101,711,040.00	
Owners' equity (or shareholders' equity)				
Practical capital collected (or share capital)	618,822,672.00	618,822,672.00	618,822,672.00	618,822,672.00
Less: returned investment	0.00	0.00	0.00	0.00
Practical capital (or share capital), net	618,822,672.00	618,822,672.00	618,822,672.00	618,822,672.00
Capital reserves	1,489,286,681.00	1,489,286,681.00	1,489,286,681.00	1,489,286,681.00
Surplus reserves	638,744,151.00	598,292,603.00	568,343,071.00	535,055,465.00
Incl. Statutory public welfare	160,233,204.00	126,640,949.00	131,990,216.00	105,561,903.00
Un-distributed profit	1,047,483,698.00	1,087,935,246.00	789,127,260.00	822,414,866.00
Incl. Cash dividend	12,376,453.00	12,376,453.00	92,823,401.00	92,823,401.00
Investment loss not recognized yet				
Different of foreign currency translation	-18,580,048.00		-14,289,412.00	
Total of owners' equity (or shareholders' equity)	3,775,757,154.00	3,794,337,202.00	3,451,290,272.00	3,465,579,684.00
Total of liabilities and owners' equity (or shareholders' equity)	8,936,565,336.00	7,445,518,654.00	8,454,998,786.00	5,831,256,374.00

Legal representative: Sun Chengming Superior of accounting dept. Huang Peikun Accounting director: Xu Yixia

9.2.2 Income statements

Prepared by: China Merchants Property Development Co., Ltd. Jan-Dec 2005 in RMB Yuan

Items	Current term		Same period last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Major business turnover	2,659,475,668.00	12,049,879.00	3,475,895,992.00	12,049,879.00
Less: Major business cost	1,930,417,027.00	11,279,425.00	2,717,546,582.00	11,284,140.00
Major business tax and surtax	100,803,099.00	608,519.00	123,209,831.00	608,519.00
II. Major business profit (“-“ for loss)	628,255,542.00	161,935.00	635,139,579.00	157,220.00
Plus: Other business profit (“-“ for loss)	1,330,436.00		950,386.00	
Less: Business expenses	31,331,263.00		32,639,112.00	
Administrative expense	92,730,164.00	13,218,513.00	85,646,196.00	11,492,753.00
Financial expenses	-36,451,228.00	-11,571,833.00	10,257,006.00	-10,246,637.00
III. Operational profit (“-“ for loss)	541,975,779.00	-1,484,745.00	507,547,651.00	-1,088,896.00
Plus: Investment gains (“-“ for loss)	-35,920,968.00	423,065,664.00	-49,554,815.00	360,891,824.00
Allowance income	33,378,217.00		33,249,341.00	
Non-business income	1,217,229.00		595,777.00	
Less: Non-business expenses	4,605,318.00		20,103,009.00	
IV. Gross profit (“-“ for loss)	536,044,939.00	421,580,919.00	471,734,945.00	359,802,928.00
Less: Income tax	96,126,870.00		90,034,336.00	
Minor shareholders' equity	18,337,150.00		21,897,681.00	
Plus: Investment loss occurred this term but not recognized				
V. Net profit (“-“ for loss)	421,580,919.00	421,580,919.00	359,802,928.00	359,802,928.00
Plus: Retained profit at the beginning of term	789,127,260.00	822,414,866.00	591,920,219.00	619,719,490.00
Other transferred in				
VI. Distributable profit	1,210,708,179.00	1,243,995,785.00	951,723,147.00	979,522,418.00
Less: Statutory surplus reserves	42,158,092.00	42,158,092.00	35,980,293.00	35,980,293.00
Drawing of statutory public welfare	28,242,988.00	21,079,046.00	23,478,482.00	17,990,147.00
Employee award and welfare fund				
Reserves				
Enterprise development fund				
Profit returned to investment				
VII. Distributable profit	1,203,544,237.00	1,243,995,785.00	892,264,372.00	925,551,978.00
Less: Preference share dividend payable				
Optional surplus reserves				
Common share dividend payable				
Cash dividend	92,823,401.00	92,823,401.00		
Common share dividend transferred to capital (or share capital)			103,137,112.00	103,137,112.00
VIII. Undistributed profit	1,047,483,698.00	1,151,172,384.00	789,127,260.00	822,414,866.00
Income statement (Appendix)				
1. Income from selling and disposal of department or invested entities	123,760.00	-300,043.00		
2. Loss from nature disasters				
3. Increasing (or decreasing) of gross profit by changing of accounting policies				
4. Increasing (or decreasing) of gross profit by changing of accounting estimation				
5. Loss from debt reconstruction				
6. Others				

Legal representative: Sun Chengming Superior of accounting dept. Huang Peikun Accounting director: Xu Yixia

9.2.3 Cash flow statement

Prepared by: China Merchants Property Development Co., Ltd. Jan-Dec 2005 in RMB Yuan

Items	Current term	
	Consolidated	Parent company
I. Net cash flow from business operation		
Cash received from sales of products or services	2,510,162,463.00	12,049,879.00
Tax returned	31,287,617.00	
Other cash inflow related to operation	317,164,649.00	67,500,595.00
Subtotal of cash inflow	2,858,614,729.00	79,550,474.00
Cash paid for purchasing of merchandise and services	3,681,129,616.00	
Cash paid to staffs or paid for staffs	126,613,771.00	8,060,429.00
Taxes paid	308,638,407.00	8,800,287.00
Other cash paid related to operation	161,995,511.00	1,441,438,578.00
Subtotal of cash outflow	4,278,377,305.00	1,458,299,294.00
Net Cash flow generated by business operation	-1,419,762,576.00	-1,378,748,820.00
II. Cash flow generated by investing		
Cash received from returning of investment	3,423,760.00	
Cash received as investment profit	10,267,625.00	117,683,300.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	276,094.00	
Other cash received related to investment	34,129,663.00	
Subtotal of cash inflow	48,097,142.00	117,683,300.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	31,201,549.00	490,413.00
Cash paid for investment	26,155,588.00	18,300,000.00
Other cash paid related to investment		
Subtotal of cash outflow	57,357,137.00	18,790,413.00
Net cash flow generated by investment	-9,259,995.00	98,892,887.00
III. Cash flow generated by financing		
Proceeds from investments		
Cash received from loans	5,168,773,928.00	3,848,472,500.00
Other cash received related to financing		
Subtotal of cash inflow	5,168,773,928.00	3,848,472,500.00
Cash paid for recovering of debt	3,654,041,725.00	2,477,662,576.00
Cash paid for dividend, profit or interest	174,868,957.00	153,964,464.00
Other cash paid related to financing		
Subtotal of cash outflow	3,828,910,682.00	2,631,627,040.00
Net cash flow generated by financing	1,339,863,246.00	1,216,845,460.00
IV. Influence of exchange rate movement	-1,108,110.00	-4,265.00
V. Net increase of cash and cash equivalents	-90,267,435.00	-63,014,738.00
Appendix of Cash Flow Statement		
I. Net profit adjusted to cash flow of business operation		
Net profit	421,580,919.00	421,580,919.00
Plus: Asset impairment provision drawn	304,206.00	
Depreciation of fixed assets	44,043,422.00	9,126,797.00
Amortizing of intangible assets	50,350,907.00	
Amortizing of long-term expenses	8,836,241.00	24,115.00
Decrease of expenses to be amortized (Less: increase)	561,465.00	
Increase of reserved expenses (Less: decrease)	6,673,422.00	190,000.00
Cash lost from treatment of fixed assets, intangible assets and other long-term assets (less: gains)	321,508.00	

Loss of disposing fixed assets		
Financial expenses	5,117,026.00	68,728,761.00
Investment loss (less: gains)	35,611,275.00	-423,065,664.00
Credit of deferred tax (less: debit)		
Decreasing of inventories (less: increasing)	-508,454,630.00	
Decrease (less: increase) in operating receivables	118,225,123.00	-1,362,255,153.00
Increase (less: decrease) in operating payables	-1,621,270,610.00	-93,078,595.00
Others		
Minor shareholders' equity	18,337,150.00	
Net Cash flow generated by business operation	-1,419,762,576.00	-1,378,748,820.00
2. Investment and financing activities not involving with cash		
Liabilities converted to capital		
Convertible bond expire in 1 year		
Fixed assets leased through financing		
3. Net increasing of cash and cash equivalents		
Balance of cash at period end	311,164,767.00	159,381,928.00
Less: Initial balance of cash	401,432,202.00	222,396,666.00
Plus: Balance at the end of term of cash and equivalents		
Less: Balance at the beginning of term, cash and equivalents		
Net increasing of cash and cash equivalents	-90,267,435.00	-63,014,738.00

Legal representative: Sun Chengming Superior of accounting dept. Huang Peikun Accounting director: Xu Yixia

9.3 Explanation on changes of accounting policies, accounting estimation, and accounting method

applicable not applicable

9.4 Content, amount, reason and impact of major accounting errors

applicable not applicable

9.5 Details about changing of consolidation range comparing with the previous annual report

applicable not applicable

Shanghai China Merchants Properties Ltd., China Merchants Properties (Nanjing) Ltd., Shenzhen Shekou Greens Club Ltd. and Shenzhen Xingzhao Property Management Ltd. were newly included in the consolidation range. On April 8th 2005, the Company and the subsidiary CMRE. entered together Shenzhen China Merchants Landmark Co., Ltd the "Agreement on Equity Transferring of Shanghai China Merchants Property Co., Ltd." to take the 10% and 90% of the equities over from Shenzhen China Merchants Landmark Co., Ltd. Over the net asset of the subject at December 31st 2004, the prices were determined at RMB1.5 million and RMB13.5 million. It will be included in the consolidation range.

On December 31st 2005, China Merchants Property Nanjing Co., Ltd. was founded by the Company and its subsidiary Ruijia Investment & Industrial Co., Ltd.

Shenzhen Shekou Greens Club Ltd. and Shenzhen Xingzhao Property Management Ltd. The total assets, business income and net profit of the companies for year 2004 and 2005 are lower than 10% of the corresponding total figures of the Company. They were not included in the consolidation range of the Company for year 2004. For the Company was planning to expand the business regarding the two subsidiaries, no related information was provided. They are included in the consolidation range of the Company for year 2005.