



Annual Report 2008

Announcement No.: 【CMPD】2009-004

Chapter 1. Important Notice & Content

Chapter 1. Important Notice:

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

Eleven Directors should attend the board meeting on auditing the Annual Report; Independent Director Chai Qiang was not able to attend the meeting in person due to business engagement, but he authorized Independent Director Meng Yan to represent and vote on behalf of him; all of the rest of the Directors attended the meeting.

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

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

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Chapter 2. Company Profile**I. Legal Name of the Company:**

In Chinese: 招商局地产控股股份有限公司

Abbr: 招商地产

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

Abbr: CMPD

II. Legal Representative: Sun Chengming**III. Secretary of the Board: Liu Ning**

Securities Affair Representative: Liu Ning (Temporary)

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)26819680

Email: investor@cmpd.cn**IV. Registered Address: 9/F, New Times Plaza, Shekou Industrial Zone, Nanshan District, Shenzhen**

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

Post Code: 518067

Company Website: <http://www.cmpd.cn>Email address: investor@cmpd.cn**V. Media for information disclosure: “China Securities Journal”, “Securities Times” and “Hong Kong Wen Wei Po”**Website for publishing Annual Report designated by CSRC: <http://www.cninfo.com.cn>

Location for Annual Report Collection: The Office of the Board of Directors

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

The Secondary Stock Exchange listed: Singapore Stock Exchange

Short Form of the Stock: CMPD, CMPD-B

Stock Code: 000024, 200024

VII. Other relevant company information

1. Initial registration date: September 19, 1990

2. Initial registration place: Shenzhen

3. Corporate legal person business registration code: 440301503287841

4. Taxation registration code:

State Taxation code – Shen Zi 440300618845136

Local Taxation code – Deng Zi 440300618845136

5. Organization code certificate: 61884513-6

6. Name and office address of the Certified Public Accountants engaged by the Company:

Deloitte Touche Tohmatsu (Shanghai) CPA Ltd.

30/F, Bund Center, Yan An Road East, Shanghai

VIII. Paraphrases

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

1. CSRC: China Securities Regulatory Commission
2. The Company: China Merchants Property Development Co., Ltd.
3. China Merchants Group: China Merchants Group Ltd.
4. Top Chief: Top Chief Co., Ltd.
5. Shekou Industrial Zone: China Merchants Shekou Industrial Zone Co., Ltd.
6. Zhangzhou Development Zone: China Merchants Zhangzhou Development Zone Co., Ltd.
7. Shenzhen CMRE: Shenzhen China Merchants Real Estate Co., Ltd.
8. CMPS: Shenzhen China Merchants Power Supply Co., Ltd.
9. CMWS: Shenzhen China Merchants Water Supply Co., Ltd.
10. CMPM: China Merchants Property Management Co., Ltd.
11. Xin An Property: Shenzhen China Merchants Xin An Property Co., Ltd.
12. Hong Kong Ruijia: Ruijia Investment Industrial Co., Ltd.
13. Suzhou CM Property: China Merchants Property (Suzhou) Co., Ltd.
14. Suzhou CMNS: Suzhou China Merchants Nanshan Property Co., Ltd.
15. Tianjin CMRE: Tianjin China Merchants Real Estate Co., Ltd.
16. Beijing CM Property: China Merchants Property (Beijing) Co., Ltd.
17. Zhangzhou CM Real Estate: Zhangzhou China Merchants Real Estate Co., Ltd.

Chapter 3. Financial Summary

I. Main financial information of the year (Unit: RMB)

No.	Major profit indices	Amount
1	Operating income	1,290,208,060
2	Total profit	1,301,864,971
3	Net profit attributable to shareholders of the listed company	1,227,615,829
4	Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	1,254,636,882
5	Net cash flow from operating activities	-3,919,843,675

Non-recurring gain and loss items	Amount
Gains/losses from the disposal of non-current assets	-22,343,267
Current net gains/losses of subsidiaries under same control from beginning of term till date of consolidation	-
Reversal of any provisions for asset impairment which has been made in prior years	139,458
Government subsidies	1,563,062
Other non-operating income/expenditure, net	-7,949,650
Influences on minority shareholders' gains/losses	20,414
Impact on income tax	1,548,930
Total	-27,021,053

II. Influence of adjustment made according to IAS on net profit and net asset (unaudited) (Unit: RMB'000)

	Net profit attributable to the shareholders of the listed company	Net asset attributable to the shareholders of the listed company
Under China Accounting Standard	1,227,616	14,862,746
Adjusted upon IAS		
Adjustment of goodwill	-	1,339,829
Under International Accounting Standard	1,227,616	16,202,575

Note: For the current year, the net profit attributable to the shareholders of listed company was RMB 1,227,616 thousand, under both Chinese Accounting Standard and International Accounting Standard. The main reason of the adjustment on the net asset attributable to shareholders of listed company according to International Accounting Standard was that according to the Chinese Accounting Standard and relative regulations, the differences generated by consolidation of entities under same control shall be adjusted to capital reserves, whereas the goodwill generated by consolidation shall be presented as asset separately according to the IAS.

III. Major accounting data and indices over the latest 3 years (Unit: RMB)

Items / Annual	Year 2008	Year 2007	Increase/decrease this year compared with that last year (%)	Year 2006	
				Adjusted	Not adjusted
Operating income	3,573,184,200	4,111,644,668	-13.10%	2,809,276,609	2,939,402,576
Total profit	1,301,864,971	1,454,440,222	-10.49%	790,844,102	718,754,354
Net profit attributable to shareholders of the listed company	1,227,615,829	1,157,877,638	6.02%	631,416,627	567,912,385
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	1,254,636,882	1,069,028,729	17.36%	627,687,273	564,332,307
Net cash flow from operating activities	-3,919,843,675	-4,002,591,582	2.07%	-1,582,810,754	-1,920,152,158
Basic earnings per share	0.94	1.08	-12.96%	0.680	0.918
Diluted earnings per share	0.94	1.01	-6.93%	0.641	0.918
Basic earnings per share after deducting non-recurring gains and losses	0.96	0.99	-3.03%	0.676	0.912
Fully diluted return on equity	8.26%	14.65%	-6.39 percentage points	18.21%	13.09%
Weighted average return on equity	13.70%	21.77%	-8.07 percentage points	19.74%	14.00%
Fully diluted return on equity after deducting non-recurring gains and losses	8.44%	13.53%	-5.09 percentage points	18.10%	13.01%

Items / Annual	Year 2008	Year 2007	Increase/decrease this year compared with that last year (%)	Year 2006	
				Adjusted	Not adjusted
Weighted average return on equity after deducting non-recurring gains and losses	14.01%	20.10%	-6.09 percentage points	19.62%	13.92%
Net cash flow per share arising from operating activities	-2.28	-4.74	51.90%	-2.56	-3.10
Items / Annual	End of 2008	End of 2007	Increase/decrease this year compared with that last year (%)	End of 2006	
				Adjusted	Not adjusted
Total assets	37,437,014,995	25,107,163,682	49.11%	12,484,732,889	14,201,844,482
Shareholders' equity attributable to shareholders of the listed company	14,862,746,365	7,902,920,455	88.07%	3,466,981,776	4,338,186,414
Net asset per share attributable to shareholders of the listed company	8.65	9.35	-7.49%	5.60	7.01

Note: In the report period, the Company implemented the plan on the 2007 annual profit distribution and conversion of capital public reserve, pursuant to which 3 bonus shares were distributed for every 10 share held, with conversion of 2 shares. Earning per share of the Company in year 2006 and year 2007 were adjusted accordingly.

Chapter 4. Changes in Share Capital and Information on Shareholders

I. Change in shares

(I) Change in shares as of December 31, 2008

1. Chart of change (Unit: Share)

	Number of shares held at the beginning of the period		Number of shares increased / decreased this year (+, -)					Number of shares held at the end of the period	
	Amount	Proportion	Issue of new shares	Bonus shares	Conversion of capita public reserve	Others	Sub-total	Amount	Proportion
I. Restricted Shares	430,035,906	50.90%	279,422,462	129,010,772	86,007,182	5,005,212	499,445,628	929,481,534	54.12%
1. State-owned shares									
2. State-owned legal person shares	301,299,211	35.66%	279,349,288	90,389,763	60,259,843		429,998,894	731,298,105	42.58%
3. Other domestic shares									
Including: domestic non-state-owned legal person shares									
Domestic natural person shares									
4. Foreign shares	128,439,676	15.20%		38,531,903	25,687,935	5,050,126	69,269,964	197,709,640	11.51%
Including: Foreign legal person shares	128,439,676	15.20%		38,531,903	25,687,935	5,050,126	69,269,964	197,709,640	11.51%
Foreign natural person shares									
5. Senior executives' shares	297,019	0.04%	73,174	89,106	59,404	-44,914	176,770	473,789	0.03%
II. Unrestricted Shares	414,831,096	49.10%	170,577,538	124,449,329	82,966,218	-5,005,212	372,987,873	787,818,969	45.88%
1. RMB ordinary shares	317,189,437	37.54%	170,577,538	95,156,831	63,437,887	45,851	329,218,107	646,407,544	37.64%
2. Domestically listed foreign invested shares	97,641,659	11.56%		29,292,498	19,528,331	-5,051,063	43,769,766	141,411,425	8.24%
3. Overseas listed foreign invested shares									
4. Other									
III. Total shares	844,867,002	100.00%	450,000,000	253,460,101	168,973,400	0	872,433,501	1,717,300,503	100.00%

Notes:

(1) Total capital shares increased 450,000,000 due to additional issuance of new shares, of which Shekou Industrial Zone subscribed 241,470,500 shares, Zhangzhou Development Zone subscribed 37,878,788 shares, senior executives of the Company subscribed 97,568 shares; due to the purchase of new shares, Shekou Industrial Zone and Zhangzhou Development Zone committed that its holding shares will not be sold before September 24, 2010;

(2) The Company carried out profit distribution of year 2007: 3 bonus shares were distributed for each 10 share in retained profit, 2 shares were

converted for each 10 share in capital public reserve, thus, 422,433,501 capital shares increased;

(3) Overseas subsidiary of Shekou Industrial Zone—Top Chief Co., Ltd added to hold 5,050,126 B-shares of the Company through the secondary market, which were all restricted shares;

(4) Restricted shares include: Shekou Industrial Zone directly holds A shares of 693,419,317 and indirectly holds B shares of 197,709,640, China Merchants Zhangzhou Development Zone Co., Ltd. directly holds A shares of 37,878,788, senior executives hold A shares of 251,564 and B shares of 222,225.

2. Change in restricted shares (Unit: Share)

Name of the shareholder	Restricted shares at beginning of year	Released this year	Increased this year	Restricted shares at the end of the period	Reason of Restriction	Date of releasing
China Merchants Shekou Industrial Zone Co., Ltd.	301,299,211	0	392,120,106	693,419,317	Committed not to sell	Sep.24,2010
China Merchants Zhangzhou Development Zone Co., Ltd	0	0	37,878,788	37,878,788	Committed not to sell	Sep.24,2010
Full Space Investment Ltd.	62,762,700	0	31,381,350	94,144,050	Committed not to sell	Sep.24,2010
China Merchants Securities Hong Kong Ltd.	29,461,546	0	19,780,899	49,242,445	Committed not to sell	Sep.24,2010
FOXTROT INTERNATIONAL LIMITED	18,480,000	0	9,240,000	27,720,000	Committed not to sell	Sep.24,2010
ORIENTURE INVESTMENT LTD	17,735,430	0	8,867,715	26,603,145	Committed not to sell	Sep.24,2010
Lin Shaobin	64,290	0	42,337	106,627	Shares held by senior executive	Confirmed according to regulation regarding changes of shares held by executives shares
Yang Baiqian	30,300	0	37,125	67,425	Shares held by senior executive	
He Jianya	33,391	0	39,485	72,876	Shares held by senior executive	
Yang Zhiguang	31,425	0	26,546	57,971	Shares held by senior executive	
Huang Peikun	73,800	18,450	42,675	98,025	Shares held by senior executive	
Wang Li	0	0	22,640	22,640	Shares held by senior executive	
Liu Ning	0	0	10,125	10,125	Shares held by Secretary of the Board	
Liu Ye	0	0	11,250	11,250	Shares held by supervisor	
Xiong Yan	3,150	0	3,150	6,300	Shares held by former supervisor	Mar.22,2009
Zhang Linmei	10,275	0	10,275	20,550	Shares held by former supervisor	Mar.22,2009
Meng Cai	31,788	31,788	0	0	Self-lockout of shares after senior executive left posts for half year	April 18, 2008
Chen Yu	18,600	18,600	0	0	Self-lockout of shares	June 8, 2008

Name of the shareholder	Restricted shares at beginning of year	Released this year	Increased this year	Restricted shares at the end of the period	Reason of Restriction	Date of releasing
					Shares after senior executive left posts for half year	
Total	430,035,906	68,838	499,514,466	929,481,534		

Note: Among the shares held by China Merchants Securities Hong Kong Ltd. there were 49,242,445 shares purchased on behalf of Top Chief Co., Ltd. Top Chief Co., Ltd, Full Space Investment Ltd., Foxtrot International Ltd., and Orienture Investment Ltd. are the wholly-owned subsidiaries of China Merchants Shekou Industrial Zone Co., Ltd.

(II) Issuing and listing of shares

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

(1) Issue of convertible bonds

As approved by CSRC by document Zheng-Jian-Fa-Zi [2006] No.67, the Company issued 15.10 million convertible bonds on August 30, 2006. The face value of the bonds was RMB 100 and totaled RMB 1.51 billion. The bonds were issued to original A-share holders at fully preferential allotment. The balance and the waived part of bonds were placed off-line to organizational investors at fixed price. The convertible bonds were listed for trading in Shenzhen Stock Exchange on September 11, 2006, and the short form of the bonds was "China Merchants Convertible Bonds".

China Merchants Convertible Bonds entered the convertible period since March 1, 2007. The prices of the Company's A shares (000024 China Merchants Property) were not lower than 130 percent (RMB 17.02 per share) of the convert rate of current term (RMB 13.09 per share) in 20 days among successive 30 trading days (March 1, 2007 to April 23, 2007). This has satisfied the repurchase conditions. Thus the Company executed the repurchase right to repurchase all of the retained bonds before May 25, 2007 (repurchase day), there were totally 15,093,841 piece of bonds transferred to 115,307,691 of A shares, and 6,159 piece of bonds were repurchased. Thus China Merchants Convertible Bonds were suspended for trading and converting since May 25, 2007 and was canceled from list on May 31, 2007.

(2) Private Placement of A-shares

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

(3) Public Offering of A-shares

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

2. Change in total capital shares and shareholding structure in the report period

In the report period, due to the bonus shares and conversion of capital public reserve, A shares and B shares of the Company respectively increased 309,319,071 and 113,114,430; due to publicly additionally issue new shares, A shares of the Company increased 450,000,000. Thus, the total amount of capital shares of the Company has increased from 844,867,002 at the beginning of current term up to

1,717,300,503 shares at the end of report period.

Due to additional public offering in 2008, Shekou Industrial Zone participated in and over-subscribed the Company' shares the proportion of its direct holding shares of the Company has increased by 4.72 percentage points from last year.

II. Information on shareholders

(I) Total number of shareholders at the end of the report period

	Number of shareholders at beginning of the year	Changed over the period (+/-)	Number of shareholders at end of the year
A shares	30,000	+7,671	37,671
B shares	7,612	+935	8,547
Total	37,612	+8,606	46,218

(II) The top 10 shareholders as at December 31st, 2008(Unit: Share)

Top 10 shareholders

No	Name of shareholder	Class of shareholder	Share proportion %	Total number of shares	Restricted shares	Pledged or luck-u sharesp
1	China Merchants Shekou Industrial Zone Co., Ltd.	State-owned legal person	40.38%	693,419,317	693,419,317	0
2	Full Space Investment Limited	Overseas legal person	5.48%	94,144,050	94,144,050	0
3	China Merchants Securities Hong Kong Ltd.	Overseas legal person	2.97%	50,999,591	49,242,445	0
4	China Merchants Zhangzhou Development Zone Co., Ltd.	State-owned legal person	2.21%	37,878,788	37,878,788	0
5	FOXTROT INTERNATIONAL LIMITED	Overseas legal person	1.61%	27,720,000	27,720,000	0
6	ORIENTURE INVESTMENT LTD	Overseas legal person	1.55%	26,603,145	26,603,145	0
7	Bank of Communications Schroder Stable Allocation Mixed Fund	Domestic non-state-owned legal person	1.18%	20,200,000	0	Unknown
8	E Fund Value Growth Mixed Fund	Domestic non-state-owned legal person	0.98%	16,753,410	0	Unknown
9	Penghua Motivity Growth Mixed Fund,	Domestic non-state-owned legal person	0.86%	14,707,980	0	Unknown
10	Yinhua Core Value Selected Stock Fund	Domestic non-state-owned legal person	0.82%	14,000,074	0	Unknown

Top 10 holders of unrestricted shares

No	Name of shareholder	Unrestricted shares	Class of Shares
1	Bank of Communications Schroder Stable Allocation Mixed Fund	20,200,000	A-shares
2	E Fund Value Growth Mixed Fund	16,753,410	A-shares
3	Penghua Motivity Growth Mixed Fund,	14,707,980	A-shares
4	Yinhua Core Value Selected Stock Fund	14,000,074	A-shares

No	Name of shareholder	Unrestricted shares	Class of Shares
5	Bank of Communications Schroder Selected Stock Fund	13,571,415	A-shares
6	Everbright Pramerica Advantage Allocation Stock Fund	12,713,095	A-shares
7	Changsheng Tongde Sector Growth Stock Fund	12,375,568	A-shares
8	Guotai Junan Securities (Hong Kong) Ltd.	11,746,780	B-shares
9	E Fund Value Selected Stock Fund	11,639,504	A-shares
10	BOCI Securities Ltd.	9,480,412	B-shares

Notes:

(1) Bank of Communications Schroder Stable Allocation Mixed Fund and Bank of Communications Schroder Selected Stock Fund are under the administration of Bank Of Communications Schroder Fund Management Co., Ltd.

(2) E Fund Value Growth Mixed Fund and E Fund Value Selected Stock Fund are under the administration of E Fund Management Co., Ltd.

(III) Profiles of shareholders holding 10% or more of shares of the Company

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

Legal representative: Fu Yuning

Registration date: February 1992

Registered capital: RMB 2, 236,000,000

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

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

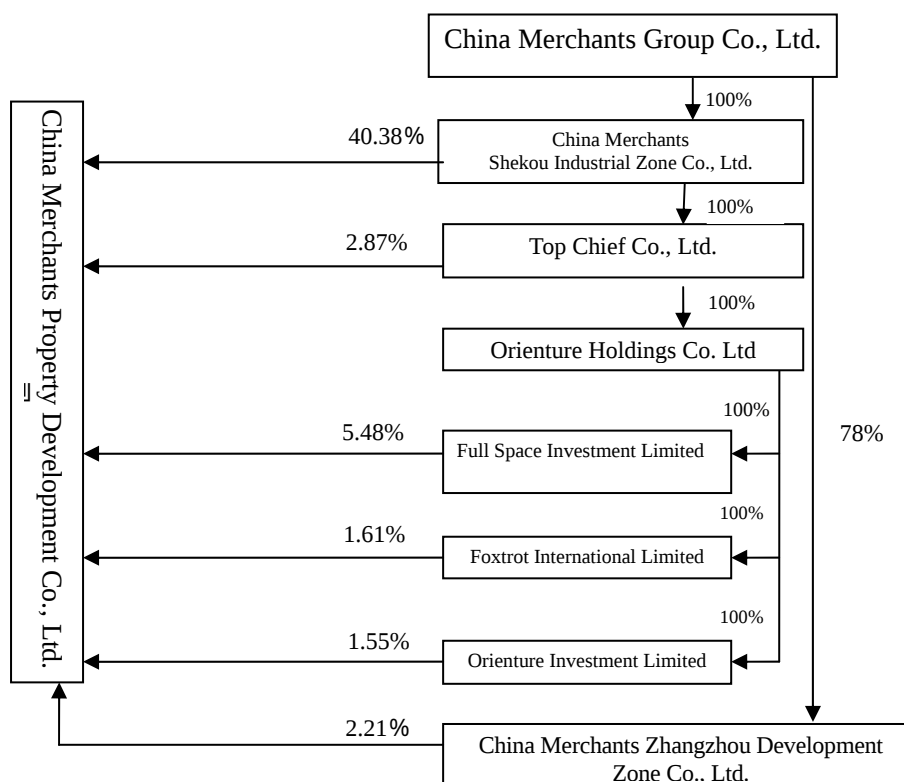
Legal representative: Qin Xiao

Registration date: October 1986

Registered capital: RMB 5.4 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 substantial controller and the Company:



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

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

The Share Merger Reform was accomplished on February 9, 2006. China Merchants Shekou Industrial Zone Co., Ltd.– the sole holder of non-tradable shares, was holding 147,426,958 shares. The condition for the shares' circulation was: that they shall not be traded or transferred in 24 months after the date when the trading right is granted (which is February 9, 2006); upon the above 24 months, shares placed in Shenzhen Stock Exchange in 12 months shall not exceed 5% of the total shares of the Company. In 36 months upon the above 24 months, the price of A-shares of the Company shall not be lower than 120% of the arithmetical average in 30 days prior to the publishing of share reallocation announcement, which is RMB 11.51 (with bonus distribution in year 2005: RMB 0.20 for every 10 share; with bonus distribution in year 2006: dividend RMB 2.50 for every 10 share; with bonus distribution in year 2007: for every 10 share, 3 more shares were distributed and 2 shares were converted with distribution of RMB 1.00 The conditional price was adjusted to RMB 7.43).

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

Chapter 5. Directors, Supervisors, Senior Executives and Staffs

I. Information on the Directors, Supervisors and Senior Executives

(I) Basic Information

1. The Directors

Name	Position	Sex	Age	Job Term
Sun Chengming	Chairman	M	49	2008.9.22 – 2011.9.21
Lin Shaobin	Director and General Manager	M	48	2008.9.22 – 2011.9.21

Name	Position	Sex	Age	Job Term
Yang Tianping	Director	M	49	2008.9.22 – 2011.9.21
Yang Baiqian	Director	M	43	2008.9.22 – 2011.9.21
Hua Li	Director	M	37	2008.9.22 – 2011.9.21
Chen Gang	Director	M	50	2008.9.22 – 2011.9.21
Huang Peikun	Director and Chief Financial Officer	M	46	2008.9.22 – 2011.9.21
Meng Yan	Independent Director	M	53	2008.9.22 – 2011.9.21
Chen Yanping	Independent Director	F	50	2008.9.22 – 2011.9.21
Gong Xinglong	Independent Director	M	60	2008.9.22 – 2011.9.21
Chai Qiang	Independent Director	M	47	2008.9.22 – 2011.9.21

2. The Supervisors

Name	Position	Sex	Age	Job term
Fu Gangfeng	Chairman of the Supervisory Committee	M	42	2008.9.22 – 2011.9.21
Ding Yong	Supervisor	M	48	2008.9.22 – 2011.9.21
Wu Zhenqin	Supervisor	F	50	2008.9.22 – 2011.9.21
Liu Ye	Employee Supervisor	M	36	2008.9.22 – 2011.9.21
Zhu Yu	Employee Supervisor	F	26	2008.9.22 – 2011.9.21

3. The Senior Executives

Name	Position	Sex	Age	Job term
Lin Shaobin	Director and GM	M	48	2008.9.22 – 2011.9.21
He Jianya	Deputy General Manager	M	43	2008.9.22 – 2011.9.21
Yang Zhiguang	Deputy General Manager	M	45	2008.9.22 – 2011.9.21
Huang Peikun	Director and CFO	M	46	2008.9.22 – 2011.9.21
Hu Jianxin	Deputy General Manager	M	50	2008.9.22 – 2011.9.21
Wang Li	Deputy General Manager	M	53	2008.9.22 – 2011.9.21
Zhu Wenkai	Deputy General Manager	M	41	2008.9.22 – 2011.9.21
Liu Ning	Secretary of the Board	F	40	2008.9.22 – 2011.9.21

4. Shareholding positions of the Directors, Supervisors, and Senior Executives (Unit: Share)

Name	Shareholding at the beginning of year (shares)		Shares held at the end of term (shares)		Cause of change
	A-shares	B-shares	A-shares	B-shares	
Lin Shaobin	18,720	67,000	41,670	100,500	Profit distribution in year 2007 and participated in subscribing additional public offering
Yang Baiqian	40,400	-	89,900	-	Profit distribution in year 2007 and participated in subscribing additional public offering
Huang Peikun	-	73,800	-	130,700	Profit distribution in year 2007 and purchased from the secondary market
He Jianya	44,522	-	97,170	-	Profit distribution in year 2007 and participated

Name	Shareholding at the beginning of year (shares)	Share held at the end of term (shares)	Cause of change		
					participated in subscribing additional public offering
Yang Zhiguang	19,900	22,000	44,295	33,000	Profit distribution in year 2007 and participated in subscribing additional public offering
Wang Li	13,561	-	30,187	-	Profit distribution in year 2007 and participated in subscribing additional public offering
Liu Ning	-	9,000	-	13,500	Profit distribution in year 2007
Liu Ye	-	-	15,000	-	Purchased from the secondary market and profit distribution in year 2007
Zhang Linmei	8,600	5,100	12,900	7,650	Profit distribution in year 2007
Xiong Yan	-	4,200	-	6,300	Profit distribution in year 2007
Total	145,703	181,100	331,122	291,650	

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

1. Members of the Board of Directors

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

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

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

Cleaning Supplies Co., Ltd.; General Manager of Shenzhen Lam Soon Lipid Co., Ltd. and Assistant General Manager of China Merchants Industry Holdings Co., Ltd..

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

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

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

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

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

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

Gong Xinglong, Independent Director, professor, Certified Accountant. Professor Gong studied in Accounting Numerical Statistic Department of Taipei Tamkang University, Hong Kong Zhuhai University Institute of Economics, Minnesota State University., Accounting School of Renmin

University, and obtained bachelor degree in Business, MBA, Master of Accounting, and Ph.D in Management. Currently, he serves as the Executive President of Greater China Business of Wong Lam Leung & Kwok C.P.A. Ltd.. He used to serve as Chief Financial Officer of Asian-Pacific Media Ltd.; Expert, Consultant, and CPA of Beijing Tianjian CPAs and Moores Rawland CPAs.; Deputy General Manager of Beijing Zhongyinghua Taxation Consultants Co., Ltd, and the Chief Representative of Beijing Office of Hong Kong Institute of CPAs.

Chai Qiang, Independent Director. Mr. Chai successively studied in Wuhan University of Technology with major in Management Engineering and obtained bachelor degree in Engineering, Graduate School of Chinese Academy of Social Sciences with major in Technology Economics and Investment Economics and obtained Master Degree and Ph.D in Economics. Currently, he is the Vice 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.

2. Members of the Supervisory Committee

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

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

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

Liu Ye, Employee Supervisor, Fourth-grade Lawyer. Mr. Liu graduated from Nanjing University with Bachelor in Law. He joined the Legal Department of the Company in June 2005. Prior to joining the Company, he worked in Xuzhou Secondary Law Office of Jiangsu, Xuzhou Huijun Law Office,

Xuzhou Huana Property Development Co., Ltd. respectively, holding the posts of Deputy Director Lawyer and Deputy General Manager.

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

3. The Senior Executives

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

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

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

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

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

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

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

Manager of Enterprises Management Department, Manager of Planning Department, Vice Supervisor of Planning Center, and General Manager of Marketing Center and Assistant General Manager of Shenzhen China Merchants Real Estate Co., Ltd.

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

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

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

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

(IV) Annual Rewards

According to the Articles of Association, the rewards of the Senior Executives should be decided by the Board of Directors. For the report period, all of the Senior Executives received remunerations from the Company. The rewards were determined with references to their performance evaluation.

Except for Directors Lin Shaobin and Huang Peikun, who received remunerations from the Company and four Independent Directors who received allowances from the Company, the other Directors received their remunerations from the shareholder - China Merchants Shekou Industrial Zone Co., Ltd. as they served various positions in China Merchants Shekou Industrial Zone Co., Ltd.

Other than two of the Employee Supervisors who received remunerations from the Company, the rest of Supervisors received remunerations from China Merchants Group.

The total remunerations before tax received from the Company in 2008 by current Directors, Supervisors and Senior Executives (Unit: RMB '0000)

Name	Position	Total remuneration
Lin Shaobin	Director and GM	167.05

He Jianya	Deputy General Manager	116.94
Yang Zhiguang	Deputy General Manager	117.07
Huang Peikun	Director and CFO	127.73
Hu Jianxin	Deputy General Manager	114.33
Wang Li	Deputy General Manager	115.88
Zhu Wenkai	Deputy General Manager	98.82
Liu Ning	Secretary of the Board	74.25
Liu Ye	Employee Supervisor	42.41
Zhu Yu	Employee Supervisor	15.84
Total		990.32

In the report period, the remuneration of Senior Executives of the Company had decrease by 2% to 20% from the same period of last year..

Allowances for Independent Directors in the report period (befor tax) (Unit: RMB '0000)

Name	Total allowances	Remarks
Meng Yan	12	
Chen Yanping	12	
Gong Xinglong	12	
Chai Qiang	3.30	Newly appointed Independent Director, reeived allowance from September 2008.
Total	39.30	

V. Changes of Directors, Supervisors and Senior Executives

1. In the report period, the office terms for the 5th Board of Directors and Supervisory Committee of the Company has expired. The 2nd Extraordinary Shareholders' General Meeting of 2008 was held on September 22, 2008, in which Sun Chengming, Lin Shaobin, Yang Tianping, Yang Baiqian, Hua Li, Chen Gang and Huang Peikun were elected as the Directors of the 6th Board of Directors; Meng Yan, Chen Yanping, Gong Xinglong and Chai Qiang were elected as Independent Directors of the 6th Board of Directors; Fu Gangfeng, Ding Yong and Wu Zhenqin were elected as Supervisors of the 6th Supervisory Committee.

2. On September 19, 2008, the Company held the Employee Representative Congress, in which Liu Ye and Zhu Yu were elected as Employee Supervisors of the 6th Supervisory Committee of the Company.

3. On September 22, 2008, the Company held the 1st Meeting of the 6th Board of Directors, in which Sun Chengming was elected as the Chairman of the 6th Board of Directors of the Company; Lin Shaobin was engaged as the General Manager of the Company; He Jianya, Yang Zhiguang, Hu Jianxin, Wang Li and Zhu Wenkai were engaged as the Deputy General Managers of the Company; Huang Peikun was engaged as CFO and Liu Ning was engaged as the Secretary of the Board of the Company.

II. Information on Employees

As at December 31, 2008, the Company had registered staffs of 7,922, including 1,300 in real estate development and water & electricity supply business sector. Below is information about education and technical background of the formulating of the employees:

Professional	Production	Sales personnel	Technicians	Finance personnel	Administrative	Others
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	personnel				personnel	
Number of persons	97	297	554	96	250	6
Proportion	7.46%	22.85%	42.62%	7.38%	19.23%	0.46%

Education	Master or above	Bachelor	3-year regular college graduate	Senior middle school graduate or below
Number of persons	128	671	281	220
Proportion	9.85%	51.62%	21.62%	16.92%

6,622 staffs were in the property management business sector, below is their education background:

Education	Master or above	Bachelor	3-year regular college graduate	Senior middle school graduate or below
Number of persons	14	388	992	5,228
Proportion	0.21%	5.86%	14.98%	78.59%

Note: The Company undertakes no pensions for retired employees.

Chapter 6. Corporate Governance Structure

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

I. Efforts in Improving the Governance of the Company

1. Shareholders and the Shareholders' General Meeting

In the report period, the Company held three Shareholders' General Meeting. The procedures of convening and holding these events strictly adhere to the regulations of relevant laws and regulations and the Articles of Association; the controlling shareholders has shown great support in improving the Company's governance structure and quality. The Company and related shareholders have strictly adhered to business principles, treating each other in an equal and mutually beneficial way, and strictly implemented the rule to obtain prior approbation of Independent Directors so as to ensure legal rights and interests of all shareholders.

2. Directors and the Board of Directors

In the report period, the Board of Directors of the Company held 17 meetings, including 3 on-site meetings. The Board of Directors established three Special Committees and revised Audit Working Regulations of the Audit Committee in 2008. The Strategy Committee, Audit Committee, Remuneration and Examination Committee of the Board of Directors made great efforts in fulfilling their respective roles, with strict adherence to the Articles of Association and working guidelines for each committee. The Committees have provided expert opinions and prior assessment procedure for the decision-making of the Board, which rendering the decision-making process more scientific. In particular, by means of improving the internal control mechanism, undertaking regular inspection of its execution, establishing, supervising the working progress of the Annual Report, and conducting timely communication with CPAs, the Audit Committee has been able to fully exert its supervisory function.

3. Supervisors and the supervisory committee

In the report period, the Supervisory Committee held 6 meetings, and the Supervisors attended all of the Board Meetings as observers. Each supervisor has developed a timely and in-depth understanding

of the operations of the Company, and provided effective supervision to the Directors, Supervisors and management team in their execution of authorities and duties.

4. Election of new term of the Board of Directors and Supervisory Committee

The office term for the 5th Board of Directors and Supervisory Committee expired in 2008. The 2nd Extraordinary Shareholders' General Meeting 2008 elected members of the 6th Board of Directors and Supervisory Committee, and completed the election at expiration of office terms. The new term of the Board of Directors has 11 members, including 4 Independent Directors, and the Supervisory Committee has 5 members, including 2 Employee Supervisors.

5. Efforts in enhancing corporate governance

In the report period, the company has made great efforts in fulfilling the promise made in the Special Work for Promoting Corporate Governance in 2007, and continued to resolve existing problems. According to the requirements of Notice No.27 in 2008 issued by the CSRC and *Notice on Special Work for Promoting Corporate Governance* (SZJGSZi [2008] No.62), the Company undertook self-inspection of the listed issues in the reform report formed during the Special Wampaign for Promoting Corporate Governance in 2007, and disclosed *Notice on Reform of the Corporate Governance* on July 18, 2008.

In the Special Work for Promoting Corporate Governance in 2007, a variety of problems were identified via self-inspection, public appraisal and on-site inspection by Securities Regulatory Bureau; the Company has basically resolved these problems in limited period through establishing, revising and implementing internal control systems; as for the irregular behaviors of reporting undisclosed information, the Company employed measures such as establishing data delivery and security system, Commitment Letter issued by shareholders and substantial controllers to enhance management of undisclosed information, controlling range of insiders and reporting undisclosed information to Securities Regulatory Bureau.

In the report period, pursuant to the requirement of Special Work for Promoting Corporate Governance, the Company undertook self-inspection about capital taken up by related parties and submitted *Statistics of Capital Exchange of Related Parties of Listed Company* to Securities Regulatory Bureau on a quarterly basis.

II. Information on Reporting Undisclosed Information to Controlling Shareholders

As a state-controlled listed company, pursuant to relevant laws and regulations of state-owned assets management, the Company is required to report financial report to controlling shareholders. In the report period, the Company strictly adhered to undisclosed information range as is stated in *Criteria of Confidentiality and Reporting the Undisclosed Information to the Controlling Shareholders by Relative Personnel*, disclosed information and maintained confidentiality according to approval procedure. The undisclosed information reported to controlling shareholders was mainly examined and approved by heads of relevant departments; the means of information transmission includes financial software or e-mail; relevant persons in each stage were included as insiders; information was approved by responsible personnel in before delivering; authorization records are complete. The controlling shareholder-Shekou Industrial Zone and the substantial controller-China Merchants Group strictly adhered to promises and used the undisclosed information being reported in a legal way

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

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

III. Execution of the Duties of Independent Directors

(I) The Attendance of Independent Directors to Board Meetings

Name of Independent Director	Number of Board Meetings during the year (times)	Attendance in person (times)	Attendance by proxy (times)	Absence(times)
Liu Hongyu	10	10	0	0
Meng Yan	17	16	1	0
Chai Qiang	7	7	0	0
Chen Yanping	17	17	0	0
Gong Xinglong	17	17	0	0

Notes: In the report period, the Board of Directors completed the election at terms expiration, and Chai Qiang took the post from September 22, 2008, while Liu Hongyu left the post from September 22, 2008.

In 2008, the Company held three shareholders' General Meeting, in which Liu Hongyu, Chen Yanping and Gong Xinglong attended the 2007 Annual Shareholders' General Meeting, Gong Xinglong attended the 1st Extraordinary Shareholders' General Meeting of 2008, and Chen Yanping, Gong Xinglong and Chai Qiang attended the 2nd Extraordinary Shareholders' General Meeting of 2008.

(II) Active Participation in the Work of Special Committees of the Board of Directors:

Independent Directors took up positions in Strategy Committee, Audit Committee, Remuneration and Examination Committee. Chai Qiang was member of Strategy Committee; Meng Yan was the convener of Audit Committee; Chen Yanping was the convener of Remuneration and Examination Committee; Gong Xinglong was member of Audit Committee and Remuneration and Examination Committee. In the report period, they all actively participated in the work of each committee, and offered expert opinion to the Company's business strategy and major investment decisions.

(III) Execution of Duties in Compiling and Disclosing the Annual Report

In the report period, the Company established *The Working Rules of Annual Report for the Independent Directors*. During the process of compiling and disclosing the Annual Report, Independent Directors seriously performed their duties by hearing management team's report of production, operation and progress of significant events, spot investigating projects and communicating with CPAs, and exerted independent function in annual report work.

(IV) Active Offering of Opinions on Related transaction and Other Major Issues:

In the report period, based on the requirement of *The Working Instruction of Independent Directors*, Independent Directors fulfilled their supervisory duties by offering of independent opinions on related transaction (including related transaction associated with public offering of A-shares, entrustment loan and assets tenancy), appointment of Directors and Senior Executives, and self-evaluation of internal control.

(V) Pursuant to relevant laws and regulations, the Independent Directors paid attention to the management of proceeds, reviewed the Notice on the Management and Use of Proceeds, and considered that there was no difference between the actual use of proceeds and what have been disclosed.

(VI) In the report period, Independent Directors did not expresse disagreement on proposal approved in the past shareholders' general meeting and other issues.

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

The business scope of the Company differed with that of the controlling shareholder; the Company is completely independent from the controlling shareholder in terms of business operations, assets, staff, organization, and finance. The Company maintains its business independence and operation autonomy.

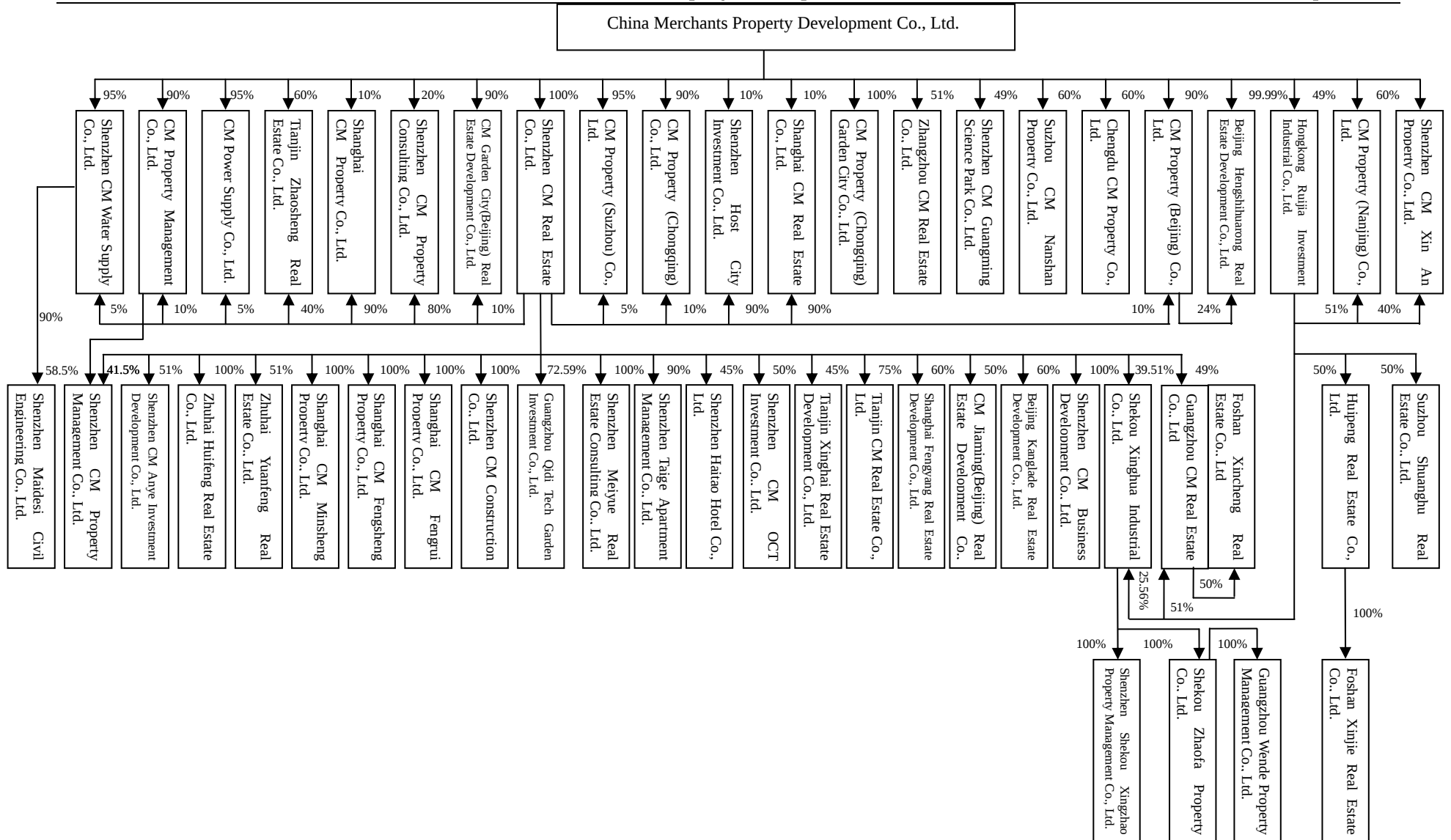
V. Establishing and Enhancing the Internal Control Mechanism

(I) General situation of the Company's Internal Control:

Pursuant to the regulations of the Company Law, Securities Law and the Rules of Shenzhen Stock

Exchange for the Listing of Stocks, the Company has established a set of relatively complete internal control mechanism which involves each operation unit and management level, with consideration of the characteristics of real estate business industry and business structure of the Company. In production, operation, finance management and information disclosure, the Company has written rules to follow and the internal control mechanism was effectively implemented.

Chart of controlled subsidiaries and shareholding structure



(II) Enhancing the Internal Control Mechanism

The Company is dedicated to continue to enhance its internal control mechanism. In 2008, in land purchase, project planning and design, project construction and commercial housing sales as well as related transaction and information disclosure, the Company has been revising, refining the mechanism based on the need of business control and change of actual circumstances. In terms of financial management, pursuant to rules of *New Accounting Standard for Business Enterprises*, the Company sorted, complemented and refined the current financial management system, accounting system and various rules of financial management, which enhanced the Company's ability in monitoring and management of financial activities. The implementation of the new system would further standardize and enhance the role of finance in control and monitoring budget, cost, sales and capital in the whole process of real estate development

Besides, due to the need of the business, there are some foreign currency loans. In order to avoid the risk incurred by foreign currency loan due to fluctuation of exchange rate, it is necessary to use NDF transaction (Nondeliverable Forward Exchange Transaction) to foreign currency loan. The Company always employ NDF transaction to foreign currency loan with the authorization of the Board of Directors to meet the management objective of minimization of risk. In the report period, the Company revised its Derivative Financial Instrument Transaction System and submitted it to the Board of Directors for approval. The system has laid down rigorous rules in authorization, report, monitoring and accountability to ensure that risk is being controlled in a limited range.

(III) Inspection and Monitoring of Implementation of the Internal Control Mechanism

The Company has adopted multilayer monitoring and control for the implementation of internal control. The Audit Committee is responsible for directing and supervising the establishment, improvement and implementation of internal control; the headquarter of the Company is responsible for the management of major events, and decision-making, management and control in exceptional events; the Company's group dedicated to operation reform undertook regular inspection of production and operation plan of each project and provided precaution and trend analysis; the Safety Committee occasionally inspected the safety of each project to timely avoid potential safety problem; the Engineering Management Center occasionally inspected project in progress to strengthen the supervisal of progress and quality of engineering. The Company also supervised and managed each subsidiary companies, project department, functional department and employees through performance evaluation. The Company has established an institution dealing specifically with internal control – the Audit and Internal Risk Control Department, the responsibility of which was conduct internal auditing and monitoring of business management, budgeting and expenses status, operation benefit and potential risk of each subsidiary companies, the Audit and Internal Risk Control Department is answerable to the Board of Directors and provides regular report about the implementation and monitoring of internal control to the Board of Directors each year.

(IV) The Plan to Further Improve the Internal Control Mechanism

The Basic Standard for Enterprise's Internal Control jointly issued by the Ministry of Finance and other ministries and commissions would be implemented among listed companies in 2009. The Board of Directors asked the Company to take the new regulation as an opportunity, to comprehensively examine, revise, and improve the current internal control mechanism. Meanwhile, the Company should make objective appraisal on the implementation and effects of the current internal control mechanism, conduct in-depth analysis and estimate potential operation risk, and actively adopted appropriate countermeasures to enhance the effectiveness of internal control.

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

1. Pursuant to *The Standard for Internal Accounting Control—General Standard (Trial)* issued by the Ministry of Finance and other more specific rules, the Company has established an internal control mechanism related to financial reports; the internal control mechanism is reasonably designed, and effectively implemented.
2. Auditing Institution offered Appraisal Opinions on Internal Control: details can be found in the Notes to Annual Report.

Deloitte Touche Tohmatsu CPA Ltd. was entrusted to audit the abovementioned Self-Evaluation Report of Internal Control, and offered Auditor's Report on Internal Control (DSB (He) Zi (09) No.E0011). According to the auditor's report, as of December 31, 2008, in all major areas, the Company has effectively maintained the internal control mechanism stated in Self-Evaluation Report, which was related to financial statements, established according to *The Standard for Internal Accounting Control—General Standard (Trial)* issued by the Ministry of Finance and more specific rules.

VI. Performance Evaluation and Incentive Mechanism for Senior Executives

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

Pursuant to the Articles of Association and relevant laws and rules, the Company has established Incentive and constraint mechanism in association with the Company's business characteristics; the Company has set up a reasonable remuneration system based on the organization's internal career development path, which ensures that individual remuneration reflects the difference in job responsibilities, technical level and work efficiency. The level of remuneration is also adequately competitive to attract outside talents. When determining the incentive mechanism for Senior Executives, great attention has been paid to effectively connect incentive with performance and exploiting the role of incentive mechanism in enhancing the Company's management. Remunerations of Senior Executives are finally determined by individual performance evaluation, with reference to market rates. Currently, the Company is researching on share incentive mechanism according to relevant state laws, regulations and policies, in order to establish an incentive mechanism which is more scientific, reasonable, complete and market competitive.

VII. Performance of Social Responsibility

Since its foundation, the Company has inherited the corporate culture of China Merchants emerged through over one hundred years, which carries grand historic mission and sense of social responsibility. During its development, the Company is not satisfied with being merely a "homo economicus" that is only interested in pursuing economic profits. On the one hand, the company is actively engaging in creating economy value, on the other hand, committed to maintaining the harmony between society and environment, focusing on people's livelihood. The Company is willing to be a "person of the society" who is brave to bear social responsibility, and set a good image of enterprise. The Company is making great efforts to establish a harmonious enterprise with healthy organization atmosphere, sustainable development of the enterprise, comprehensive growth of employees and common identification of the society.

This year is the first time the Company publishes its report on social responsibility. The report has fully recorded the Company's achievements in social responsibility in its history.

Chapter 7. The Shareholders' General Meeting

During the report period, one Shareholders' Meeting and two Provisional Shareholders' Meetings were held:

- I. On March 17, 2008, the Company held the 2007 Annual Shareholders' General Meeting, and the resolution notice was released on March 18, 2008.
- II. On June 2, 2008, the Company held the 1st Extraordinary Shareholders' Meeting, and the resolution notice was released on June 3, 2008.

III. On September 22, 2008, the Company held the 2nd Extraordinary Shareholders' Meeting, and the resolution notice was released on September 22, 2008.

The above notices were all published on *China Securities Journal*, *Securities Times* and *Shanghai Securities News*.

Chapter 8. Report of the Board of Directors

I. Management Discussion and Analysis

(I) Analysis on business environment and its impact on the Company

In 2008, the domestic and overseas environment for national economy was complex and unstable. In the first half of the year, with respect to the outstanding problems occurred in the economy such as rapid increase of price and monetary expansion, the State made "Preventing the Economy from Overheating, Preventing from Inflation" as the main target for macro-economic control, in accordance, moderate fiscal policy and tight monetary policy were implemented. As the policies were reinforced with more strength, inflationary pressure and tendency of overheated investment were effectively constrained. GDP for the first half of the year had increased by 10.4% on a year-on-year basis, and the growth rate had declined by 1.8 percentage point on a year-on-year basis. Since September, the financial crisis originated from the subprime crisis has spread to the whole world, from developed countries to emerging economies, from financial system to the real economy. As a result, growth rate of domestic economy was slowed down, GDP for the 3rd quarter had increased by 9% on a year-on-year basis, and growth rate has declined by 2.3 percentage points on a year-on-year basis. For the 4th quarter, GDP increased by 6.8% on a year-on-year basis and the growth rate has declined by 4.4 percentage points on a year-on-year basis. Consequently, GDP for the whole year only increased by 9.0% from last year, the lowest level in the past 7 years. To deal with the crisis, the national government defined "Maintaining the Steady and Rapid Growth of the Economy" as the target for macro-economy control; implemented active fiscal policy and moderate monetary policy; and made relevant adjustment on interest rate and taxation policy for a number of industries.

In the first half year of 2008, as a result of the impact of macro-economy policy, domestic real estate market continued to experience adjustment. Sales area of commodity residential properties for the 1st and 2nd quarter decreased by 0.3% and 10.8% on a year-on-year basis, respectively, and sales amount increased by 5.2% and decreased 4.9% on a year-on-year basis, respectively. Major industrial indicators also fell steadily. Through the second half of the year, following the drastic change in domestic and overseas economic environment, the fact that real estate industry is closely related to national economy and highly dependent on capital, rendered the industry into deep adjustment. This was reflected through the shrinking of sales amount, the falling of house, and the reduction of investment. As for the 3rd and 4th quarters, the sales area of commodity residential properties decreased by 27.2% and 25.3% on a year-on-year basis, respectively, and sales amount decreased by 33.9% and 26.0% on a year-on-year basis, respectively. Key industrial indicators had seen a significant drop from the first half of the year. In capital, real estate enterprises experienced double pressures from shrinking sales and tightened financing channels. In the composition of capital used for real estate development in 2008, capital raised from account paid in advance and earnest money decreased by 29.7% on a year-on-year basis, and capital raised by enterprises themselves had reached 28%. The whole year funding gap for real estate businesses had increased to RMB 600 billion. The growth rate of finishing development investment in real estate for the whole year dropped back 9.3 percentage points on a year-on-year basis.

For the Company, 2008 was a year when many saleable resources were ready for release and regional projects successively reached sales period, after the Company completed its strategy layout across the whole nation. Based on its strategic plan and development phase the Company made year 2008 as the "Sales Year". In the whole year, the Company promoted 18 projects in 11 cities across the nation with the on-sale buildings presented to market reaching to 750,000 square meter. Viewing by region, 40% of on-sale projects were located in the Pearl River Delta Region, which was the region adjusted with the largest scope in real estate market; viewing by timing, 80% on-sale projects were released in the 3rd and 4th quarters when the market condition deteriorated drastically. Faced with the griming condition, the Company endured unpredictable test and challenge in 2008.

(II) Countermeasures

In the first half of 2008, the Company had been mainly focusing on enhancing three basic capacities: management, turnover and cost. A series of effective management and control measures were made and adopted.

During the initial stage of transition from a regional developer to a national developer, through the establishment of various systems and mechanisms in regional headquarters, the Company introduced strict authorization procedure and systematic control mechanisms with regard to operational decision-makings in subsidiary companies. These mechanisms helped to control risks brought by business expansion. As the management teams of projects companies in different localities become increasingly mature, in order to enhance management and decision-making efficiency and to respond more promptly to market environment, the Company further clarified the definitions of responsibilities and jurisdictions of the national headquarter, regional headquarter, project companies and various special committees based on the principle of “Decentralizing Power, Matching Authority with Accountability, and Moving Forward Focus”, moved forward management function, shortened decision-making chain,, and made distinctive improvement in efficiency.

With regard to the problem that project development period had been too long as a result of excessive attention paid on product design in the past, the Company established a Sustainable Production and Operation Group; using the three principles of “Advancement, Contraction and Parallelism”, the Company implemented advanced design scheme to shorten the time from land purchase to project construction. By means of advanced project classification, improvement of multilayer management and detailed development template, the Company successfully reduced development period to more than 100 days. In the report period, the Company founded Shenzhen China Merchants Construction Corporation Limited, which is qualified for self inviting public bidding, to further strengthen management and control on project development progress.

The Company started overall cost-reduction work in project cost, financing cost and administrative cost. In terms of project cost management, the Company focused on key indicators which had significant impact upon cost, and managed to enhanced cost control through planning and design, the iinitial stage of project development. Through design optimization, the Company successfully reduced costs for 28 projects. In terms of financing cost control, Regarding financing cost control, the Company managed to adjust debt structure in terms of compositions of long and shor-term loans, domestic and foreign currency loans, and in so doing maintained average financing cost at a relatively low level. The Company also adopted effective measures to rigorous control administrative costs, and main expenses for main projects were reduced to 70% of annual budget.

In the second half of 2008, as the economic recession caused by financial crisis deteriorated, market confidence for economic growth was further weakened, and housing price was expected to further decrease. As a result, adjustment experienced in the real estate market became even deeper..The Company set “Ensuring Financial Security” as the working focus for the second half of year; marketing and sales and active financing are elevated to primary position in the Company’s operation strategy.

In the 2008 “Sales Year”, the Company launched a great number of projects, while facing a deteriorated market environment and increasingly fierce competition; sales pressure increased significantly. The Company understood that inceasing sales and speeding up capital backflow should be the most effective way to reduce funding pressure and maintain business performance for the year. The Company adopted the theme of “Promoting Sales and Speeding up Capital Backflow”, based on which actively carried out business operation and management works; strengthened training for sales personnel; introduced professional sales team and experience, and advocated the “all employees marketing”strategy.. The Company adopted the marketing strategy of “Respecting Market, Paying Attention to Competition, and Speeding up Sales” implemented flexible and effective pricing strategy, achieved a balance between speed-up of sales and maintaining adequate space of profits.

The existence of a stable financial structure is a critical factor for real estate companies to successfully get through the industry crisis. With due consideration of external situation, financing environment and its own financial status, the Company launched financing efforts in capital market and monetary market

in 2008. In terms of financing in capital market, under the guidance from the Strategy Committee of the Board, the Company designed an additional public offering scheme which matched the condition of the Company as well as market environment,, determined a reasonable offering price, carefully followed market condition, and made an in-time decision to complete the public offering, raising proceeds of 5.777 billion. This was a major achievement given the market circumstances of 2008;; the refinancing was effective in relieving the Company from funding pressure and strengthening its capacity in enduring market adjustment. In terms of financing in monetary market, under the guidance of monetary policy, the Company optimized debt structure in terms of domestic and foreign currency and long and short term loans; properly arranged and adjusted capital used for loan repayment, conducted rigorous control on liquidation risks, actively expanded credit lines from commercial banks. The Company received credit line of RMB 31.6 billion from commercial banks, an increase of RMB 17.4 billion from 2007, which played a significant role in ensuring capital supply for the Company. To hedge risk from foreign exchange, the Company arranged Non-deliverable Forward (NDF Trade) for foreign currency loans to fix exchange rate. According to the conventional transaction control system, the Company standardized transaction operation and conducted risk management.

II. The Company's Business Review

(I) Overall Operation

In 2008, while the industry was subject to deep downward adjustment, and many domestic and overseas unfavorable factors have made a negative impact on the Company, the Company still managed to realize a comparatively sound business performance. Realized operating income was RMB 3.573 billion, and net profit attributable to shareholders of parent company was RMB 1.228 billion. There has been a modest increase in net profit from last year. Among the operation income:

RMB 1.94 billion generated from sales income of commodity residential houses, with settlement area of 113,500 square meters;

RMB 0.503 billion generated from leasing income of investment property, with leasing area of 6.25 million square meters;

RMB 0.679 billion generated from sales income of power supply, with 841,460,000 kilowatt electricity being sold;

RMB 0.079 billion generated from sales income of water supply, with 28,410,000 tons of water being sold.

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

Business Sector	Operation income			Operation cost			Operation gross profit			Gross profit ratio	
	Amount RMB'000	Increase or decrease compared to that of last year	Proportion taken in total amount	Amount RMB'000	Increase or decrease compared to that of last year	Proportion taken in total amount	Amount RMB'000	Increase or decrease compared to that of last year	Proportion taken in total amount	Profit margin (%)	Percentage point increased or decreased year-on-year
Real estate development	1,939,969	-26%	54%	976,394	-15%	47%	963,574	-35%	65%	50%	-6
Property leasing	502,593	31%	14%	261,195	38%	12%	241,398	25%	16%	48%	-2
Real estate agency	60,089	-42%	2%	56,506	-29%	3%	3,583	-84%	0%	6%	-16
Power and water supply	757,237	4%	21%	533,292	-4%	25%	223,945	30%	15%	30%	6
Property management	300,650	23%	8%	258,193	39%	12%	42,457	-26%	3%	14%	-10

During the report period, the Company realized good performance in sales, with real estate sold with signed agreements amounting to RMB 6.415 billion and 44,520,000 square meters, making average sale price of approximately RMB 14,400 per square meter. Although annual sales plan was not accomplished,, the Company nevertheless realized a significant growth from last year. Among the sales reached with

agreements, RMB 1.625 billion was from Nanjing International Financial Center, with total sale area of 118,000 square meters. Due to the fact that a large amount of middle and high-end projects were launched in this year, the average sale price increased considerably from last year.

(II) Operation of the Main Business of the Company

Real estate development

In the report period, the Company started the development of 42 real estate projects in across 11 cities simultaneously. At the end of 2008, a total area of 1,610,000 square meters was on sale, and 3,300,000 square meters area was in construction or being completed but not yet available for sale.

Real estate project unders development in 2008

(Unit: '0000 square meters)

No.	Project name	Region	Planned construction area	Equity construction area	Area of construction in process and construction unsold though finished	Area settled in current year	Accumulatively settled area	Launched / to be launched	Finished / to be finished
1	Lanxi Valley Phase II	Nanshan Shenzhen	14.75	14.75	11.70	1.72	3.05	2005.09	2007.08
2	Yishanjuan	Longgang Shenzhen	27.56	27.56	9.99	1.51	11.79	2005.06	2009.08
3	Haiyue Huating	Nanshan Shenzhen	7.60	7.60	7.60	-	-	2007.02	2009.07
4	Garden City Syber Port	Nanshan Shenzhen	4.05	4.05	-	-	-	2007.09	2009.9
5	Technology Building Phase II	Nanshan Shenzhen	4.26	4.26	-	-	-	2009.03	2010.03
6	Garden City Phase V	Nanshan Shenzhen	2.71	2.71	2.71	-	-	2008.03	2010.06
7	Kings Ville	Nanshan Shenzhen	12.93	12.93	-	-	-	2009.04	2012.06
8	Pilot Tower	Nanshan Shenzhen	6.80	6.80	-	-	-	2009.08	2012.03
9	Pilot Park	Nanshan Shenzhen	3.20	3.20	-	-	-	2009.08	2012.04
10	BUENA VISTA	Bao'an Shenzhen	30.31	15.16	3.26	1.84	7.14	2005.09	2011.10
11	CM Lanyuan	Bao'an Shenzhen	22.28	22.28	22.28	-	-	2008.03	2009.12
12	CM Guanyuan	Bao'an Shenzhen	22.22	22.22	-	-	-	2008.08	2011.08
13	Golden Valley	Panyu Guangzhou	94.61	94.61	12.90	-	-	2008.02	2015.07
14	Panyu Innovation Tech Garden	Panyu Guangzhou	83.94	58.76	-	-	-	-	-
15	Foshan Evian Town	Foshan Guangdong	45.90	22.95	35.30	-	-	2008.04	2012.06
16	Foshan Evian Up Town	Foshan Guangdong	26.83	13.42	10.80	-	-	2008.08	2013.03
17	Zhuhai Merchants Garden City A	Xiangzhou Zhuhai	12.30	6.27	12.30	-	-	2008.12	2011.02
18	Zhuhai Merchants Garden City B	Xiangzhou Zhuhai	22.12	22.12	-	-	-	2009.05	2012.07
19	Dream of Evian	Songjiang Shanghai	10.41	10.41	2.03	-	6.83	2005.09	2008.12
20	Zhuanqiao	Minhang Shanghai	13.76	13.76	8.11	-	-	2008.07	2011.11
21	Nanqiao	Fengxian Shanghai	9.86	9.86	9.86	-	-	2008.03	2010.03

No.	Project name	Region	Planned construction area	Equity construction area	Area of construction in process and construction unsold though finished	Area settled in current year	Accumulatively settled area	Launched / to be launched	Finished / to be finished
22	Shanghai Hyde Garden	Baoshan Shanghai	29.53	17.72	4.94	0.02	0.02	2006.05	2012.07
23	Shanghai Gulf Garden	Fengxian Shanghai	10.90	10.90	1.47	-	-	2008.10	2014.10
24	Evian Valley	Nanjing Xianling	14.51	14.51	10.48	1.84	1.84	2006.12	2010.12
25	Nanjing Xianling G82	Nanjing Xianling	42.05	21.03	-	-	-	-	-
26	Evian Town	Xiangcheng Suzhou	22.57	22.57	10.59	1.93	7.35	2005.06	2009.03
27	Suzhou Stone City	Wuzhong Suzhou	92.90	55.74	-	-	-	2008.04	2014.03
28	Suzhou Weiting	Suzhou Industry Park	16.90	8.45	-	-	-	2009.12	2012.12
29	Park 1872	Chaoyang Beijing	42.14	42.14	18.95	1.92	1.92	2006.10	2012.11
30	Beijing Xicheng House	Changping Beijing	42.60	21.30	25.82	-	-	2008.10	2012.04
31	Tianjin Xikang Road No.36	Heping Tianjin	3.40	2.55	2.85	0.55	0.55	2007.3	2009.11
32	Weijin South Road Item	Nankai Tianjin	31.18	31.18	8.59	-	-	2007.10	2013.09
33	CM Jiangwan City	Jiangbei Chongqing	42.72	42.72	10.87	-	-	2007.04	2012.12
34	Chongqing Garden City	North New Region Chongqing	51.93	51.93	-	-	-	2009.11	2015.08
35	Zhangzhou CM Garden City	Zhangzhou Development Zone	13.70	6.99	13.70	-	-	2008.07	2011.11
36	Nanpaotai	Zhangzhou Development Zone	67.80	34.58	-	-	-	-	-
37	Southern wood	Zhangzhou Development Zone	10.37	5.29	-	-	-	-	-
	Total		1,013.60	785.28	257.10	11.33	-		

Explanation: The total area settled and transferred in the report period amounted to 249,300 square meters, including: the total area settled and transferred listed in the above table amounted to 113,300 square meters; 18,000 square meters for Zhangzhou Yishanhai and Zhangzhou Coral Garden; and 118,000 square meters were settled and transferred by the integrity sale of transferring subsidiary company of Nanjing International Finance Center held by the Company.

Operation of investment property

The Company's total area of investment property available for lease was 625,600 square meters, this includes the newly added property of Sea Transportation Center and Nanhai E Cool Park, which accounted for 90,000 square meters. The accumulative leasing area accomplished throughout the year was 6,250,000 square meters, with realized leasing income of RMB 503 million, a 31% increase from last year. The annual growth rate of income generated from main properties such as Taige Apartment, Garden City Center and Technology Building all exceeded 10%. Since new projects would need to experience a certain period before leasing rate starting to rise, the total leasing rate of office buildings and factories in 2008 experienced a considerable decrease from last year. Moreover, due to external factors, leasing rate of other properties had also declined to some degree. Considering the impact on leasing business due to change of market environment, the Company had already taken a proactive approach to deal with the problem, employing methods such as retaining present clients and developing new clients, in order to

reduce extranl impact upon leasing rate.

Particulars about the investment property of 2008

	Area available for leasing	Accumulatively leased area Square meter'0000		Leasing rate		Indicative Building
	Square meter'0000	2008	2007	2008	2007	
Apartment	6.74	70.03	66.45	85%	81%	Taige Apartment
Villa	6.59	68.90	69.39	87%	90%	Jingshan Villa
Office building	21.22	190.17	108.66	76%	98%	New Times Square
Shop	14.85	168.33	196.52	94%	97%	Garden City Center
Workshop (others)	13.16	127.85	116.10	84%	97%	Science & Technology Building
Total	62.56	625.28	557.11	84%	95%	

Power and water supply in the Park

In the report period, the Company's power and water supply business in the Park was continuously influenced by industry structure adjustment of Shekou Industrial Zone. Quantities of power and water supply declined moderately from last year. However, as the energy-intensive manufacturing businesses gradually moving out from Shekou region, it was beneficial to develop Shekou as better residential area, which would then increase property value in the region.

Changes of power and water supply business

Business	Unit	2008	2007	Year-on-year increase / decrease
Power supply	Kilowatt'0000	84,146	87,598	-3.9%
Water supply	Ton'0000	2,841	3,021	-5.96%

Property management

In 2008, the Company improved its property management in two aspects. Firstly, the core of the business sector was to provide a supplement to the Company's real estate business, and meanwhile, the Company actively sought for high-end business opportunity, and realized significant achievement in business development; secondly, the Company enhanced quality guarantee mechanism, standardized onsite service, promoted management quality, and increased market dynamics. Ever since the Company stepped into the business of property management, the Company had assisted its developing products with national level-1 property management. The Company's capacity in cooperation had been improved, and realized the piling-up effect of excellent real estate and excellent property management brand.

In the report period, the total area under the Company's property management amounted to 14,570,000 square meters, a 4% decline from last year. Income from management fees was RMB 301 million, an 23% increase from last year, which was caused by changes in structure of property under management.

Table on change in property management area (Unit: square meter'0000)

Business	2008	2007	Year-on-year increase or decrease
Entrusted management	868.66	886.77	-2.04%
Consultant management	588.06	635.02	-7.40%

(III) Main Suppliers and Clients of the Company

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

In 2008, power sold by Shenzhen China Merchants Power Supply Co., Ltd. to the top five clients took 45% of the total power sales; and water sold by Shenzhen China Merchants Water Service Co., Ltd. to the

top five clients took 14% of the total water supply sales.

(IV) Analysis on Financial Condition of the Company

1. Analysis on assets change (Unit: RMB'000)

	Dec. 31, 2008	Dec. 31, 2007	Change scope	Main influential factors
Total assets	37,437,015	25,107,164	49%	Expansion of business scale
Monetary capital	7,389,134	3,588,096	106%	Expansion of business scale and increase of deposit with raised capital
Transaction financial assets	97,332	-	-	Influenced by change of exchange rate of USD, in forward exchange transaction, the fair value settled changed to be assets from liabilities
Account receivable	107,178	56,499	90%	Account receivable from selling houses increased
Account paid in advance	28,317	7,295	288%	Account paid for project in advance increased
Inventory	23,869,301	17,167,331	39%	Developing cost and land reserve increased
Other current assets	227,597	9,609	2269%	Value-added tax for land prepaid increased
Long-term account receivable	971,980	-	-	Bank entrusted loans increased
Long-term equity investment	771,232	568,290	36%	Investment in external projects increased
Construction in process	39,615	131,394	-70%	Hired fixed assets for reform , since finished, transferred to long-term deferred expenses
Intangible asset	94	52,464	-100%	Land use right for New Times Square was transferred to investment real estate
Long-term deferred expenses	196,539	8,101	2326%	Transfer in due to hire of fixed assets for reform project
Deferred income tax assets	40,876	9,017	353%	Deferred income tax assets confirmed by withdraw of land value added tax
Short-term loans	3,613,956	5,671,532	-36%	Structure adjustment on long and short term debt
Transaction financial liabilities	0	50,590	-100%	Influenced by change of exchange rate of USD, in forward exchange transaction, the fair value settled changed to be assets from liabilities
Account payable	1,863,688	2,916,864	-36%	Account payable for land was paid in this year
Account received in advance	2,731,473	183,054	1392%	Projects sold in advance increased
Other account payable	3,154,569	2,139,592	47%	Prepaid fee for projects from minor shareholders of subsidiary increased
Non-current liabilities maturing within one year	1,810,099	300,000	503%	Expansion of business scale and structure adjustment on long and short term debt
Long-term loans	6,807,316	3,645,235	87%	Expansion of business scale and structure adjustment on long and short term debt
Projected liabilities	90,466	1,211	7370%	Predicted to shoulder the debt of the companies transferred and the debt was formed before transfer
Capital stock	1,717,301	844,867	5%	Sent, transferred capital and issued new stock in 2007
Capital reserve.	8,548,545	3,413,858	23%	Brand value when issuing new stock

2. Analysis on assets constitution (Unit: RMB'000)

Item	Dec. 31, 2008		Dec. 31, 2007		Increase percentage of proportion in total assets	Main influential factors
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Total assets	37,437,015	100%	25,107,164	100%		Expansion of business scale
Monetary capital	7,389,134	20%	3,588,096	14%	6	Expansion of business scale and increase of deposit with raised capital
Inventory	23,869,301	64%	17,167,331	68%	-4	Increase rate was lower than that of total assets
Investment real estate	2,632,976	7%	2,377,676	9%	-2	The newly increased one was mainly the Sea Transportation Center
Short-term loans	3,613,956	10%	5,671,532	23%	-13	Structure adjustment on long and short term debt
Account received in advance	2,731,473	7%	183,054	1%	6	Accounts received from houses sold in advance increased

Item	Dec. 31, 2008		Dec. 31, 2007		Increase percentage of proportion in total assets	Main influential factors
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Other account payable	3,154,569	8%	2,139,592	9%	-1	Prepaid fee for projects from minor shareholders of subsidiary increased
Long-term loans	6,807,316	18%	3,645,235	15%	3	Expansion of business scale and structure adjustment on long and short term debt

3. Change in period expenses and income tax in the report period (Unit: RMB'000)

Item	2008	2007	Increase or decrease	Growth rate	Main influential factors
Sales expense	226,716	76,215	150,501	197%	Expansion scale of real estate development
Administrative expense	203,224	160,772	42,452	26%	Expansion scale of real estate development
Financial expense	30,914	10,605	20,309	192%	Expansion scale of real estate development
Income tax expense	209,865	259,309	-49,444	-19%	Taxable profits decreased

4. Change in constitution of cash flow in the report period (Unit: RMB'000)

Item	2008	2007	Increase or decrease	Growth rate	Main influential factors
Net cash flow arising from operating activities	-3,919,844	-4,002,592	82,748	2%	Expansion scale of real estate development
Net cash flow arising from investment activities	-419,241	-1,561,227	1,141,986	73%	Expenditure for purchasing equities of companies decreased
Net cash flow arising from financing activities	8,164,452	8,195,735	-31,283	-	

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

In 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'000)

Company name	Main products or services	Registered capital	Total assets		Net assets		Operation profit		Net profit	
			Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease	Amount	Year-on-year increase or decrease
Shenzhen China Merchants Real Estate Co., Ltd.	Real estate	106,000	17,638,347	66%	427,013	-7%	695,471	-34%	573,361	-37%
Shenzhen China Merchants Power Supply Co., Ltd.	Power Supply	57,000	1,492,353	-5%	642,266	32%	203,886	22%	169,696	3%
Shenzhen China Merchants Water Supply Co., Ltd.	Water Supply	43,000	194,082	-3%	162,221	1%	3,709	-52%	1,432	-84%
Shenzhen China Merchants Property Management Co., Ltd.	Property Management	25,000	274,382	2%	60,897	-19%	20,544	-18%	11,843	-24%

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
China Merchants Real Estate (Suzhou) Co., Ltd.	Real estate	30,000	417,799	17%	153,414	14%	25,012	-73%	18,932	-68%
Tianjin China Merchants Real Estate Co., Ltd.	Real estate	40,000	393,430	35%	44,545	29%	65,956	2417%	50,805	1885%
China Merchants Real Estate (Beijing) Co., Ltd.	Real estate	20,000	1,690,109	14%	52,403	385%	55,312	1670%	41,602	1329%
Zhangzhou China Merchants Real Estate Co., Ltd.	Real estate	50,000	770,061	58%	125,572	12%	17,619	-62%	13,114	-57%

In the report period, by direct establishment, ally establishment and equity purchase, the Company totally increased 5 controlling subsidiaries. Shenzhen CMRE purchased 90% equities capitals of Shanghai China Merchants Fengrui Property Co., Ltd.; the Company set the wholly-owned subsidiary-China Merchants Property (Chongqing) Garden City Co., Ltd. in Chongqing; with both investment from Shenzhen China Merchants Real Estate and Beijing Jiaming Real Estate Development Co., Ltd., China Merchants Jiaming (Beijing) Real Estate Co., Ltd. was set, and Shenzhen China Merchants Real Estate Co., Ltd. held controlling right over this company; Shenzhen China Merchants Real Estate set wholly-owned subsidiary-Shenzhen China Merchants Commerce Development Co., Ltd. in Shenzhen; with both investment from Shenzhen China Merchants Real Estate and Shenzhen China Merchants Financing Service Co., Ltd., Beijing Kanglade Real Estate Development Co., Ltd. was set in Beijing, and Shenzhen China Merchants Real Estate Co., Ltd. respectively held 60% shares and voting right proportion of the company.

In the report period, by means of transfer and liquidation, the Company dealt with 5 subsidiaries. In order to realize integrity sale of Nanjing International Finance Center, the Company transferred the following subsidiaries which held asset of the aforesaid Center: Elite Trade Investment Limited, Fortune (China) Co., Ltd., and Nanjing Fortune Real Estate Development Co., Ltd; China Merchants Property Management Co., Ltd. and its subsidiary China Merchants Property Management (Hong Kong) Co., Ltd. respectively transferred 70% and 30% equities of Xi'an China Merchants Property Management Co., Ltd. held by them; liquidation for the subsidiary China Merchants Port Service (Singapore) Co., Ltd. had been finished and the company officially logout in April of 2008.

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

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

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

Financial assets available for sale were the circulating shares of Shenzhen CAU Technology Co., Ltd. (hereinafter referred to as AU Technology) held by the Company. Till the report period end, the Company still held circulating shares with unrestricted condition of AU Technology. This item of assets belonged to listed stocks, so the Company confirmed their fair value according to the closing price in relevant time and place exchange.

Items related to fair value measure (Unit: converted into RMB'0000)

Item (1)	Amount at period-begin (2)	Current gains and losses due to change of fair value (3)	Accumulative fair value change calculated to equity (4)	Current balance for exchange rate convert (5)	Amount at period-end (6)
Financial assets					
Including:					
1. Financial assets which was measured by fair value and whose change was calculated to current gains and losses	-	9,488	-	245	9,733
Including: derivative financial assets	-	9,488	-	245	9,733
2. Financial assets available for sale	388	-	-214	-	174
Subtotal of financial assets	388	9,488	-	245	9,907
Financial liability					
Financial liability	5,059	-5,059	-	-	-
Total	5,059	-5,059	-	-	-

8. Devaluation of Significant assets

At the end of the report period, according to relevant regulations and demands of Accounting Standard for Enterprise and its accounting policy, the Company made devaluation tests on every single item in account receivable and inventory; and withdrew devaluation reserve according to the principle of Lower of Cost or Net Realizable Value. When the net realizable value of this asset was lower than its cost, devaluation reserve was withdrawn according to the balance between the cost and the net realizable value of this single asset.

Devaluation reserve for inventory

According to the test result, the Company had 2 items whose net realizable values were lower than their costs, which met the demand for withdrawing devaluation reserve in 2008 (Unit: RMB'0000)

Project	Equity proportion	Withdrawal of devaluation reserve	Net profit influenced	Net profit attributable to shareholders of parent company influenced
Foshan Evian Up Town (original Chancheng District, Foshan)	50%	18,237	18,237	9,119
Suzhou Weiting	50%	11,384	11,384	5,692
Total		29,621	29,621	14,811

Devaluation reserve for account receivable

Due to the fact that Hong Kong Ruijia was unable to pay the initial payment for the land bid, as scheduled, the company withdrew devaluation reserve for the deposit HKD 122,501,310 (RMB 108,033,906) in full amount.

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

Item (1)	Amount at period-begin (2)	Current gains and losses due to change of fair value (3)	Accumulative fair value change calculated to equity (4)	Current balance for exchange rate convert (5)	Amount at period-end (6)
Financial assets					
Including:					
1. Financial assets which was measured by fair value and whose change was calculated to current gains and losses ²	-	9,488	-	245	9,733
Including: derivative financial assets	-	9,488	-	245	9,733
Subtotal of financial assets	-	9,488	-	245	9,733
Financial liability					
Financial liability	5,059	-5,059	-	-	-

III. Management achievements

In 2008, the Company kept steady and honest operation. Faced with complicated and variable overseas and domestic economy and challenges brought by industry situation, the Company actively responded, practically promoted management work, and received outstanding achievement and recognition from various aspects. In 2008, Due to the fact that the Company effectively promoted forward progress of science and technology innovation, it gained Shenzhen Innovation Collectivity in Technology Construction; continued to hold the title of Blue Chip Real Estate Award; continued to squeeze into Top Authorized Constitution: Top 10 of Listed Companies in Chinese Real Estate, Top 20 Enterprises of Powerful Competition in Guangdong Real Estate and Top 10 Qualified Real Estate in Shenzhen Guangdong; also acquired some special honors in this industry, such as Top 100 Award and IR Innovation Award for listed company investors relationship promulgated by China Listed Company Investor Management Research Center.

IV. Prospect on future development of the Company

(I) Analysis on industry tendency

From year-end of 2008 to year-begin of 2009, the State presented active changes in adjustment and control in real estate industry. Real estate industry as significant leading industry in national economy was reemphasized. A series of measures advancing healthy development of real estate market were successively released, among which continuous interest reducing and prudent moderate housing loan policy for second house would effectively relieve pressure of house purchasers and stimulate effective market demand. In the government working report of the 2009 Two Sessions as NPC and CPPCC, the attitude was reconfirmed that more Active and Effective Policy Measures should be Adopted, Confidence for Market and Prediction should be Stabilized, Real Estate Investment should be Stabilized and Real Estate Business should be Promoted with Steady and Order Development.

The Company believed that: as the national policy measures were practiced in place and the accumulative effect gradually appeared, besides, factors supporting development of real estate industry had not changed in long term, real estate industry would still have good prospect. While at the same time, risk of further exasperated financial crisis caused by internal and external factors and interacting cumbrance between entity economy and dummy economy still existed, various uncertainties occurred from the financial crisis would influence people's confidence for economic growth of 2009. In a short term, situation for real estate industry was still to be pessimistic, so more caution and practical measures should be paid.

(II) Main countermeasures

With 25 years experiences and practices, the Company grew to be a comprehensive developer across the nation from the original regional developer. It figured out balanced and rational industry structure and products combination; enriched itself with regions-across and scale developing management experiences; cultivated a batch of professional management team. With successful capital operation in recent years, its capital scale walked forward to a new step; financial structure became steadier; integrity power, especially its risk-fighting ability was improved distinctly. The Company had confidence to pass the industry crisis successfully and grasped the developing opportunity in adjustment period to lay firm foundation for rapid development for the next period. The Company prepared itself well and looked forwarded to this crisis.

The Company would overall promote fine management in 2009; strengthen improvement of a series of core abilities, especially in ability of cost management & control, marketing and customer service, the Company tried to realize cost control in whole process, marketing joined by all employees and service supplied by all employees. At the same time, the Company steadily controlled investment rhythm and actively promoted financing work in order.

In order to respond to influence on profit-making of the Company caused by declining integrity profit rate during the adjustment period for this industry, the Company continued to strengthen research and execution degree of cost control measures, detailing method of examination result of cost measurement related to encouragement & punishment for performance examination, and cut down the integrity operation cost for project in pattern of Developer Plus Constructor. In 2009, the Company still shouldered a heavy sales task. The Company would accelerate step in promoting construction of national marketing system. Through training and introduction of agent organization, the Company strengthened marketing

group, raised ability for rapid respond and increased sales by actively holding opportunity of step and regional market. The Company believed the most simple and fundamental principle, that: effective demand from customers was just the real reason for existence of a market. In 2009, the Company confirmed the theme as Service Year. Service awareness was further fastened into everyone's mind of the Company. On the basis of accumulative experiences for so many years, the Company was going to finely build a customer service system of its own characteristics and market competition ability.

As for the present constructions in process, the Company would pay close attention to market change in those regions; strengthened dynamic following-up analysis on implementation of construction investment; rationally adjusted investment plan through confirming production according to sales performance, held rhythm, to provide support for rapidly responding to market change. As for the newly-increased land reserve, the Company still adopted steady and prudent strategy; made prudent decision on timing for land-acquisition according to industry tendency and cash flow condition. In short term, the Company would pay more attention to the developing opportunities which might appear in Shenzhen, Beijing, Shanghai and Guangzhou in industry adjustment period.

Sufficient capital guarantee was not only the effective measure for answering uncertainties in adjustment period, but also the basic guarantee to grasp the opportunity for resuscitating industry. In 2009, the Company would continue to take use of diversified financing channels; developed and explored new type of financing variety; made good allocation for financial resource; further optimized its structures of borrowings, currency, term and credit; improved efficiency of capital management; reduced capital cost; strictly supervised and controlled key indexes such as debt and debt rate to control financial risks; and meanwhile, actively sought for financing opportunity in capital market. With the premise of weighing benefits for all shareholders, the Company should be cautious in considering financing in capital market and then laid stable foundation for long-term development.

(III) Operation plan for 2009

The Company would insist on guidance of Scale, Quality and Efficiency. Taking market as direction, and service as theme, the Company emphasized on quality, controlled cost, strengthened marketing, ensured diversified financing channel, sought for and held firmly development opportunity, consolidated operation advantages in investment property and water & power supply business in residence, kept safe and steady cash flow and steady growth of profit and finally realized the general operation target.

In 2009, totally 28 projects of the Company across 11 cities were promoted at the same time. The total area of planned construction in process reached at 4.13 million square meters, including 3.01 million square meters for continuously constructed area, and 1.12 million square meters for newly constructed area in 2009. Area of 1.71 million square meters were predicted to be finished with construction in 2009, and 1.2 million square meters area was predicted to be sold. 810 million kilowatt power and 28.6 million ton water were predicted to supply.

V. Investment of the Company

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

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

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

Total capital actually raised	229,217		Total proceeds used in this year		31,687	
			Total proceeds accumulatively used		204,727	
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 Real Estate Co., Ltd.	No	40,000	40,000	Yes	N/A	5,377
Purchase office building of New Times Square	No	88,000	88,000	Yes	16,491	2,885
Purchase land use right of		25,000	14,666	Note	6,793	Note

Meilun Apartment and develop for construction	No					
Haiyue Huating	No	33,000	18,844	Note	14,733	Note
Nanjing Xianlin (phase I – II)	No	43,217	43,217	Note	16,116	4,144
Total		229,217	204,727			
Explanation on reason why not reaching the planned progress and projected income	1. In the former Prospectus for Capital Raise of the Company, Shenzhen China Merchants Real Estate Co., Ltd. was predicted to keep steady growth in net profit after 2007. However, due to the economic situation of 2008 and that the new started construction of Shenzhen China Merchants Real Estate Co., Ltd. hadn't reached income confirmation condition, the net profit realized by Shenzhen China Merchants Real Estate Co., Ltd. in 2008 was RMB 578,760,000 which was lower than that of 2007. 2. Income of RMB 22.26 million was realized by office building of New Times Square in 2008. Due to the fact that the Company conducted a more stable depreciation policy since it purchased in New Times Square, the annual depreciation amount for this building was higher than that related to benefit measure in the original listing public notice with RMB 8.5 million. Besides, the tax rate adequate for the Company in 2008 was 18%, 3 percentage points higher than 15% used for measure in the original listing public notice. If computed according to the depreciation caliber in the original listing public notice, then New Times Square received an income of RMB 30.29 million in 2008, which was close to the predicted income. 3. Due to the fact that it was later for position of proceeds than prediction, the use of proceeds for Meilun Apartment and Haiyue Huating progressed slower than prediction. As of Dec 31st of 2008, these two properties were still being developed and no income from this project had yielded yet. 4. Benefit promised by Evian Valley included incomes from two phases projects, among which, the net profit promised to realize by Evian Valley phase I was RMB 49.45 million and the actual settled and transferred income proportion of Evian Valley phase I in 2008 was 74%, the actual net profit was RMB 41.44 million. If all income from this item could be settled and transferred, then the net profit realized could exceed the promised one. Till Dec 31st of 2008, Evian Valley phase II was still being developed and no income from this project had yielded yet.					
Explanation on reason and procedure of change (specified by detail items)	No change					

Deloitte Touche Tohmatsu CPA Ltd. made examination on application of proceeds raised from private placement of the Company, and issued DSB (He) Zi (09) No.E0013 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.500 Document promulgated by China Securities Regulatory Commission, and truthfully reflected actual application of proceeds raised from the Company's private placement of A-shares in all significant aspects.

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

Total capital actually raised	577,722		Total proceeds used in this year		346,824	
			Total proceeds accumulatively used		346,824	
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 Syber Port	No	22,722	16,118	Yes	8.93%	N/A
Garden City Phase V	No	22,000	18,605	Yes	8,830	N/A
Technology Building Phase II	No	16,000	13,342	Yes	8.88%	N/A
Pilot Tower	No	44,000	43,038	Yes	31,973	N/A
Pilot Park	No	34,000	30,474	Yes	13,462	N/A
Kings Ville	No	130,000	92,460	Yes	52,198	N/A
CM Guanyuan	No	40,000	13,710	Yes	50,523	N/A
CM Lanyuan	No	70,000	32,221	Yes	37,115	N/A
Weijin South Road	No	60,000	27,105	Yes	111,088	N/A
CM Jiangwan City	No	40,000	23,999	Yes	68,424	N/A
Evian Town phase III	No	26,000	14,937	Yes	15,088	N/A
Nanqiao project	No	35,000	9,644	Yes	18,653	N/A
Zhuanqiao project	No	38,000	11,171	Yes	27,485	N/A
Total		577,722	346,824			
Explanation on predicted income	Committed benefits of Garden City Syber Port and Technology Building Phase II were internal rate of return of the projects.					
Explanation on reason and procedure of change (specified by detail items)	No change					

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 (09) No. E0012 Examination Report, with the following examination opinions: application report of proceeds of the Company was

prepared according to the regulations of Regulation on Previous Application of Raised Capital-ZJFXZi (2007) No.500 Document promulgated by China Securities Regulatory Commission, and truthfully reflected actual application of proceeds raised from the Company's public offering of A-shares in all significant aspects.

(II) Input plan for projects invested with proceeds

Considering the market change, the Company adjusted its operation plan for 2009, and made relevant adjustment on input progress of projects invested with proceeds in 2009 to increase application efficiency of proceeds.

Input plan for projects invested with proceeds (Unit: RMB'0000)

No.	Item	Proceeds used in 2008	Proceeds planned to input in 2009	Proceeds planned to input in 2010	Total	Note
1	Garden City Syber Port	16,118	6,604		22,722	Workshop used for science and technology research & development
2	Garden City Phase V	18,605	3,395		22,000	Mainly for residence
3	Technology Building Phase II	13,342	2,658		16,000	Workshop used for science and technology research & development
4	Pilot Tower	43,038	962		44,000	Office building, commercial accommodation ,
5	Pilot Park	30,474	3,526		34,000	Mainly for residence
6	Kings Ville	92,460	7,305	30,235	130,000	Mainly for residence
7	CM Guanyuan	13,710	8,752	17,538	40,000	Mainly for residence
8	CM Lanyuan	32,221	31,416	6,363	70,000	Mainly for residence
9	Weijin South Road	27,105	27,850	5,045	60,000	Mainly for residence
10	CM Jiangwan City	23,999	16,001		40,000	Mainly for residence
11	Evian Town phase III	14,937	4,795	6,268	26,000	Mainly for residence
12	Nanqiao project	9,644	19,422	5,934	35,000	Mainly for residence
13	Zhuanqiao project	11,171	22,036	4,793	38,000	Mainly for residence
	Total	346,824	154,722	76,176	577,722	

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

Project	Investment in 2008	Increase in investment over last year	Progress	Income received in 2008
Beijing Xicheng Homestead	176,986	-	Phase I has started for construction	
Shanghai Gulf Garden	57,416	-	Phase I has started for construction	
Park·1872	39,867	32%	No.9 Building in phase I had been accomplished and moved in, and others were being constructed	Gross profit (deducting operation tax and surplus, value added tax for land)of RMB 83.53 million was realized
Golden Valley	27,312	35%	Phase I and phase II have started for construction	
Shanghai Hyde Garden phase II to phase IV	22,134	21%	Phase II was under general layout construction and phase III was under indoor decoration	
Suzhou Stone City	20,950	17%	Phase I has started for construction	
Lanxi Valley Phase II	18,826	30%	Accomplished, part units were in decoration	Gross profit (deducting operation tax and surplus, value added tax for land)of RMB 393.32 million was realized

Yishan jun	17,809	133%	Phase I and phase II were accomplished and moved-in, phase III was demolished with outside frame	Gross profit (deducting operation tax and surplus, value added tax for land)of RMB 22.52 million was realized
No.36 Xikang Road Tianjin	16,813	59%	Villas were accomplished and moved-in, and others were being constructed.	Gross profit (deducting operation tax and surplus, value added tax for land)of RMB 76.6 million was realized
Foshan Evian Town	16,306	16%	Phase I and phase II have started for construction	
Zhangzhou CM Garden City	9,272	48%	Phase I has started for construction	
Foshan Evian Up Town	8,888	6%	Phase I has started for construction	
Shanghai Yiyunjun phase II	8,109	145%	Accomplished and moved-in in January of 2009	
No.2 Land, Lanxi Valley Phase II	5,874	139%	Phase I has started for construction	
Zhuhai CM Garden City A	2,334	14%	Started for construction	
Zhangzhou Holiday 365	8,561	-	In prophase plan	
Chongqing Garden City	2,793	2%	In prophase plan	
Xixiang Golf Garden	4,437	30%	In prophase plan	
Zhuhai CM Garden City B	1,471	6%	In prophase plan	
Suzhou Weiting	1,190	1%	In prophase plan	

VI. Daily Work of the Board of Directors

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

In this year, the Board of Directors totally held 17 meetings, among which 3 meetings were held by spot, and other 14 were held by telecommunication voting or telephone meetings. Here comes the detail:

1. On January 10, 2008, the 5th Session Board of the Company held the 1st Extraordinary Meeting of 2008 by telecommunication voting, in which Proposal on Financing by Method of Intrusting was examined and approved. The resolution notice was disclosed on January 16, 2008.

2. On February 18, 2008, the 5th Session Board of the Company held the 21st Meeting, in which the following proposals were examined and approved: 2007 Financial Report, Proposal on Examining Balance of Amount of Period-begin in 2007 Financial Report Disclosed and Balance of Principle of the 2007 Financial Report, 2007 Annual Report and Its Summary, Preplan of 2007 Profit Distribution and Increase of Capital Stock Transferred from Capital Reserve, Working Report of Independent Directors of 2007, Appraisal Report on Internal Control of the Company, Proposal on Adjusting Allowance for Independent Directors, Proposal on Reengagement of External Audit Organ, Proposal on Engagement of Deputy General Manager of the Company, Proposal on Engagement of Secretary of the Board, Working System of Independent Directors for Annual Report, Management System on Raised Capital, Working Procedure of the Supervisory Committee of the Board for Annual Audit, Proposal on Related transaction, Special Explanation on Keeping Proceeds Previously and Application, Proposal on the Company Reaching Condition of Additionally Offering of A Share, Proposal on Additional public offering of A-Shares of the Company in 2008 or others related to Adding offering. The resolution notice was disclosed on February 20, 2008.

3. On March 4, 2008, the 5th Session Board of the Company held the 2nd Extraordinary Meeting of 2008 by telecommunication voting, in which proposal on related transaction was examined and approved.

4. On April 14, 2008, the 5th Session Board of the Company held the 22nd Meeting by telecommunication voting, in which Proposal on the 1st Quarterly Report of 2008 and Proposal on Renewal of Liability Insurance for the Directors, Supervisors and Senior Executives were examined and approved. The resolution notice was disclosed on April 15, 2008.

5. On May 16, 2008, the 5th Session Board of the Company held the 3rd Extraordinary Meeting of 2008 by telecommunication voting, in which Proposal on Emending Additiona Offering of A Share of the Company in 2008---Quantity and Scale for Issuance and Proposal on Explanation on Application of Proceeds Previously were examined and approved. The resolution notice was disclosed on May 17, 2008.

6. On June 2, 2008, the 5th Session Board of the Company held the 4th Extraordinary Meeting of 2008 by

telecommunication voting, in which Proposal on Acquirement of Entrusted Loan of RMB 300 Million Provided by Shekou Industrial Zone and Proposal on Providing Guarantee for Shenzhen China Merchants Power Supply Co., Ltd. for its Bank Loan were examined and approved. The resolution notice was disclosed on June 3, 2008.

7. On June 27, 2008, the 5th Session Board of the Company held the 5th Extraordinary Meeting of 2008 by telecommunication voting, in which Proposal on Period Guarantee Provided by China Merchants Property (Nanjing) Co., Ltd. for Phase II Sales Mortgage of Yiyunxi Valley was examined and approved. The resolution notice was disclosed on June 28, 2008.

8. On July 18, 2008, the 5th Session Board of the Company held the 6th Extraordinary Meeting of 2008 by telecommunication voting, in which Explanation on Reform in the Company's Governance was examined and approved. The resolution notice was disclosed on July 19, 2008.

9. On July 28, 2008, the 5th Session Board of the Company held the 7th Extraordinary Meeting of 2008 by telecommunication voting, in which Summary Report on Self-inspection on Capital Occupancy of Related Parties was examined and approved. The resolution notice was disclosed on July 29, 2008.

10. On August 28, 2008, the 5th Session Board of the Company held the 23rd Meeting, in which the following proposals were examined and approved: the Semi-annual Report for 2008, Proposal on Nomination for Candidates of Directors and Independent Directors for the 6th Board of Directors, Related transaction on Leasing Property of Huajian Region from Shekou Industrial Zone, Proposal on Emending Articles of Association, Proposal on Emending Management System for Related transaction, Proposal on Making NDF Business and its Authorization, as well as Proposal on Holding the 2nd Extraordinary Shareholders' General Meeting of 2008. The resolution notice was disclosed on August 30, 2008.

11. On September 22, 2008, the 6th Session Board of the Company held the 1st Meeting, in which the following proposals were examined and approved: Proposal on Election for Chairman of the 6th Session Board of Directors, Member of the 6th Strategy Committee of the Board, Member of the 6th Audit Committee and Member of the 6th Remuneration and Examination Committee, and Proposal on Engagement of General Manager, Deputy General Manager, CFO and Secretary of the Board of the Company. The resolution notice was disclosed on September 23, 2008.

12. On October 20, 2008, the 6th Session Board of the Company held the 2nd Meeting by telecommunication voting, and the 3rd Quarterly Report of 2008 was examined and approved in this meeting.

13. On October 30, 2008, the 6th Session Board of the Company held the 1st Extraordinary Meeting of 2008 by telecommunication voting, in which Proposal on Applying for Credit of Line of USD 150 million from China Merchants Bank was examined and approved. The resolution notice was disclosed on October 31, 2008.

14. On November 11, 2008, the 6th Session Board of the Company held the 2nd Extraordinary Meeting of 2008 by telecommunication voting, in which Proposal on Establishing Beijing Kanglade Real Estate Development Co., Ltd. Formed with both Investments from Shenzhen China Merchants Real Estate Co., Ltd. and Shenzhen China Merchants Financing Service Co., Ltd. was examined and approved.

15. On November 14, 2008, the 6th Session Board of the Company held the 3rd Extraordinary Meeting of 2008 by telecommunication voting, in which Proposal on Entrusting Shenzhen Nanshan Subbranch of Agriculture Bank of China to Provide Loan of RMB 1.05 billion for Nanjing Fortune Real Estate Development Co., Ltd. was examined and approved.

16. On December 5, 2008, the 6th Session Board of the Company held the 4th Extraordinary Meeting of 2008 by telecommunication voting, in which Proposal on Selling 100% Equities of its Subsidiary--- Elite Trade Investments Ltd. was examined and approved. The resolution notice was disclosed on December 9, 2008.

17. On December 29, 2008, the 6th Session Board of the Company held the 5th Extraordinary Meeting of 2008 by telecommunication voting, in which Proposal on Adjusting Application Plan for Proceeds through Public Offering in 2008 and Proposal on Replacing Self-raised Capital Invested in Advance in Projects with Proceeds were examined and approved. The resolution notice was disclosed on December 31, 2008.

The aforesaid resolutions were all published on China Securities Journal, Securities Times and Shanghai Securities News.

(II) Resolutions of Shareholder's Meeting Implemented by the Board

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

1. Implementation over 2007 Profit Distribution and Increasing Capital Stock Transferred from Capital Reserve of the Company conducted by the Board of Directors

Scheme of 2007 Profit Distribution and Increasing Capital Stock Transferred from Capital Reserve was examined and approved in the 2007 Shareholders' General Meeting held on March 17, 2008. The profit distribution scheme was: taking the total capital stock 844,867,002 shares as of December 31, 2007 as the radix, the Company sent 3 bonus shares for every 10 shares held by its shareholders and RMB 1 for every 10 shares (tax included); Scheme of Increasing Capital Stock Transferred from Capital Reserve was: taking the total capital stock 844,867,002 shares as of December 31, 2007 as the radix, the Company converted capital reserve to increase 2 common shares with every 10 shares.

The Company had released Notice on Implementation of the 2007 Profit Distribution and Increasing Capital Stock Transferred from Capital Reserve dated April 16, 2008. It was confirmed that the registration date with bonus-sent and dividend-dispatched was April 21, 2008, and the date for ex-dividend was April 22, 2008. In the report period, the Company had successfully accomplished bonus-sent and dividend-dispatched work.

2. Organized implementation over public additional offering of A share of the Company in 2008 conducted by the Board of Directors

Scheme of Public Additional Offering of A Share of the Company in 2008 was examined and approved in the 2007 Shareholders' General Meeting held on March 17, 2008. And the board of directors of the Company was authorized by the Meeting to implement the aforesaid scheme. Until December 8, 2008, the Company had already accomplished all work for issuing new shares and listing for trading.

3. Adjustment on application plan of proceeds raised from 2008 additional public offering of the Company and implementation over replacing self-raised capital input in advance for investment projects with raised capital conducted by the Board of Directors

In the report period, concerning that there was a gap between the capital planned to raise and the actual one raised through public additional offering of 2008, with authorization from Shareholders' General Meeting, the Company made adequate adjustment on input order and amount of raised capital according to actual demand of relevant projects, and took raised capital to replace the self-raised capital used in advance for the investment projects, with the premise that application plan of capital was not changed.

4. Implementation over works relevant to change in industrial and commercial registration conducted by the Board of Directors since the Articles of Association has been emended

In the 2nd Extraordinary Shareholders' General Meeting of 2008 dated September 22, 2008, articles relevant to the Company's registered capital and capital stock structure in the Articles of Association were emended, and the Board of the Company was authorized to finish works relevant to change in industrial and commercial registration. In the report period, the Company had finished the aforementioned works.

5. Implementation over liability insurances purchased for directors, supervisors and senior executives of the Company conducted by the Board of Directors

In the report period, according to the authorization from Shareholders' General Meeting, the Board of Directors of the Company renewed the Contract of Liability Insurances for directors, supervisors and senior executives of the Company with AIU Insurance Company Shenzhen Branch, with the contract term being one year and the liability limit being RMB 30 million.

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

1. Performance of the Strategy Committee

In the report period, the Strategy Committee held 4 meetings. With the direction of the strategy idea - Equal Development of Scale, Quality and Benefit, the Strategy Committee proposed a set of strategic measures with ensuring financial safety as the primary concept, which promoted the Company to implement active financing and sales strategy and strict investment and cost control strategy to effectively reduce the unfavorable influence brought by crisis.

In respect of financing in capital market, the Company proposed project of additional offer in line with characters of the Company and demand of the market, and directed the work of additional-offer in the whole process; in respect of investment, the Company promptly adjusted investment strategy, turned the

attention from scale and speed originally to quality and benefit; in respect of sales strategy, the Company was required to actively start each operation management work aiming to promote sales and accelerate capital reflux; in respect of cost management, the Company was required to implement strict cost control strategy, comprehensively reduce administration cost, energetically decrease cost of projects, pay more attention to key index with great influence on cost, and optimize design scheme.

In order to ensure long-term steady development of the Company, the Strategy Committee also proposed important opinions on strategy research, and required the strategy research to make good guarantee for decision-making system.

Besides, the Strategy Committee also proposed direction opinions on establishing finance model in accordance with the requirement of strategy management.

2. Performance of the Audit Committee

In the report period, the Audit Committee studied out Work Regulations for Annual Audit and Management System of Raised Capital according to relevant laws and rules, effectively performed duties, including: directed arrangement for Annual Report work, successively communicated with the accountants who were in charge of the annual audit for many times, and discussed about audit plan and relevant problems occurred in audit process, in the audit period; according to requirement of supervisory department, twice checked the financial reports and expressed written opinions; objectively appraised the work of CPAs who was in charge of the annual audit and wrote summary report on audit work; on the basis of knowing present CPAs' work, carried out suggestion on reengagement of CPAs; checked the reserve and usage of raised capital, and supervised the reserve and usage in accordance with relevant regulations of raised capital management; directed internal audit work, urged the Company to perfect internal control mechanism and required the Company to smooth internal control mechanism according to Basic Standards for Enterprise in Internal Control released by the Ministry of Finance and other Ministries, promptly complement and perfect internal control mechanism, and constantly improve administration level of the Company.

The Audit Committee twice checked the financial reports of the Company and thought that: the financial reports of the Company were true and credible and the content was complete, which accorded with the requirements of Accounting Standards for Enterprises, relevant regulations of finance and securities laws.

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

In the report period, the Remuneration and Examination Committee proposed direction opinions on deciding management system of remuneration and examination, and supervised the establishment of remuneration plan and payment of remuneration; paid attention on equity incentive system of the Company, and realized the progress and problems in making equity incentive system; checked the remuneration of directors, supervisors and senior executives received from the Company in the report period, which was planned to be disclosed in the Annual Report, and expressed opinions.

The Remuneration and Examination Committee thought that: in 2008, the establishment of remuneration plan, performance evaluation and payment of remuneration were all accorded with relevant laws, regulations, remuneration system and appraisal regulations of the Company; confirmation of the abovementioned remuneration reasonably represented their duty-performance and contribution to the Company, and changes of economy environment and achievement of the Company in 2008 were also considered, which embodied principles of "enjoying and bearing together"; the remuneration particulars which the Company planned to disclose in Annual Report were true and accurate.

VII. Profit Distribution of the Company

1. Implementation of Bonus Distribution Policy of 2007 in the report period

The Profit Distribution Plan of 2007 was: taking the total capital shares 844,867,002 shares as of year-end of 2007 as the radix, the Company sent 3 bonus shares per every 10 shares, and RMB 1.00 of dividend was given per 10 shares in cash (tax included); Scheme of Increasing Capital Stock Transferred from Capital Reserve was: taking the total capital stock 844,867,002 shares as of year-end of 2007 as the radix, the Company converted capital reserve to increase 2 common shares with every 10 shares.

Implementation of the plan has been accomplished on May 15, 2008, after being approved by the Shareholders' General Meeting 2007.

2. Preplan for Profit Distribution of 2008 and Increasing Capital Stock Transferred from Capital Reserve
Till the end of 2008, the audited undistributed profit of the parent company was RMB 2,728,924,171, including the undistributed profit RMB 2,485,046,999 transferred in at the year-begin, net profit of the year of RMB 581,823,973 transferred in this report period, and distributed profit of last year RMB 337,946,801.

According to regulations of relevant laws and rules and Articles of Association, the Preplan for Profit Distribution in 2008 was:

According to 10% of the net profit of the parent company RMB 581,823,973, withdrew statutory surplus reserve RMB 58,182,397; taking the total capital shares 1,717,300,503 shares as of year-end as the radix, cash RMB 1 (tax included) would be sent for per every 10 shares, that was to say, RMB 171,730,050 cash dividend would be sent. The residual undistributed profit RMB 2,499,011,724 was retained to the next report year.

The Company did not increase capital stock transferred from capital reserve this year.

The profit available to distribute in 2008 was as follows: (Unit: RMB)

	Amount of the Company	Proportion in net profit of the parent company of this year
Net profit in 2008	581,823,973	100.00%
Withdrew statutory surplus reserve	58,182,397	10.00%
Profit available for distribution at the year-begin	2,147,100,198	
Distributed cash dividends of 2008	171,730,050	29.52%
Profit retained to later years	2,499,011,724	

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

	Amount of cash dividends	Net profit of the Company in that year	Proportion in net profit of the Company in that year
2007	84,486,700	2,499,187,877	3.38%
2006	154,705,668	567,912,385	27.24%
2005	12,376,453	421,580,919	2.94%

VIII. In 2008, the Company chose the following media for information disclosure: *China Securities Journal*, *Securities Times*, *Shanghai Securities News* and *Hong Kong Commercial Daily*. While in 2009, the media for information disclosure were *China Securities Journal*, *Securities Times* and *Hong Kong Wen Wei Po*.

Chapter 9. Report of the Supervisory Committee

I. Working of the Supervisory Committee

In the report period, according to relevant laws and regulations, members of the Supervisory Committee presented the previous shareholders' meetings, joined the discussion about significant decision-making, seriously performed their duties, supervised holding procedures and decision-making procedures of Shareholders' Meeting, meetings of the board of directors, implementation of proposals of the board of directors in shareholders' meeting, duty fulfilling of Senior Executives and implementation of management system, and urged the board of directors and management level to operate legally and make decision scientifically.

The Supervisory Committee considered that the Board of Directors has rigorously implemented proposals of Shareholders' Meeting, and fulfilled the duties of the Directors, without any behavior which hurts the interests of the Company and its shareholders; the senior executives seriously implemented proposals of the Board of Directors, without any irregular or illegal behavior.

In the report period, the Supervisory Committee held 6 meetings in total. Details were as follows:

Number	Date of meetings	Name of meetings	Discussion topic	Disclosed date of proposals
1	February 18, 2008	The 10 th Meeting of the 5 th Supervisory	Report of the Supervisory Committee, Annual Report 2007,	February 20, 2008

		Committee	Evaluation Report of Internal Control	
2	April 14, 2008	The 11 th Meeting of the 5 th Supervisory Committee	The First Quarterly Report 2008	Undisclosed
3	July 28, 2008	The 12 th Meeting of the 5 th Supervisory Committee	Self-inspection Summary Report of Capital Occupation of Related Parties	July 29, 2008
4	August 28, 2008	The 13 th Meeting of the 5 th Supervisory Committee	Semi-annual Report 2008, Proposal on Nominating Candidates of Supervisors for the Supervisory Committee	August 30, 2008
5	September 22, 2008	The 1 st Meeting of the 6 th Supervisory Committee	Proposal on Electing Chairman of the Supervisory Committee	September 23, 2008
6	October 20, 2008	The 2 nd Meeting of the 6 th Supervisory Committee	The 3 rd Quarterly Report 2008	Undisclosed

The aforesaid information was disclosed on China Securities Journal, Securities Times and Shanghai Securities News.

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

(I) Legal Operation

The Company established a complete internal control mechanism; the decision-making procedure in the process of operation was in line with laws and regulations. There was no behavior violating laws, regulations, Articles of Association or hurting interests of the Company when the Directors and Executives of the Company performing their duties.

(II) Finance Check

The financial system of the Company was complete, calculation was standard, and management was effective. The financial report truly and exactly reflected financial status and operation achievement of the Company. The audit opinions on the financial report of 2008 expressed by CPAs were objective and fair.

(III) Usage of Proceeds

The Company raised proceeds of RMB 2.292 billion by private placement on September 30, 2007, and raised capital RMB 5.777 billion by public offering of A-shares on November 26, 2008. After checking financial report and management and use of proceeds, the Supervisory Committee understood that the proceeds was reserved in special account, use was standard, disclosure was true and management was rigorous. The usage of proceeds accorded with raised capital plan, and the management and usage followed relevant regulations.

(IV) Purchase and Sales of Assets and Related transaction

In the report period, the Company purchased 90% equities of Shanghai Fengrui Real Estate Co., Ltd.; totally sold Nanjing International Financial Center by selling 100% equities of Elite; as for related transaction, the Company received borrowing from Top Chief Co., Ltd. and entrusted loan from Shekou Industrial Zone. The Supervisory Committee thought that voting procedures of transaction events were legal and regular, the transactions were public, fair and reasonable, and accorded with the demand of business development, without any behaviors hurting interests of part shareholders or causing assets losses of the Company.

(V) Self-Evaluation Report of Internal Control

The Self-Evaluation Report of Internal Control offered by the Board of Directors truly and completely reflected actual condition of internal control mechanism of the Company. The Company had established a sound internal control mechanism, and the internal control mechanism was basically complete, almost without any significant defect, internal control mechanism and the present structure of the Company were suitable, and implementation was effective.

Chapter 10. Significant Events

I. Significant Lawsuit and Arbitration

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

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

Security code	Abbreviation of security	Initial investment amount	Proportion in equity of the Company	Book value at period-end	Gains and losses in report period	Changes on owners' equity in the report period
000004	ST Guonong	1,572,275	0.58%	1,743,773	-	-1,630,975

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

III. Purchase and Sales of Assets and Combination**(I) Related transaction involved in public offering of A-shares****1. Brief introduction of the transaction**

In the report period, relevant Proposal on Public Offering of A Shares was discussed and approved in the 21st meeting of the 5th board of directors, the 3rd extraordinary meeting 2008 and the Shareholders' General Meeting 2007. After approved by document [2008] No. 989 issued by CSRC, on November 26, 2008, the Company publicly issued 450,000,000 A shares, with the price of RMB 13.20 per share, and raised capital RMB 5.777 billion after deducting issuance fee. Shekou Industrial Zone and Zhangzhou Development Zone purchased 279,234,227 shares, which was 62.05% of the total shares issued.

The subsidiary company of the Company – Shenzhen China Merchants Real Estate Co., Ltd. purchased land use right of projects owned by the controlling shareholder – Shekou Industrial Zone with a part of proceeds by the abovementioned additional offering, including Garden City Syber Port, Technology Building Phase II, Garden City Phase V, Kings Ville, Pilot Tower, as well as Pilot Park, and the purchase price was decided as RMB 2,601,810,000 according to the appraisal value on December 31, 2007. On December 26, 2008, Shekou Industrial Zone offered Consideration Letter of Reducing Price of Land Use Right, and reduced RMB 519,960,000 of the land price which should be paid by Shenzhen China Merchants Real Estate Co., Ltd., with the reducing extent of 19.98%, and the purchasing price after reducing was RMB 2,081,850,000. In the report period, RMB 2,052,590,000 was paid.

2. Influence on the Company

The controlling shareholders actively purchased publicly-offered shares of the Company, and constantly injected projects with high quality to the Company, which fully embodied their confidence and support in future development of the Company. With this issuance and involved related transaction, the net assets of the Company increased greatly, capital status and financial structure were further perfected, and simultaneously would increase land reserve to own land with high quality, which could lift the comprehensive profitability level, increase anti-risk ability in this industry's downward period and ensure long-term, constant and healthy development of the Company.

Details of the transaction can be found in Notice of Connected tTansaction Involved in the Public Offering of A-Shares and Notice of Resolutions of the 5th Extraordinary Meeting of the 6th Board of Directors 2008 in *China Securities Journal*, *Securities Times*, *Shanghai Securities News* and Juchao website on February 20, 2008 and December 31, 2008.

(II) Sales of equity of Elite Trade Investments Ltd.**1. Introduction of the transaction**

Heighten Holdings Ltd. (hereinafter refer to Heighten) and Elite Trade Investments Ltd. (hereinafter refer to as ELITE) are both overseas subsidiary companies indirectly controlled by the Company. After discussion and approval of the 4th Extraordinary Meeting of the 6th Board Of Directors, Heighten sold equity of its subsidiary company – Elite and whole of Nanjing International Finance Center which was developed by the subsidiary company of Elite – Nanjing Fortune Real Estate Development Co., Ltd., to ADF Phoenix IV Ltd. (hereinafter refer to as ADF) with the price of RMB 1,625,000,000 according to the assets evaluation value on November 15, 2008, including transferring price for 100% equities of Elite was RMB 880,668,300 and transferring price for credit right of Nanjing Fortune Real Estate Co., Ltd. was RMB 744,331,700. According to Agreement on Sales and Purchase of Equity signed by the two

parties, the Company received the initial account for transferring equity of Elite with USD 106,067,034.37 (equal to RMB 725,000,000) paid by ADF on December 23, 2008.

2. Influence on the Company

Nanjing International Finance Center was one of the important developing projects of the Company. Selling this project was important measure for realizing comprehensive operation strategy, which could effectively complement cash flow of the Company and further optimize assets-liability structure.

Details of the transaction could be found in Notice of Progress of Significant Transaction, Notice of Resolution of the 4th Extraordinary Meeting of the 6th Board of Directors 2008 and Notice of Receiving the Initial Account for Transferring Equity of Elite Trade Investments Ltd. in China Securities Journal, Securities Times, Shanghai Securities News and Juchao website respectively on December 3rd, 9th and 24th of 2008.

IV. Significant Related transactions

(I) In the report period, there was no significant related transaction of purchasing or selling goods or providing labor service.

(II) Related transaction happened in transferring assets and equity

1. After approved by the Shareholders' General Meeting, the Company purchased land use right of 6 projects including Garden City Syber Port owned by the controlling shareholder - Shekou Industrial Zone with the proceeds from additional public offering of A-shares in 2008. Details could be found in Related transaction Involved in Public Offerring of A Shares in Purchase and Sales of Assets and Combination.

2. In January of 2008, the subsidiary company of the Company – Shenzhen CM Power Supply Co., Ltd. signed Confirmation Contract of Land Use Right with Shekou Industrial Zone, transferred the land use right of transformer substation with 110 KV, which located in Qianhai Gulf Logistic Park, south of Gangqian Road and west of Xinghai Road, with land number of T102-0183, and the transferring price was RMB 2,421,188. This transaction would provide advantages for the development of CM Power Supply in Qianhai Gulf Logistic Park.

(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, 2008 :(Unit: RMB)

December 31, 2008 (Unit: RMB)

Names of related parties	Party guaranteed	Guarantee amount	
Guarantee of bank acceptance			
Shekou Industrial Zone	Shenzhen China Merchants Real Estate Co., Ltd.	RMB	58,169,050
Paid guarantee			
Shekou Industrial Zone	The Company	RMB	146,266,963
Shekou Industrial Zone	Tianjin China Merchants Real Estate Co., Ltd.	RMB	6,070,029
Guarantee of short-term loan			
Shekou Industrial Zone	The Company	RMB	400,000,000
Shekou Industrial Zone	China Merchants Power Supply Co., Ltd.	USD	24,380,000
Shekou Industrial Zone	Suzhou China Merchants Nanshan Property Co., Ltd.	RMB	24,000,000
Guarantee of long-term loan			
Shekou Industrial Zone	The Company	RMB	210,000,000
Shekou Industrial Zone	Shenzhen China Merchants Real Estate Co., Ltd.	RMB	590,000,000
Shekou Industrial Zone	Tianjin China Merchants Real Estate Co., Ltd.	RMB	100,000,000
Shekou Industrial Zone	Shanghai Fengyang Real Estate Development Co., Ltd.	RMB	40,000,000
China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	HKD	130,000,000

China Merchants Group (Hong Kong) Co., Ltd.	Hong Kong Ruijia Investment Industrial Co., Ltd.	USD	177,000,000
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The wholly-owned subsidiary company of Shekou Industrial Zone – Top Chief Co., Ltd. provided liquidation guarantee for long-term foreign exchange business engaged in ING bank by the Company's subsidiary-Hong Kong Ruijia.

2. Intercourse amount between the Company and related parties as of December 31, 2008:

Unit: RMB

Item	Names of related parties	Amount at the year-end
Other account receivable	Shenzhen CM OCT Investment Co., Ltd.	261,728,182
Other account receivable	Beijing Hengshihuarong Real Estate Development Co., Ltd.	206,243,158
	Total	467,971,340
Account payable	Shekou Industrial Zone	82,395,024
Other account payable	China Merchants Zhangzhou Development Zone Co., Ltd.	200,850,000
Other account payable	Tianjin Xinghai Real Estate Development Co., Ltd.	117,331,399
Other account payable	Shenzhen CM Guangming Science Park Co., Ltd.	6,563,954
Other account payable	China Merchants Securities Co., Ltd.	2,000,000
Other account payable	China Merchants Hanghua Science & Technology & Trade Center Co., Ltd.	1,973,777
	Total	328,719,130

(IV) Other Related transaction

1. In the report period, Shekou Industrial Zone issued entrusted loan RMB 300 million for the Company respectively by Industrial and Commercial Bank of China Shekou Branch and Agriculture bank of China Nanshan Branch.

2. In December of 2008, the subsidiary company of the Company –Shenzhen China Merchants Real Estate Co., Ltd. and the connected party – Shenzhen CM Financial Service Co., Ltd. together found Beijing Kanglade Real Estate Development Co., Ltd., and respectively held 60% and 40% equities capital of this company.

3. Other daily transactions with related parties were disclosed in Notes of Financial Report.

V. Significant Contracts and Fulfillment

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

(II) Significant Guarantees

1. The Company provided phased joint guarantee for buyers of commercial housing, the guarantee term was from the date of issuing loan from the mortgage bank to the date that the bank completed handling Certificate of Land Property for buyers. At the end of the period, the Company provided guarantee RMB 177,090,000 for the aforesaid loans.

2. During the report period, the Company provided joint liability guarantee for bank loans of USD 30,000,000 (RMB 205,038,000) received by its wholly-owned subsidiary company – China Merchants Power Supply Co., Ltd. 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. At the end of the report term, the balance of the aforementioned loan was USD 30 million (equivalent to RMB 205,038,000).

In the report term, except for the aforementioned guarantee, there were no other external guarantees, no guarantees for the its shareholder, actual controller and other related parties and no debts guarantees provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly which were all supplied by the Company and its controlling subsidiaries.

(III) There was no entrusting financing event of the Company.

(IV) Other Significant Contracts in the Report Period

1. The Company received the confirmation letter for integrated line of credit from China Industrial and Commercial Bank of China Shekou Branch. It included the loaning line for circulating capital: RMB 0.4 billion for the Company, RMB 0.2 billion for its subsidiary–Shenzhen China Merchants Power Supply Co., Ltd., and RMB 3.1 billion for the various project companies of the Company. The above credits were available from January 4, 2008 to January 4, 2009.
2. The Company received the confirmation letter for credit of RMB 5.5 billion from China Construction Bank Shenzhen Branch, including RMB 5 billion for the Company, RMB 0.3 billion for the subsidiary company – Shenzhen China Merchants Real Estate Co., Ltd. and RMB 0.2 billion for Zhangzhou CMRE.
3. The Company signed agreement with Bank of China Shenzhen Branch for the credit of RMB 0.24 billion, with term from March 27, 2008 to March 26, 2009.
4. The Company signed agreement with Agriculture Bank of China Nanshan Branch for the credit of RMB 2 billion, with term from February 12, 2009 to October 17, 2011.
5. The Company signed agreement with China Merchants Bank for the credit of RMB 3 billion, with term from April 16, 2007 to April 16, 2009.
6. The Company signed agreement with China Minsheng Bank Shenzhen Branch for the credit of RMB 1 billion, with term from November 28, 2008 to November 28, 2009.
7. The Company signed agreement with Industrial Bank Shenzhen Branch for the credit of RMB 1 billion, with term from October 26, 2007 to October 26, 2008.
8. The Company signed entrusted loan contract with China Industrial and Commercial Bank Shenzhen Shekou Branch for the loan of RMB 0.3 billion, with term from June 2, 2008 to June 1, 2010.
9. The Company signed entrusted loan contract with Agriculture Bank of China Shenzhen Nanshan Branch for the loan of RMB 0.3 billion, with term from September 25, 2008 to September 24, 2010.
10. The Company signed entrusted loan contract with Agriculture Bank of China Shenzhen Nanshan Branch for the loan of RMB 0.9 billion, with term from November 28, 2008 to November 28, 2012.
11. The subsidiary company of the Company – Shenzhen CM Construction Co., Ltd. signed entrusted loan contract with Bank of China Shenzhen Shekou Branch and Nanjing Fortune Real Estate Development Co., Ltd. for the loan of RMB 0.156 billion, with term from December 12, 2008 to December 17, 2012.
12. The Company signed Assets Support Trust Contract of Shangxin Guorui and China Merchants Property with Shanghai International Trust Co., Ltd., with term of 3 years, and raised capital of RMB 0.65 billion till the report date.
13. The subsidiary company of the Company –Shenzhen China Merchants Power Supply Co., Ltd. signed agreement with Bank of China Shenzhen Branch for the credit of RMB 0.4 billion, with term from September 7, 2007 to September 7, 2009.
14. The subsidiary company of the Company –Shenzhen China Merchants Power Supply Co., Ltd. signed agreement with ING Bank N.V. Shanghai Branch for the credit of USD 30 million, with term from June 18, 2008 to June 18, 2010.
15. The subsidiary company of the Company – Hong Kong Ruijia signed agreement with China Industrial and Commercial Bank (Asia) for the credit of HKD 0.5 billion or equal amount in USD, with term from December 24, 2008 to December 24, 2010.
16. The subsidiary company of the Company – Hong Kong Ruijia signed agreement with ING Bank N.V. Hong Kong Branch for the credit of USD 50 million, with term from November 19, 2007 to November 19, 2012.
17. The subsidiary company of the Company – Hong Kong Ruijia signed agreement with China Merchants Bank Offshore Department for the credit of USD 0.15 billion, with term from November 28, 2008 to November 28, 2011.

VI. Commitment

1. Shareholders' commitment

(1) 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 related parties or any 3rd 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. In the report period, Shekou Industrial Zone fulfilled the commitment strictly.

(2) In the report period, Shekou Industrial Zone rigorously fulfilled the commitment made in the Share Merger Reform of the Company: never sold the shares of the Company held by it; input high quality assets such as land to the Company by means of participation in public share-offer.

(3) During the process of application for convertible bonds in 2007, Shekou Industrial Zone promised not to transfer the Company's shares owned by it in 3 years since completion of share converting. In the report period, Shekou Industrial Zone fulfilled the commitment strictly.

(4) During the process of purchasing non-publicly issued A shares of the Company in 2007, Shekou Industrial Zone promised not to transfer these shares in 36 months from the day when the issuing was completed, that was from September 24, 2007 to September 23, 2010. In the report period, Shekou Industrial Zone fulfilled the commitment strictly.

(5) Top Chief Co., Ltd. – the whole-owned subsidiary of Shekou Industrial Zone, promised not to reduce its shareholding of the Company before October 12, 2008. In the report period, Top Chief Co., Ltd. fulfilled the commitment strictly.

(6) In the report period, Shekou industrial Zone, Zhangzhou Development Zone and Top Chief Co., Ltd. added shareholding of the Company, and promised to limit sales of these shares within one year since the day of adding shareholding. In the report period, Shekou industrial Zone, Zhangzhou Development Zone and Top Chief Co., Ltd. strictly fulfilled the commitment.

2. The commitment made by the Company was disclosed in Affix of the Financial Report.

VII. Engaging or Dismissing of CPAs

The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as domestic audit institution from 2001. On March 17, 2008, the Shareholders' General Meeting of the Company 2007 approved relevant proposal on Continuing Engaging Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as External Audit Institution for 2008.

Till the end of the report period, Deloitte Touche Tohmatsu Certified Public Accountants Ltd. provided audit service for the Company for successive 8 years.

This year, the Company should pay RMB 3.15 million to Deloitte Touche Tohmatsu Certified Public Accountants Ltd for their work in auditing the 2008 financial statements. .

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

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

Reception date	Reception place	Reception way	Object received	Content discussed and information provided
Jan. 8	Shekou Shenzhen	Investigation	Hua An Fund Management Co., Ltd., E Fund Management Co., Ltd., ABN AMRO TEDA Fund Management Co., Ltd., Doric Capital Corporation, etc.	Introduction of the Company and the industry
Jan. 30	Shekou Shenzhen	Collective investigation	Citic Securities Organization	Introduction of the Company and spot review on projects
Feb. 20	Shekou Shenzhen	Investigation	CALSA-PACIFIC MARKETS 、 PEDRA INVESTMENT MANAGEMENT, etc.	Introduction of the Company and the industry
Feb. 26	Shekou Shenzhen	Collective investigation	Orient Securities Organization	Introduction of the Company and spot review on projects
March	Shekou Shenzhen	Investigation	China Merchants Securities Co., Ltd., China Southern Fund Management Co., Ltd., China Jianyin Investment Securities Co., Ltd., Fortune SGAM Fund Management Co., Ltd., China Pacific Insurance (group) Co., Ltd., Shenyin Wanguo Securities Co., Ltd., etc.	Introduction of the Company and the industry, Annual Report was provided

Reception date	Reception place	Reception way	Object received	Content discussed and information provided
Mar. 11	Shekou Shenzhen	Internet-based communication conference	Shareholders and investors	Introduction on development of the Company and the industry
Mar. 14	Shekou Shenzhen	Communication conference of investors	Company organizations, China Southern Fund Management Co., Ltd., Boshi Fund Management Co., Ltd., Penghua Fund Management Co., Ltd., E Fund Management Co., Ltd., China Asset Management Co., Ltd., GF Fund Management Co., Ltd., Yinhua Fund Management Co., Ltd., etc.	Introduction of the Company and the industry, spot review on projects of the Company, Annual Report was provided
April	Shekou Shenzhen	Investigation	Taiwan Securities Co. Ltd., Yale Endowment Fund, etc.	Introduction of the Company and the industry, Annual Report was provided
Apr. 26	Beijing	JP Morgan Chase —China Investment Forum	UBS, RCM, BlackRock, JP Morgan Chase, Alliance Bernstein, the Hamon Investment Group Pte Limited	Introduction on development of the Company and the industry
Jun. 15	Shanghai	Everbright Securities Co.,Ltd.—Proseminar on industries of finance and real estate	Boshi Fund Management Co., Ltd., Penghua Fund Management Co., Ltd., E Fund Management Co., Ltd., China Asset Management Co., Ltd., GF Fund Management Co., Ltd., Yinhua Fund Management Co., Ltd., etc.	Introduction on the Company and discussion on development of the industry
Jun. 23	Shanghai	Essence Securities Co. Ltd. — Strategy meeting on investment in middle of 2008	Harvest Fund Management Co., Ltd., CCB Principal Asset Management Co., Ltd., Tianhong Asset Management Co.,Ltd., China Pacific Asset Management Co., Ltd., Lord Abbett China Asset Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry,
Jun. 23	Shanghai	Orient Securities Company Limited—Strategy meeting on investment in middle of 2008	Lehman Brothers, Rongtong Fund Management Co., Ltd., Boshi Fund Management Co., Ltd., Bank of China Investment Management Co., Ltd., Penghua Fund Management Co., Ltd., Harvest Fund Management Co., Ltd.,	Introduction on the Company and discussion on current situation of the industry
Jun. 27	Hong Kong	JP Morgan Chase —Proseminar of A share enterprises	UBS, RCM, Barings, JP Morgan Chase, First State Investments, the Hamon Investment Group Pte Limited	Introduction on the Company and discussion on current situation of the industry
Jul. 8	Shekou Shenzhen	Investigation	Morgan Stanley	Introduction on the Company
Jul. 15	Shanghai	China International Capital Co., Ltd. — Proseminar on industries of finance and real estate	CCB Principal Asset Management Co., Ltd., China International Fund Management Co., Ltd., Hua An Fund Management Co., Ltd., Rongtong Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., GF Fund Management Co., Ltd., Yinhua Fund Management Co., Ltd., Bank of Communications Schroder Fund Management Co., Ltd., etc.	Introduction on the Company and discussion on current situation of the industry
Jul. 17	Shenzhen	China Merchants Securities Co.,Ltd.—Proseminar on industries of finance and real estate	E Fund Management Co., Ltd., Lion Fund Management Co., Ltd., Boshi Fund Management Co., Ltd., Xincheng Asset Management Co., Ltd.,	Introduction on the Company and discussion on current situation of the industry
Jul. 22	Shekou Shenzhen	Investigation	E.C. Insurance Services	Introduced the Company
Jul. 30	Shekou Shenzhen	Investigation	Shanghai Congrong Investment Co., Ltd.	Introduced the Company
Aug. 1	Shekou Shenzhen	Investigation	Walker Investment Consultant Co., Ltd.	Introduced the Company
Aug. 15	Beijing	Visiting and interviewing with investors	Yinghua Fund Management Co., Ltd., China Life Insurance Co., Ltd., Changsheng Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., ICBC Credit Suisse Assets Management Co., Ltd., China Post & Capital Fund Management Co., Ltd., ABN	Introduction on the Company and discussion on current situation of the industry

Reception date	Reception place	Reception way	Object received	Content discussed and information provided
			AMRO TEDA Fund Management Co., Ltd., CCB Principle Assets Management Co., Ltd.	
Aug. 21	Shanghai	Visiting and interviewing with investors	Fortune SGAM Fund Management Co., Ltd., Fullgoal Fund Management Co., Ltd., China International Fund Management Co., Ltd., GTJA Allianz Fund management Limited Company, Hua An Fund Management Co., Ltd., Xiquan Industry Co., Ltd., Jinglin Assets Management Co., Ltd., Shanghai CCI Investment Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Sep. 1	Shekou Shenzhen	Investigation	ABSOLUTE ASIA ; UBS	Introduced the Company
Sep. 3	Shekou Shenzhen	Investigation activity for sale of the Company's building property	Da Cheng Fund Management Co., Ltd., ICBC Credit Suiss Assets Management Co., Ltd., E Fund Management Co., Ltd., Fortune SGAM Fund Management Co., Ltd., Invesco Great Wall Fund Management Co., Ltd., ABN AMRO TEDA Fund Management Co., Ltd., Yinghua Fund Management Co., Ltd., Boshi Fund Management Co., Ltd. Changcheng Fund Management Co., Ltd.	Introduced sales of the Company's house property-Helen Garden Phase V, and provided information such as House Book
Sep. 4	Shekou Shenzhen	Investigation	UG Investment Advisers	Introduced the Company
Sep. 18	Hong Kong	UBS—China Property Day	The Hamon Investment Group Pte Limited, Temasek Holdings (Hong Kong), UG INVESTMENT ADVISERS LIMITED, GMT Investment Co., Ltd., BOYER ALLAN INVESTMENT MANAGEMENT (HONG GONG) , GE ASSET MANAGEMENT, etc.	Introduction on the Company and discussion on current situation of the industry
Sep. 23	Shanghai	Visit and interview investors	Fullgoal Fund Management Co., Ltd., Fortune SGAM Fund Management Co., Ltd., GTJA Allianz Fund management Co., Ltd., Bank of Communications Schroder Fund Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Oct. 7	Shekou	Investigation	UBS Fund Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Oct. 16	Shekou	Investigation	Hong Yuan Securities Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Oct. 17	Shekou	Investigation	China Universal Asset Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Oct. 21	Shekou	Investigation	Harvest Fund Management Co., Ltd., GF Fund Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Oct. 22	Shekou	Phone meeting	Yinghua Fund Management Co., Ltd., New Century Management Co., Ltd., Yimin Assets Management Co., Ltd., Baoying Fund Management Co., Ltd., ABN AMRO TEDA Fund Management Co., Ltd., Soochow Asset Management Co., LTD., CITIC Fund Management Co. Ltd, etc.	Explanation Meeting on the 3 rd Quarterly Report of the Company
Oct. 24	Shekou	Investigation	NCI Assets Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Nov. 4	Shekou	Investigation	Da Cheng Fund Management Co., Ltd., China Merchants Fund Management Co., Ltd., Lion Fund Management Co., Ltd., Minsheng Royal Fund Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Nov. 7	Shekou	Investigation	Yinghua Fund Management Co., Ltd., China Asset Management Co., Ltd., Harvest Fund Management Co., Ltd.	Introduction on the Company and discussion on current

Reception date	Reception place	Reception way	Object received	Content discussed and information provided
				situation of the industry
Nov. 12	Shekou	Investigation	China Merchant Securities Co., Ltd., China Post & Capital Fund Management Co., Ltd., New Century Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Nov. 13	Shekou	Investigation	China Life Asset Management Co. Ltd., Invesco Great Wall Fund Management Co., Ltd., YIMIN Asset Management Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Nov. 17	Shekou	Investigation	ICBC Credit Suisse Asset Management Co. Ltd.	Introduction on the Company and discussion on current situation of the industry
Nov. 21	Shekou	Investigation	Nomura Securities Co., Ltd.	Introduction on the Company and discussion on current situation of the industry
Nov. 25	Shenzhen, Guangzhou	Roadshow for additional share offers	E Fund Management Co., Ltd., GF Fund Management Co., Ltd., Da Cheng Fund Management Co., Ltd., Lion Fund Management Co., Ltd., Penghua Fund Management Co., Ltd., Rongtong Fund Management Co., Ltd, etc.	Public additional offer scheme and explanation on development of the industry and the Company
Nov. 25	Shanghai	Roadshow for additional share offers	Bank of Communications Schroder Fund Management Co., Ltd., Fullgoal Fund Management Co., Ltd., SPDB Anshun Investment Managers Co., Ltd. etc.	Public additional offer scheme and explanation on development of the industry and the Company
Nov. 26	Beijing	Roadshow for additional share offers	China Asset Management Co., Ltd., China Post & Capital Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., ABN AMRO TEDA Fund Management Co., Ltd., Yinhua Fund Management Co., Ltd., CCB Principal Asset Management Co., Ltd. etc.	Public additional offer scheme and explanation on development of the industry and the Company
Nov. 28	Shekou	Investigation	The Hamon Investment Group Pte Limited	Introduction on the Company and discussion on future development of the industry
Nov. 29	Shekou	Investigation	Deutsche Securities Asia Limited, Mirae Asset Global Investments (H.K.) Limited, BEA Union Investment Management Limited.	Introduction on the Company and discussion on future development of the industry
Dec. 8	Tianjin	Annual strategy meeting of Guoxin Securities Company Ltd	Institution clients of Guoxin Securities Co., Ltd.	Introduction on the Company and discussion on future development of the industry
Dec. 10	Shekou	Investigation	Merrill Lynch securities Co., Ltd., Merrill Lynch International Investment Co., Ltd.	Introduction on the Company and discussion on future development of the industry

Chapter 11. Financial Report

Auditor's Report

德师报(审)字(09)第 P0194 号

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

We have audited the attached financial statements of CHINA MERCHANTS PROPERTY DEVELOPMENT CO., LTD. (hereinafter referred to as "CMPD"), including the company and consolidated balance sheets as at December 31, 2008, and the company and consolidated income statements, the company and consolidated cash flow statements, the company and consolidated statements of changes in equity, and notes to the financial statements.

1. Management's responsibility for 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: (a) Designing, implementing and maintaining the internal control system relevant to preparation of the financial Statements, to prevent the Financial Statements from major false presentation due to fraud or error; (b) Selecting and applying appropriate accounting policies; and (c) Making accounting estimates that are reasonable in the circumstances.

2. Responsibilities of the CPA

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit work with compliance to Chinese CPA Auditing Standard, which requires us to plan and implement our works with ethic requirements, and obtain reasonable guarantee that the Financial Statements are free of major false statements.

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

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

III. Auditors' Opinions

In our opinion, that the Company has been following with the Enterprise Accounting Standard in preparing of the Financial Statements. The Financial Statements is reflecting, in all important aspects, the financial situation of Fangda Group as of December 31, 2008, and the business performance and cash flow of year 2008.

Deloitte Touche Tohmatsu (Shanghai) CPA Ltd.

Shanghai, China

CPA China

Li Weihua

CPA China

Huang Yue

March ***, 2009

Balance Sheet of the Company and Consolidated
December 31, 2008

	<u>Note</u>	<u>Consolidated</u>		<u>The Company</u>	
		<u>End of Term</u>	<u>Beginning of Term</u>	<u>End of Term</u>	<u>Beginning of Term</u>
		RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
<u>Assets</u>					
Current asset:					
Monetary capital	7	7,389,133,547	3,588,095,863	4,728,619,945	2,454,024,042
Hold-for-trading financial assets	8	97,331,980	-	-	-
Account receivable	9	107,177,879	56,498,734	-	-
Prepayment	10	28,316,856	7,295,171	-	-
Dividend receivable		-	-	3,030,848,071	2,447,054,932
Other receivables	11	778,506,128	836,891,695	14,588,369,018	9,790,585,234
Inventories	12	23,869,301,251	17,167,330,873	-	1,256,600,000
Non-current asset due in 1 year		40,129	-	-	-
Other current asset	13	227,596,742	9,608,644	-	-
Total of current asset		<u>32,497,404,512</u>	<u>21,665,720,980</u>	<u>22,347,837,034</u>	<u>15,948,264,208</u>
Non-current assets					
Available-for-sale financial asset	14	1,743,773	3,887,829	1,743,773	3,887,829
Long-term receivables	15	971,960,034	-	838,808,511	-
Long-term equity investment	16	771,232,269	568,290,424	1,442,068,686	1,421,238,125
Investment real estate	17	2,632,975,770	2,377,676,137	-	-
Fixed assets	18	284,573,922	289,152,145	320,838	432,040
Construction in process	19	39,614,982	131,394,118	-	-
Intangible assets	20	94,212	52,463,926	-	-
Goodwill		-	1,460,212	-	-
Long-term amortizable expenses	21	196,539,294	8,100,944	349,732	540,835
Differed tax asset	22	40,876,227	9,016,967	-	2,422,142
Total of non-current assets		<u>4,939,610,483</u>	<u>3,441,442,702</u>	<u>2,283,291,540</u>	<u>1,428,520,971</u>
Total of assets		<u>37,437,014,995</u>	<u>25,107,163,682</u>	<u>24,631,128,574</u>	<u>17,376,785,179</u>

Balance Sheet of the Company and Consolidated - continues
December 31, 2008

		Consolidated		The Company	
Note		End of Term	Beginning of Term	End of Term	Beginning of Term
		RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
<u>Liabilities and shareholders' equity</u>					
Short-term loans	24	3,613,956,278	5,671,532,494	2,806,081,100	3,735,866,600
Hold-for-sale financial liabilities		-	50,589,723	-	-
Notes payable	25	143,287,841	97,215,654	-	-
Account payable	26	1,863,688,472	2,916,864,090	-	1,111,940,000
Prepayment received	27	2,731,472,693	183,053,832	-	-
Employees' wage payable	28	121,900,048	136,219,785	4,237,517	3,667,614
Tax payable	29	270,545,613	317,190,250	291,820	51,263,149
Interest payable	30	41,051,205	30,685,761	36,025,186	25,934,411
Dividend payable	31	8,778,785	22,905,569	-	-
Other account payable	32	3,154,569,035	2,139,591,897	2,688,993,082	2,325,027,310
Non-current liability due in 1 year	33	1,810,099,402	300,000,000	1,550,000,000	300,000,000
Other current liability	34	459,072,398	415,608,438	77,559	77,559
Total of current liability		14,218,421,770	12,281,457,493	7,085,706,264	7,553,776,643
Non-current liabilities					
Long-term borrowings	35	6,807,315,907	3,645,235,019	3,610,000,000	2,160,000,000
Long-term payable	36	33,285,411	28,790,682	-	-
Expected liabilities	37	90,466,298	1,211,060	-	-
Differed tax liability	38	34,300	547,380	34,300	547,380
Other non-current liability	39	7,984,305	5,177,320	-	-
Total of non-current liabilities		6,939,086,221	3,680,961,461	3,610,034,300	2,160,547,380
Total of liability		21,157,507,991	15,962,418,954	10,695,740,564	9,714,324,023
Shareholders' equity					
Share capital	40	1,717,300,503	844,867,002	1,717,300,503	844,867,002
Capital reserves	41	8,548,544,784	3,413,857,995	8,928,070,622	3,771,454,441
Surplus reserves	42	670,226,504	612,044,107	619,275,111	561,092,714
Retained profit	43	3,858,062,286	3,026,575,655	2,670,741,774	2,485,046,999
Different of foreign currency translation		68,612,288	5,575,696	-	-
Total of shareholders' equity attributable to the parent company		14,862,746,365	7,902,920,455	13,935,388,010	7,662,461,156
Minor shareholders' equity	44	1,416,760,639	1,241,824,273	-	-
Total of shareholders' equity		16,279,507,004	9,144,744,728	13,935,388,010	7,662,461,156
Total of owners' equity and liabilities		37,437,014,995	25,107,163,682	24,631,128,574	17,376,785,179

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

The page 2 to 97 of the financial statement were signed by the followings:

Legal Representative:

Financial Superior

Head of Accounting Dept.

Sun Chengming_____

Huang Peikun_____

Xu Yixia_____

Income Statement of the Parent Company and Consolidated

For the fiscal year ended December 31, 2008

Items	Note	Consolidated		The Company	
		Accumulated this	Accumulated last	Accumulated this	Accumulated last
		year RMB Yuan	year RMB Yuan	year RMB Yuan	year RMB Yuan
I. Turnover	45	3,573,184,200	4,111,644,668	-	12,013,509
Less: Operation cost	46	2,097,773,113	2,179,150,950	-	10,913,479
Business tax and levies	47	264,980,117	512,845,080	-	606,682
Sales expense		226,715,702	76,214,765	-	-
Administrative expense		203,223,524	160,771,981	21,892,381	15,764,862
Financial expenses	48	30,913,643	10,604,630	(11,988,550)	15,771,376
Asset impairment loss	49	407,654,635	(4,678,993)	-	24,948,651
Plus: Gains from change in fair value	50	145,469,305	(50,589,723)	-	-
Investment income	51	802,815,289	201,064,535	594,263,908	2,493,148,940
Incl. Investment income from affiliates and joint-ventures					
Investment gains from joint businesses	51	176,812,461	143,786,639	(6,766,935)	(2,764,486)
II. Operation profit		1,290,208,060	1,327,211,067	584,360,077	2,437,157,399
Plus: Non business income	52	24,173,367	129,972,366	-	66,838,104
Less: Non-business expenses	53	12,516,456	2,743,211	113,962	-
Incl. Non-current assets Disposal lost	53	2,111,390	1,527,513	-	-
III. Total of profit		1,301,864,971	1,454,440,222	584,246,115	2,503,995,503
Less: Income tax expenses	54	209,864,866	259,309,334	2,422,142	4,807,626
IV. Net profit		1,092,000,105	1,195,130,888	581,823,973	2,499,187,877
Net profit attributable to shareholders of the parent company		1,227,615,829	1,157,877,638		
Minor shareholders' equity		(135,615,724)	37,253,250		
Incl. Net profit of the consolidated party under common control before being consolidated		-	29,473,718		
V. Earnings per share					
(I) Basic earnings per share	56	0.9408	1.0772		
(II) Diluted earnings per share	56	0.9408	1.0132		

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

Cash Flow Statement of the Company and Consolidated

For the fiscal year ended December 31, 2008

	<u>Note</u>	<u>Consolidated</u>		<u>The Company</u>	
		<u>Accumulated this</u> <u>year</u> RMB Yuan	<u>Accumulated last</u> <u>year</u> RMB Yuan	<u>Accumulated this</u> <u>year</u> RMB Yuan	<u>Accumulated last</u> <u>year</u> RMB Yuan
I. Net cash flow from business operation					
Cash received from sales of products and providing of services		6,195,335,331	3,785,454,537	-	12,013,509
Tax returned		25,520,015	57,829,657	-	-
Other cash received from business operation	60	887,926,560	1,756,268,725	943,871,952	840,495,790
Sub-total of cash inflow from business activities		7,108,781,906	5,599,552,919	943,871,952	852,509,299
Cash paid for purchasing of merchandise and services		9,374,818,057	8,213,204,025	624,189,311	564,675,851
Cash paid to staffs or paid for staffs		515,097,597	384,051,253	15,779,484	12,625,711
Taxes paid		802,008,011	547,320,197	27,209,416	4,958,636
Other cash paid for business activities	60	336,701,916	457,569,026	4,175,180,346	3,166,712,824
Sub-total of cash outflow from business activities		11,028,625,581	9,602,144,501	4,842,358,557	3,748,973,022
Cash flow generated by business operation, net		(3,919,843,675)	(4,002,591,582)	(3,898,486,605)	(2,896,463,723)
II. Cash flow generated by investing					
Cash received from investment retrieving		40,702,142	14,966,942	40,702,142	2,657,823
Cash received as investment gains		12,870,616	35,416,464	23,508,529	20,170,690
Disposal of fixed assets, intangible assets and others					
Net cash retrieved due to long-term assets		2,772,549	304,267,845	-	283,606,500
Cash received from disposal of subsidiaries and other business units, net		681,912,273	-	-	-
Sub-total of cash inflow due to investment activities		738,257,580	354,651,251	64,210,671	306,435,013
Cash paid for construction of fixed assets, intangible assets and other long-term assets		83,837,658	1,039,817,130	-	-
Cash paid as investment		1,013,522,765	628,565,935	928,808,511	529,627,200
Net cash received from subsidiaries and other operational units		5,252,240	227,583,787	-	-
Other cash paid for investment activities	61	54,886,338	19,910,931	-	-
Sub-total of cash outflow due to investment activities		1,157,499,001	1,915,877,783	928,808,511	529,627,200
Net cash flow generated by investment		(419,241,421)	(1,561,226,532)	(864,597,840)	(223,192,187)
III. Cash flow generated by financing					
Cash received as investment		6,444,200,352	3,188,359,229	5,777,220,556	2,293,500,000
Incl. Cash received as investment from minor shareholders		666,979,796	894,859,229	-	-
Cash received as loans		8,943,642,350	8,758,782,055	4,795,316,600	5,347,159,600
Subtotal of cash inflow from financing activities		15,387,842,702	11,947,141,284	10,572,537,156	7,640,659,600

Cash Flow Statement of the Company and Consolidated - continues

For the fiscal year ended December 31, 2008

	Note	Consolidated		The Company	
		Accumulated this year RMB Yuan	Accumulated last year RMB Yuan	Accumulated this year RMB Yuan	Accumulated last year RMB Yuan
Cash to repay debts		6,329,137,678	3,240,580,558	3,025,102,100	2,220,520,803
Cash paid as dividend, profit, or interests		894,253,290	510,825,979	508,865,040	393,643,480
Incl. Dividend and profit paid by subsidiaries to minor shareholders		24,025,535	1,992,565	-	-
Subtotal of cash outflow due to financing activities		7,223,390,968	3,751,406,537	3,533,967,140	2,614,164,283
Net cash flow generated by financing		8,164,451,734	8,195,734,747	7,038,570,016	5,026,495,317
IV. Influence of exchange rate alternation on cash and cash equivalents		(12,294,446)	(6,337,460)	(889,668)	(6,852)
V. Net increase of cash and cash equivalents		3,813,072,192	2,625,579,173	2,274,595,903	1,906,832,555
Plus: Balance of cash and cash equivalents at the beginning of term	59	3,544,984,914	919,405,741	2,454,024,042	547,191,487
VI. Balance of cash and cash equivalents at the end of term	59	7,358,057,106	3,544,984,914	4,728,619,945	2,454,024,042

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

Change in Shareholders' Equity, the Company and Consolidated
For the fiscal year ended December 31, 2008

	Consolidated								The Company				
	Share capital	Capital reserves	Surplus reserves	Attributable profit	Different of foreign currency translation	Shareholders' equity attributable to the parent company	Minor shareholders' equity	Total of shareholders' equity	Share capital	Capital reserves	Surplus reserves	Attributable profit	Total of shareholders' equity
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
I. Balance at Jan 1 2008	844,867,002	3,413,857,995	612,044,107	3,026,575,655	5,575,696	7,902,920,455	1,241,824,273	9,144,744,728	844,867,002	3,771,454,441	561,092,714	2,485,046,999	7,662,461,156
II. Changed this year	872,433,501	5,134,686,789	58,182,397	831,486,631	63,036,592	6,959,825,910	174,936,366	7,134,762,276	872,433,501	5,156,616,181	58,182,397	185,694,775	6,272,926,854
(I) Net profit	-	-	-	1,227,615,829	-	1,227,615,829	(135,615,724)	1,092,000,105	-	-	-	581,823,973	581,823,973
(II) Gains and losses recorded as owners' equity directly	-	(23,560,367)	-	-	63,036,592	39,476,225	19,428,464	58,904,689	-	(1,630,975)	-	-	(1,630,975)
1. Change in fair value of sellable financial assets, net	-	(2,144,056)	-	-	-	(2,144,056)	-	(2,144,056)	-	(2,144,056)	-	-	(2,144,056)
2. Influence of change in other owners' equity of invested enterprises on equity basis	-	(1,028,971)	-	-	-	(1,028,971)	-	(1,028,971)	-	-	-	-	-
3. Income tax influence related to shareholders' equity items	-	513,081	-	-	-	513,081	-	513,081	-	513,081	-	-	513,081
4. Others	-	(20,900,421)	-	-	63,036,592	42,136,171	19,428,464	61,564,635	-	-	-	-	-
Total of (I) and (II)	-	(23,560,367)	-	1,227,615,829	63,036,592	1,267,092,054	(116,187,260)	1,150,904,794	-	(1,630,975)	-	581,823,973	580,192,998
(III) Capital inputted or reduced by owners	450,000,000	5,327,220,556	-	-	-	5,777,220,556	304,382,300	6,081,602,856	450,000,000	5,327,220,556	-	-	5,777,220,556
1. Capital inputted by owners	450,000,000	5,327,220,556	-	-	-	5,777,220,556	304,382,300	6,081,602,856	450,000,000	5,327,220,556	-	-	5,777,220,556
2. Amount of shares paid and	-	-	-	-	-	-	-	-	-	-	-	-	-

China Merchants Property Development Co., Ltd.

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accounted as owners' equity														
3. Others														
(IV) Profit distribution	253,460,101	-	58,182,397	(396,129,198)	-	(84,486,700)	(13,258,674)	(97,745,374)	253,460,101	-	58,182,397	(396,129,198)	(84,486,700)	
1. Providing of surplus reserves	-	-	58,182,397	(58,182,397)	-	-	-	-	-	-	58,182,397	(58,182,397)	-	
2. Dividend to owners	253,460,101	-	-	(337,946,801)		(84,486,700)	(13,258,674)	(97,745,374)	253,460,101	-	-	(337,946,801)	(84,486,700)	
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
(V) Internal settlement of shareholders' equity	168,973,400	(168,973,400)	-	-	-	-	-	-	168,973,400	(168,973,400)	-	-	-	
1. Capital reserves transferred to share capital	168,973,400	(168,973,400)	-	-	-	-	-	-	168,973,400	(168,973,400)	-	-	-	
2. Suplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Making up losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Balance at Dec 31, 2008	<u>1,717,300,503</u>	<u>8,548,544,784</u>	<u>670,226,504</u>	<u>3,858,062,286</u>	<u>68,612,288</u>	<u>14,862,746,365</u>	<u>1,416,760,639</u>	<u>16,279,507,004</u>	<u>1,717,300,503</u>	<u>8,928,070,622</u>	<u>619,275,111</u>	<u>2,670,741,774</u>	<u>13,935,388,010</u>	

Change in Shareholders' Equity, the Company and Consolidated - continues

For the fiscal year ended December 31, 2008

	<u>Consolidated</u>								<u>The Company</u>				
	<u>Share capital</u>	<u>Capital reserves</u>	<u>Surplus reserves</u>	<u>Attributable profit</u>	<u>Different of foreign currency translation</u>	<u>Shareholders' equity attributable to the parent company</u>	<u>Minor shareholders' equity</u>	<u>Total of shareholders' equity</u>	<u>Share capital</u>	<u>Capital reserves</u>	<u>Surplus reserves</u>	<u>Attributable profit</u>	<u>Total of shareholders' equity</u>
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
I. Balance at Dec 31 2006	618,822,672	1,491,566,681	706,035,235	1,535,728,546	(13,966,720)	4,338,186,414	-	4,338,186,414	618,822,672	1,491,566,681	655,083,842	1,586,679,939	4,352,153,134
Plus: Change of accounting policy	-	(1,264,888,649)	(209,778,892)	602,640,262	-	(872,027,279)	159,708,895	(712,318,384)	-	(1,213,989,543)	(209,778,892)	(1,330,327,385)	(2,754,095,820)
Influence of merger of firms under common control	-	-	-	822,641	-	822,641	51,771,625	52,594,266	-	-	-	-	-
II. Balance at Jan 1 2007	618,822,672	226,678,032	496,256,343	2,139,191,449	(13,966,720)	3,466,981,776	211,480,520	3,678,462,296	618,822,672	277,577,138	445,304,950	256,352,554	1,598,057,314
III. Changed by this year	226,044,330	3,187,179,963	115,787,764	887,384,206	19,542,416	4,435,938,679	1,030,343,753	5,466,282,432	226,044,330	3,493,877,303	115,787,764	2,228,694,445	6,064,403,842
(I) Net profit	-	-	-	1,157,877,638	-	1,157,877,638	37,253,250	1,195,130,888	-	-	-	2,499,187,877	2,499,187,877
(II) Gains and losses recorded as owners' equity directly	-	(388,322,115)	-	-	19,542,416	(368,779,699)	(125,344,362)	(494,124,061)	-	(81,624,775)	-	-	(81,624,775)
1. Change in fair value of sellable financial assets, net	-	(11,694,664)	-	-	-	(11,694,664)	(291,262)	(11,985,926)	-	(4,859,955)	-	-	(4,859,955)
2. Influence of change in other owners' equity of invested enterprises on equity basis	-	1,028,970	-	-	-	1,028,970	-	1,028,970	-	-	-	-	-
3. Income tax influence related to items accounted into shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	(377,656,421)	-	-	19,542,416	(358,114,005)	(125,053,100)	(483,167,105)	-	(76,764,820)	-	-	(76,764,820)
Total of (I) and (II)	-	(388,322,115)	-	1,157,877,638	19,542,416	789,097,939	(88,091,112)	701,006,827	-	(81,624,775)	-	2,499,187,877	2,417,563,102

China Merchants Property Development Co., Ltd.

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(III) Capital inputted or reduced by owners	226,044,330	3,575,502,078	-	-	-	3,801,546,408	1,120,372,907	4,921,919,315	226,044,330	3,575,502,078	-	-	3,801,546,408
1. Capital inputted by owners	226,044,330	3,575,502,078	-	-	-	3,801,546,408	1,120,372,907	4,921,919,315	226,044,330	3,575,502,078	-	-	3,801,546,408
2. Amount of shares paid and accounted as owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	115,787,764	(270,493,432)	-	(154,705,668)	(1,938,042)	(156,643,710)	-	-	115,787,764	(270,493,432)	(154,705,668)
1. Providing of surplus reserves	-	-	115,787,764	(115,787,764)	-	-	-	-	-	-	115,787,764	(115,787,764)	-
2. Dividend to owners	-	-	-	(154,705,668)	-	(154,705,668)	(1,938,042)	(156,643,710)	-	-	-	(154,705,668)	(154,705,668)
3. 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 Dec 31, 2007	844,867,002	3,413,857,995	612,044,107	3,026,575,655	5,575,696	7,902,920,455	1,241,824,273	9,144,744,728	844,867,002	3,771,454,441	561,092,714	2,485,046,999	7,662,461,156

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

1. Basic Information

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

On February 23 1993, the Company raised finance by placing 27,000,000 A shares to the local investors, and 50,000,000 B shares to foreign investors. Upon placing 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).

After several profit distributions and placings carried out during 1994 to 2004, as of December 31, 2004, the total capital shares have increased up to 618,822,672 shares.

In June 2004, the Company changed its name to “China Merchants Property Development Co., Ltd.”

On January 18, 2006, as approved by the shareholders' meeting, the A share relocation plan was implemented. Namely holders of current A shares received 2 A shares and RMB3.14 upon each 10 current A shares from the holders of non-current A shares. The total number of capital shares remains unchanged after completion of the relocation plan.

As approved by Document [2006]67 issued by China Securities Regulatory Commission, the Company has made full right issue of 15,100,000 convertible corporation bonds to original A shareholders on August 30, 2006, the part of right issue waived by the original A shareholders would be placed offline to institution investors. The bonds are with face value of RMB100 each. The convertible part became negotiable in Shenzhen Stock Exchange since September 11, 2006 with ID of “CM Convertible Bond” and the convertible date was March 1, 2007.

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

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

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

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

1. Basic Information – Continues

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.

2. Statement of compliance to the Enterprise Accounting Standard

The financial statements prepared by the Company comply with the requirement of New Accounting Standards, and are truly and completely reflecting the financial situations as of December 31, 2008 of both the company and consolidated, as well as the operation results and cash flow for year 2008 of the Company and consolidated.

3. Significant accounting policies and accounting estimates.

The following significant accounting policies and accounting estimates are based on the New Accounting Standards.

Fiscal Year

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

Standard currency for bookkeeping

RMB is the primary currency in main economic environments, the accounting currency of the Group is RMB. Thus the Company and its subsidiaries adopt RMB as the standard currency for bookkeeping.

The business of the subsidiaries of the Group in Hong Kong, Singapore shall be accounted according to the local currency, in addition, the offshore businesses are relatively independent to the domestic business of the Group. All the offshore subsidiaries of the Group shall take the local currency (HK dollar in Hong Kong, Singapore dollar in Singapore) as accounting standard currency. Standard currency used in this financial statement is RMB.

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.

3. Significant accounting policies and accounting estimates - continues

Recognition of cash equivalents

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.

Translation of foreign currency

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

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

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

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

Recognition of financial instrument fair values

Fair value is the amount in a fair trade decided mutually by the both parties doing the trade or debt clearance voluntarily and who are familiar with the situation. When there is an active market for the financial instrument, the value quoted at the active market is adopted by the Company as the fair value. Value quoted at the active market refers to the amount can be easily obtained from the exchange, brokers, industrial associations, or pricing institutions, and is representing the price practically used in market transactions. When there isn't any active market, fair value will be recognized by evaluation techniques. Evaluation techniques include referencing to the prices adopted in latest voluntary transaction between parties with full understanding of the situation, referencing to the current fair value of other substantially similar financial instruments, discounted cash flow analysis, and future option pricing model.

3. Significant accounting policies and accounting estimates - continues

Recognition and measuring of financial assets

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

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

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

Transactional financial assets are those satisfying one of the followings:

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

Financial assets satisfying one of the following conditions can be recognized as financial assets measured by fair value and with variations accounted into current gain/loss account:

- (1) This recognition may eliminate or obviously reduce the divorce of gain or loss caused by adopting of different measuring basis of the particular financial asset;
- (2) It has been stipulated by the official document regarding risk management or investment strategies, that the portfolio of financial assets or portfolio of financial assets and liabilities should be managed, evaluated and reported to key managements on basis of fair value.

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

- investment in possession till expiration

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

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

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

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

3. Significant accounting policies and accounting estimates - continues

- Loans and receivables

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

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

- Disposable financial asset

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

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

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

Financial asset impairment

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

Practical evidences on impairment of financial assets are the followings:

The issuer or the debtor is in serious financial difficulty;

The debtor has broken the conditions of contract, for instance default or overdue of payment for interest or principal;

With consideration of economic or legal factors, the Company decided to give way to the debtor who is in financial difficulty;

There is great possibility that the debtor will under receivership or bankruptcy;

Financial asset is not able to be traded in the active market because the issuer is in significant financial difficulty;

It is hard to tell whether the cash flow of a particular asset in a portfolio has been declining, whereas upon overall evaluation, the Company discovered that the predicted cash flow of the portfolio has practically decreased since the initial recognition, and the decrease is quantifiable, including:

- The debtor of the portfolio is becoming worse in ability of making payments;

- Particular situation happened with the country or area where the debtor is located, which may cause obstructions for payment of the financial asset;

Major negative change occurred with the technical, market, economical, or legal environment of the debtors business territory, which may cause obstructions for the investor to retrieve the investment;

The fair value of right investment instrument is significantly decreasing or non-contemporarily decreasing;

Other practical evidence showing that impairment has happened with the financial asset.

3. Significant accounting policies and accounting estimates - continues

Financial asset impairment - continues

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 shall not be tested along with the group of financial assets with similar risk characteristics.

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

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

- Impairment of sellable financial assets

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

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

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

Termination of recognition 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.

3. Significant accounting policies and accounting estimates - continues

Inventories

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.

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

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

Inventory system is the perpetual inventory system.

Inventory impairment provision

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

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

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

Investment real estate

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

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

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

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

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

3. Significant accounting policies and accounting estimates - continues

Long-term share equity investment

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.

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

In addition, in the financial statements of the Company, for long-term equity investment which can control the unit invested, shall adopt the method of cost to account.

Controlling power means the power over the firm's financial and operational decision-making, and can obtain profit from the operation of such firm. Mutual control means the controlling power on particular activity hold together with others against particular contract, and shall only take effect when all of the investment parties has collective affirmative opinions on the major financial or operational issues. Major influence means the power to participate in decision-making but cannot control or collectively control the same.

- Long-term equity investment on cost basis

When cost basis is adopted, long-term equity investments are measured at initial cost. When the investment gains of current term are only the share of accumulative profit of the receiver of the investment since the investment was made, the balances of profit or cash dividend announced by the receiver over the above amount are treated as retrieving of initial investment cost and will be deducted from the book value of the investment.

- Long-term equity investment on equity basis

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

When equity basis is adopted, investment gain/loss of the current term is the share of net gains or losses of the investment receiver of the current year. Recognition of the share of net gains or losses of the investment receiver shall be on the basis of fair value of recognizable asset of the receiver when the investment was made, and recognized after adjustment on the net profit of the receiver in accordance with the Company's accounting policies and accounting period. For the gain/loss due to unrealised internal trade between the Company and co-operations, the share of the Company in this gain/loss shall be offset, 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 offsetted. 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 written into shareholders' equity.

3. Significant accounting policies and accounting estimates - continues

Long-term share equity investment - continues

- Long-term equity investment on equity basis - continues

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

- Acquisition of minority share equity

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

- 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.

Fixed asset and depreciation

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.

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

<u>Categories</u>	<u>Useful life</u>	<u>Predicted retained value rate</u>	<u>Annual</u>
<u>depreciation ratio</u>			
Houses & buildings	10-50 yrs	5%-10%	1.8%-9.5%
Equipment & machinery	10-20 yrs	5%-10%	4.5%-9.5%
Transportation facilities	5-10 yrs	5%	9.5%-19%
Electronics, furniture, appliances	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.

Successive expenses related to the fixed asset are counted into fixed asset cost if the financial benefit related to the fixed asset is possible to inflow and the cost can be reliably measured. Recognition of the replacing part for book value shall be terminated. Successive expenses other than the above are counted into current income account as soon as they occurred.

3. Significant accounting policies and accounting estimates - continues

Fixed asset and depreciation - continues

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

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

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. It is transferred to fixed asset as soon as the construction reaches the useful status.

Intangible assets

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

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

Land using rights purchased or by way of land using right payment for the Company's own use are accounted as intangible assets; land using rights purchased or by way of land using right payment for developing of merchandise properties are accounted into property developing costs. For those houses or buildings purchased from outside, the related payments are allocated between land using rights and buildings. Those which can hardly be allocated are treated as fixed assets collectively.

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

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

Long-term amortizable expenses

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.

3. Significant accounting policies and accounting estimates - continues

Impairment of non-financial assets

At each balance sheet date, the Company verify on the long-term equity investment in subsidiaries, joint-ventures and partnerships, investment properties, fixed assets, constructions in process, and intangible assets with fixed useful life to find out whether there is sign of impairment. If evidence shows that impairment has happened, then the retrievable value will be estimated. Estimation of retrievable value is on basis of single asset. If it is hard to estimate the retrievable value of a particular asset, then the retrievable value shall be estimated upon the asset group in which the target asset is included. If the retrievable value of an asset is lower than its book value, impairment provision shall be provided at the balance of the two, and shall be counted into current income account.

Goodwill and intangible assets formed by merger of enterprises, whether or not there is impairment evidence, shall be verified annually for impairment. Verifying of goodwill is performed along with the asset group or combination of asset groups to which the goodwill is related. I.e. the book value of goodwill shall be reasonably amortized to the related asset group since the day acquired. Those can hardly be amortized to the related asset group shall be amortized to the combination of asset groups. Impairment loss is recognized when the retrievable value of the asset group or combination of asset groups including the goodwill is lower than its book value. Impairment losses shall be firstly amortized to the book value of goodwill of the asset group or combination of asset groups, then amortized to other assets in the group or combination of groups at their relative portions.

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

Once impairment losses are confirmed upon the above assets, they won't be restored in successive accounting periods.

Financial liabilities

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

- Financial liabilities measured by fair value with changes counted into current income account

Includes transactional financial liabilities and those being assigned to financial liabilities measured by fair value with changes counted into current income account.

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

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

3. Significant accounting policies and accounting estimates - continues

Financial liabilities - continues*- Other financial liabilities*

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

- 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”.

Derivative financial 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.

Embedded derivative instruments

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.

Employees' remunerations

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

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

3. Significant accounting policies and accounting estimates - continues

Expected liabilities

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

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

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

Convertible bond

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

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

After initial recognition, the liability part of convertible bonds is measured on practical interest basis and basing on the amortized cost. When the holders are exercising the converting options for the equity part of the bonds which have been accounted under “Capital reserves – other capital reserves (share converting option)”, the equity part share be transferred over to “Capital reserves – share capital premium”. No gains or losses will be recognized at conversion of convertible bonds or expiration of the converting option.

Trading expenses caused by issuing of convertible bonds are split between liability part and equity part according to their corresponding fair values. Trading expenses related to equity part are accounted into equity directly, where the expenses related to liability part are accounted into the book value of the liability part and amortized to the existing period on practical interest basis.

Neutralizing of financial assets and financial liabilities

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

3. Significant accounting policies and accounting estimates - continues

Equity instrument

Equity instruments are those contracts that witness the Company's possession of retained equities of the assets after deducting of all liabilities. The considerations received at issuing of equity instrument shall be added to the owners' equity after deducting of trading expenses. Whereas the considerations paid to repurchase its own equity instruments and trade expenses are used to reduce owners' equity. None of gain or loss is recognized at issuing, repurchasing, disposing or cancelling of equity instruments.

All distributions carried out by the Company to holders of equity instruments (excludes share dividend) are used to reduce the owners' equity. The Company doesn't recognize change of fair value of equity instruments.

Repairing fund

Accounting method of repairing fund: For those property projects located in Shenzhen, the Company adopts "Shenzhen Property Public Utility Special Fund Administration Rules". As of those property projects located outside Shenzhen, the Company adopts the local regulations.

Recognition of revenue

-- Goods sales income

When the Group transfers the main risks and rewards of the goods to buyers, and has no reservation of continual management right related to the ownership, and has no effective control on the goods sold out, and the income amount can be reliably measured, and relevant economic interests are likely to flow into the company, and the relevant cost happened or will happen can be reliably measured, the sales income of the goods shall be confirmed.

For the sales income from real estate development shall be recognized when the project is completed and has received a qualified acceptance and the procedures for the transfer have 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.

-- Rental income from rental development products.

For the rent agreed in contract or agreement within the lease term shall be recognized as the operating income according to the straight-line method.

-- Interest income.

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

-- Property management income.

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.

3. Significant accounting policies and accounting estimates - continues

Government subsidy

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

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

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

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

Borrowing expenses

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

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

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

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

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

3. Significant accounting policies and accounting estimates - continues

Income tax

- Income tax of the current term

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

- Deferred income tax asset and deferred income tax liabilities

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

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

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

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

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

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

3. Significant accounting policies and accounting estimates - continues

Income tax - continues

- Income tax expenditures

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

Those current income taxes and differed income taxes related to trades which are directly accounted into shareholders' equity are accounted into shareholders' equity. 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.

Merger of companies

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

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

- Merger of companies under common control

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

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

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

- Merger of enterprises under different control and goodwill

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

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

3. Significant accounting policies and accounting estimates - continues

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.

Leases

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.

- 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 with greater amount are capitalized at occur, and counted into current gain/loss account at the same segment to the recognition of rental income for the whole period of rent. Contingent rentals are accounted into current gain/loss account as soon as happened.

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

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

Preparation of Consolidated Financial Statements

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

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

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

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

3. Significant accounting policies and accounting estimates - continues

Preparation of Consolidated Financial Statements -continues

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

Translation of foreign currency financial statements

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

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

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

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

Related parties

Related parties are formed when a party is controlled by another or collectively controlled by others, or there are major influences on another party, and two or more than two parties are under common control, collective control or under major influence.

4. Basis of Major Accounting Policies and Key Estimations and Uncertain Factors Adopted in Accounting Estimation

In application of the accounting policies as described in Note 4, for the uncertainty of business operation, the Company needs to determine, estimate, or make assumption on the book value of report subjects which are not able to be precisely measured. These determinations, estimations, or assumptions are made upon the Company's experiences and with references to other relative factors. Their practical results may vary from the estimations of the Company.

The Company performs periodic revision on the above determinations, estimations, and assumptions on the basis of constant operation. When a change in accounting estimation is just influencing the current term, its influenced amount is recognized in the current term. When a change is influencing not only the current term but also the future terms, its influenced amount is recognized in the current term and also the future terms.

At the balance sheet day, the key estimation and uncertain factors may cause adjustment of book value of future periodic assets and liabilities are:

Accounting of inventory is on the lower one of cost and realizable net value. The realizable net value is the estimated selling price of the inventory on a fair basis, less estimated cost yet to make the inventory complete, the estimated sales expenses, and related taxations.

In case the management revised the inventory regarding its estimated sales price, cost to make it completed, estimated sales expenses, and related taxations, and resulted in a lower estimated sales price than the current one, or the cost to make it completed, estimated sales expenses, and related taxations are higher than the current figures, the Company shall provide impairment provisions upon the inventory.

In case the practical sales price, the cost to make it completed, estimated sales expenses, and related taxations are lower or higher than the current estimations made by the management, the Company shall recognize the relative influences in the consolidated income statement of the corresponding fiscal period.

5. Taxation

Main tax items and rates applicable to the Company:

<u>Taxation</u>	<u>Tax basis</u>	<u>Tax rate</u>
Enterprise income tax	Amount of income taxable	(Note 1)
Business tax	Income from sales or leasing of property	5%
VAT	Sales of products	17%
	Income from power supply	17%(Note 2)
	Income from water supply	6%
Land VAT	Sales of property – amount of items to be deducted	On Excess Ratio Progressive of Tax Rate 30%-60%
Contract tax	Amount received for land using rights and estates	3%
Property tax	70% of the original value of estates	1.2%(Note 3)
City maintenance and construction tax	Operational tax (or VAT paid)	1%-3%
Education surtax	Operational tax (or VAT paid)	3%

Note 1. Except for the subsidiaries in the following locations, the other subsidiaries of the Company are subject to Income Tax of 25%.

Taxation - continues

	<u>Tax rate</u>	<u>Note</u>
Shenzhen and Zhuhai	18%	(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 18% of corporation tax in 2008. Therefore the subsidiaries of the Company located in Shenzhen and Zhuhai are subject to 18% of corporation tax.
- (2) According to "Taxation Act" of Hong Kong, enterprises located in Hong Kong are subject to 16.5% of capital gains 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.

As approved by the Ministry of Finance and National Tax Bureau General with document Cai-Guan-Shui [2007]28, in the period from January 1, 2008 to December 31, 2008, the electric power imported by Shenzhen China Merchants Power Supply Co., Ltd. from Hong Kong is on the basic amount of 560 million Kwh. The VAT on the amount lower than the basic amount will be refunded at 40%, where the amount beyond the basic amount is subject to the import VAT according to the regulations.

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.

6. Range of consolidated financial statements

<u>Name</u>	<u>Registered address</u>	<u>Business property</u>	<u>Business Scope</u>	<u>Registered capital</u> RMB'000	Practical investment at end of term by the Group RMB'000	Consolidated share portion of the Group	Consolidated voting rights of the Group
<u>Major subsidiaries held by the Company both at the end of last year and the end of this year</u>							
Shenzhen China Merchants Property Co., Ltd.	Shenzhen	Property development	Property development and sales	106,000	1,450,312	100%	100%
Shenzhen CM Power Supply Co., Ltd.	Shenzhen	Power supply	Power supply and sales	57,000	592,978	100%	100%
Shenzhen CM Water Supply Co., Ltd.	Shenzhen	Water supply	Water supply and installations	43,000	70,766	100%	100%
Shenzhen China Merchants Xin'an Properties Co., Ltd.	Shenzhen	Property	Leasing of self-owned properties	25,000	36,803	100%	100%
Eureka Investment Ltd.	HK	Investment	Investment	HKD 20,000	19,919	100%	100%
Shenzhen Taige Apartment Management Co., Ltd.	Shenzhen	Hotel service	Indoor golf court, Property rental, restaurant, shopping mall, sales of water supply facilities	1,000	1,000	100%	100%
Shenzhen Maitesi Civil Engineering Co., Ltd.	Shenzhen	Engineering	Water supply pipe engineering	9,000	8,100	90%	90%
Shekou Xinghua Industrial Holdings Co., Ltd.	Shenzhen	Property development	Real-estate and other properties	HKD 47,420	38,065	65.07%	65.07%
Shekou Zhaofa Property Co., Ltd.	Shenzhen	Property	Building of commercial houses and auxiliary facilities	36,000	36,000	100%	100%
Guangzhou Wende Property Management Co., Ltd.	Guangzhou	Property	Property management	600	360	60%	60%
Shenzhen CM Property Consultancy Ltd.	Shenzhen	Property development	Real-estate operation, information & consulting	2,000	2,000	100%	100%
Shanghai China Merchants Properties Co., Ltd.	Shanghai	Property development	Property development and sales of construction materials	30,000	30,000	100%	100%
CM Garden City (Beijing) Property Development Co., Ltd.	Beijing	Property development	Property development, sales, and services	20,000	20,000	100%	100%
Guangzhou China Merchants Real-estate Co., Ltd.	Guangzhou	Property development	Specialized property development, leasing and sales	50,000	50,000	100%	100%
CM Property (Beijing) Ltd.	Beijing	Property development	Property development and sales	20,000	20,000	100%	100%
China Merchants (Suzhou) Co., Ltd.	Suzhou	Property development	Property development, operation and sales	30,000	30,000	100%	100%
CM (Chongqing) Ltd.	Chongqing	Property development	Property development, leasing of self-owned properties	30,000	30,000	100%	100%
Shenzhen City Main Plaza Investment Co., Ltd.	Shenzhen	Investment	Industry and domestic commerce	10,000	-	100%	100%
Shanghai China Merchants Real-estates Co., Ltd.	Shanghai	Property development	Property development, sales, and services	30,000	30,000	100%	100%
CM (Nanjing) Ltd.	Nanjing	Property development	Property development, sales, and services	30,000	30,000	100%	100%
Tianjin China Merchants Properties Co., Ltd.	Tianjin	Property development	Property development, sales, and services	40,000	30,000	75%	75%

6. Range of consolidated financial statements - continues

<u>Name</u>	<u>Registered address</u>	<u>Business property</u>	<u>Business Scope</u>	<u>Registered capital</u> RMB'000	Practical investment at end of term by the Group RMB'000	Consolidated share portion of the Group	Consolidated voting rights of the Group
<u>Major subsidiaries held by the Company both at the end of last year and the end of this year - continues</u>							
Shenzhen Meiyue Property Consultancy Ltd. (Note 1)	Shenzhen	Property development	Property consultancy, planning and brokerage	1,000	21,215	100%	100%
China Merchants Property Management Co., Ltd.	Shenzhen	Property	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	25,000	169,200	100%	100%
Beijing CM Property Management Co., Ltd.	Beijing	Property	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,000	4,000	80%	80%
Nanjing CM Property Management Co., Ltd.	Nanjin	Property	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,000	5,000	100%	100%
Wuhan CM Property Management Co., Ltd.	Wuhan	Property	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	5,000	5,000	100%	100%
CM Property Management (HK) Ltd.	HK	Property	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	HKD 10	10	100%	100%
Shenzhen China Merchants Property Management Co., Ltd.	Shenzhen	Property	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	11,200	11,200	100%	100%
Zhangzhou CM Property Management Ltd.	Zhangzhou	Property	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	500	500	100%	100%
Zhangzhou China Merchants Properties Co., Ltd.	Zhangzhou	Property development	Property development and sales	50,000	25,500	51%	51%
Zhuhai Huifeng Property Co., Ltd.	Zhuhai	Property development	Property development and sales	8,000	8,000	100%	100%
Zhuhai Yuanfeng Property Ltd.	Zhuhai	Property development	Property development and sales	8,000	4,080	51%	51%

6. Range of consolidated financial statements - continues

<u>Name</u>	<u>Registered address</u>	<u>Business property</u>	<u>Business Scope</u>	<u>Registered capital</u> RMB'000	Practical investment at end of term by the Group RMB'000	Consolidated share portion of the Group	Consolidated voting rights of the Group
Major subsidiaries held by the Company both at the end of last year and the end of this year - continues							
Shanghai Fengyang Property Ltd.	Shanghai	Property development	Property development and sales	30,000	353,250	60%	60%
Foshan Xincheng Property Co., Ltd. (Note 2)	Foshan	Property development	Property development, sales, and services	USD 127,000	478,690	50%	50%
Huipeng Property Co., Ltd. (Note 2)	HK	Property development	Property development, sales, and services	HKD 10	5	50%	50%
Suzhou Shuanghu Property Co., Ltd. (Note 2)	Suzhou	Property development	Property development, sales, and services	USD 160,000	326,845	50%	50%
Tianjing Zhaosheng Property Co., Ltd.	Tianjin	Property development	Property development, sales, and services	30,000	30,000	100%	100%
Suzhou CM Nanshan Property Co., Ltd.	Suzhou	Property development	Property development, sales, and services	100,000	60,000	60%	60%
Chengdu CM Property Ltd.	Chengdu	Property development	Property development, sales, and services	50,000	30,000	60%	60%
Shenzhen CM Anye Investment Development Co., Ltd.	Shenzhen	Investment	Industrial investment, domestic commerce	5,000	2,550	51%	51%
Shanghai CM Minsheng Property Ltd.	Shanghai	Property development	Property development, interior decoration, construction material sales	30,000	30,000	100%	100%
Shanghai CM Fengsheng Property Ltd.	Shanghai	Property development	Property development, interior decoration, construction material sales	30,000	30,000	100%	100%
Shenzhen CM Construction Co., Ltd.	Shenzhen	Property development	Construction engineering, decoration, elevator, air conditioner maintaining, sales of construction materials	50,000	50,000	100%	100%
Guangzhou Qidi Tech & Science Investment Co., Ltd.	Guangzhou	Property development	Ventual Investment	30,000	21,777	72.59%	72.59%
Foshan Xinjie Property Co., Ltd. (Note 2)	Foshan	Property development	Property development, sales, and services	USD 219,800	1,511,578	50%	50%
Heighten Holdings Limited	BVI	Trade	Trade	USD 0.002	11	100%	100%
Converage Holdings Limited	BVI	Trade	Trade	USD 0.002	11	100%	100%

6. Range of consolidated financial statements - continues

<u>Name</u>	<u>Registered address</u>	<u>Business property</u>	<u>Business Scope</u>	<u>Registered capital</u> RMB'000	Practical investment at end of term by the Group RMB'000	Consolidated share portion of the Group	Consolidated voting rights of the Group
<u>Newly added subsidiaries from merger of enterprises under different control</u>							
Shanghai CM Fengrui Property Ltd. (Note 3)	Shanghai	Property development	Property development, interior decoration, sales of construction material	10,000	10,000	100%	100%
<u>Newly established subsidiaries</u>							
CM Property (Chongqing) Garden City Ltd. (Note 4)	Chongqing	Property development	Property development, interior decoration, sales of construction material	30,000	30,000	100%	100%
CM Jiaming (Beijing) Property Ltd. (Note 5)	Beijing	Property development	Property development, interior decoration, sales of construction material	200,000	100,000	50%	50%
Shenzhen CM Commerce Development Ltd. (Note 6)	Shenzhen	Property development	Development of commercial property, operation, management, and leasing. Investment in industry	51,000	51,000	100%	100%
Beijing Kanglade Property Development Co., Ltd. (Note 7)	Beijing	Property development	Property development, sales of its products, hotel development, import & export of goods and technologies	30,000	18,000	60%	60%
<u>Subsidiaries disposed this year</u>							
China Merchants Port Service (Singapore) Co., Ltd. (Note 8)	Singapore	Trade	Trade	Singapore \$ 15,000	-	100%	100%
Fucheng (China) Ltd. (Note 9)	HK	Property	Property management, decoration, consulting, sales of property equipment, repairing, rent and agency service of property	HKD 10	192,240	100%	100%
Nanjing Fucheng Real-estate Development Co., Ltd. (Note 9)	Nanjin	Property development	Property development, leasing, sales, and management	USD4,000	29,215	100%	100%
Elite Trade Investment Limited (Note 9)	BVI	Investment	Investment	USD3	11	100%	100%
Xi'an China Merchants Property Management Co., Ltd.	Xi'an	Property	Property management, decoration, consultancy, property facility sales, maintenance, property leasing and agency	1,000	1,000	100%	100%

6. Range of consolidated financial statements - continues

Note 1: In January 2008, Shenzhen CM Property Co., Ltd. acquired the 45% share equities of Shenzhen Meiyue Property Consultancy Co., Ltd. held by Mr. Gao Hong who is a minority shareholder with payment of RMB20.88 million. As of December 31, 2008, the share transaction routine has been completed and the shareholding of Shenzhen CM Property Co., Ltd. in Shenzhen Meiyue Property Consultancy Co., Ltd. has increased from 55% up to 100%.

Note 2: Through its subsidiaries, the Company is holding 50% of the voting capital of Foshan Xincheng Real Estate Co., Ltd., Huipeng Real Estate Co., Ltd., and Suzhou Shuanghu Real Estate Co., Ltd. respectively. Because these subsidiaries are holding the major amount of voting capital in these companies, they are substantially controlling over the financial and business operations of these companies. Thus the Company 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 3: In November 2007, Shenzhen CM Property Co., Ltd. established Shanghai CM Fengrui Property Co., Ltd. together with Shanghai Jiandu Real Estate Development Co., Ltd. The new company was established with RMB10 million of registered capital. In which Shenzhen CM Property Co., Ltd. invested RMB1 million and holds 10% of the share equity.

In March 2008, Shenzhen CM Property Co., Ltd. entered the share equity transferring agreement with Shanghai Jiandu Real Estate Development Co., Ltd. by which Shenzhen CM Property took over 70% of the share equity in Shanghai Fengrui Property Co., Ltd. at price of RMB7 million. Upon accomplishing of this agreement, Shenzhen CM Property would hold 80% of shares of Shanghai Fengrui Property Co., Ltd. and it was included in the range of consolidation.

In December 2008, Shenzhen CM Property Co., Ltd. entered the share equity transferring agreement with Shanghai Jiandu Real Estate Development Co., Ltd. by which Shenzhen CM Property took over 20% of the share equity in Shanghai Fengrui Property Co., Ltd. at price of RMB2 million. Upon accomplishing of this agreement, shares of Shanghai Fengrui Property Co., Ltd. held by Shenzhen CM Property would increase from 80% to 100%.

Please go to Note 63 for the financial status of the newly added subsidiaries from merger of enterprises under different control at December 31 2007 and operation results and cash flow since beginning of this year to the merger day.

Note 4: In January 2008, the Company invested RMB30 million to setup CM Property (Chongqing) Garden City Co., Ltd. – a fully owned subsidiary, which means the Company is holding 100% of the share equities and voting rights.

Note 5: China Merchants Jianming (Beijing) Property Co., Ltd. was incorporated in April 2008 with capital of RMB200 million. It was setup jointly by Shenzhen CM Property Co., Ltd. and Jianming Investment Co., Ltd. In which Shenzhen CM Real-Estate invested RMB100 million and take 50% of capital shares. For Shenzhen CM Property is holding major voting rights in the board of the company, thus take control over the financial and business decisions. Therefore it was included in the consolidation range.

Note 6: In April 2008, Shenzhen CM Property Co., Ltd. invested RMB51 million to setup Shenzhen CM Commerce Development Co., Ltd. with 100% of share equity and voting rights. Thus it was included in the consolidation range.

6. Range of consolidated financial statements - continues

Note 7: In December 2008, Shenzhen CM Property Co., Ltd. invested RMB18 million to setup Beijing Kanglade Property Development Co., Ltd. with RMB30 million of registered capital. Shenzhen CM Property Co., Ltd. is holding 60% of its share equity and voting rights. Thus it was included in the consolidation range.

Note 8: China Merchants (Singapore) Ltd. – one of the Company's subsidiaries, start clearance in 2007, and was deregistered in April 2008, thus it is no longer included in the consolidation range since January 1, 2008.

Note 9: In February 2008, Eureka Investment Co., Ltd. – one of the Company's subsidiaries entered the share equity transferring agreement with Haiyi Co., Ltd. – one of the Company's minority shareholders, by which Eureka accepted the 20% share equity of Fucheng (China) Co., Ltd. with price of RMB80 million. As of March 31, 2008, the routines have been accomplished. Since accomplishing of the transfer, Eureka has been holding 100% of the share equity of Fucheng (China) Co., Ltd. While Fucheng (China) Co., Ltd. is holding 100% of the equity shares of Nanjing Fucheng Property Development Co., Ltd.

In November 2008, as approved by the board of Eureka Investment Co., Ltd., acquired the newly issued one share of Elite Trade Investment Limited – the subsidiary of Eureka Investment Industrial Co., Ltd. with its 100% share in Fucheng (China) Co., Ltd. The new share has face value of US\$1 and issuing price of HK\$162,122,783.

Meanwhile, as approved by the board, Eureka Investment Co., Ltd. transferred its 100% share equity in Elite Trade Investment Limited to Heighten Holdings Limited – the subsidiary of Eureka Investment Co., Ltd. As of November 30, 2008, the share transferring routines have been accomplished. Upon accomplishing of the above share equity transferring, Heighten Holdings Limited is holding 100% of the share equity of Elite Trade Investment Limited, while Elite Trade Investment Limited is holding 100% of the share equity of Fucheng (China) Co., Ltd.

In December 2008, Heighten Holdings Limited entered the "Share Trading Agreement" together with ADF Phoenix IV Limited to transfer the 100% share equity in Elite Trade Investment Limited over to ADF Phoenix IV Limited at price of RMB880,668,338. This was based on the evaluation report provided by Zhongtongcheng Asset Appraisal Co., Ltd. titled Zhong-Tong-Ping-Bao-Zi (2008)194 on the assets of Elite Trade Investment Limited as of November 15, 2008. As of December 31, 2008, Eureka Investment Co., Ltd. has received the above payment amounted to USD106,067,034 (RMB725,000,000), and performed relative share transferring routines. Since December 23, 2008, the above transferred subsidiaries was no longer included in the consolidation range.

Note 10: On August 7, 2008, China Merchants Property Management Co., Ltd. and its subsidiary China Merchants Property Management (HK) Co., Ltd. entered the share equity transferring agreement with Xi'an Hongshi Property Management Co., Ltd., by which they transferred the 70% and 30% share equities in Xi'an China Merchants Property Management Co., Ltd. at price of RMB803,129 and RMB344,198 respectively over to Xi'an Hongshi Property Management Co., Ltd. As of September 30, 2008, the routines had been accomplished, and the Company was no longer putting Xi'an China Merchants Property Management Co., Ltd. in the range of consolidation.

For the financial status at the disposal day and the business performance since beginning of the year till the disposal day of the above disposed subsidiaries show in above Note 8, 9, and 10 are available in Note 63.

Monetary capital

	End of Term			Beginning of Term		
	Original currency	Exchange rate	RMB Yuan	Original currency	Exchange rate	RMB Yuan
Cash						
-RMB	50,001	1.00	50,001	103,917	1.00	103,917
-HKD	20,276	0.88	17,836	24,150	0.94	22,614
-Singapore \$				154	5.05	776
Bank deposit						
-RMB	6,884,738,331	1.00	6,884,738,331	3,460,019,252	1.00	3,460,019,252
-HKD	8,388,656	0.88	7,393,460	13,314,042	0.94	12,467,269
- USD	68,154,853	6.83	465,827,107	9,848,935	7.30	71,942,532
Other monetary fund (Note)						
-RMB	12,720,371	1.00	12,720,371	14,694,157	1.00	14,694,157
- USD	2,690,200	6.83	18,386,441	3,948,929	7.30	28,845,346
			<u>7,389,133,547</u>			<u>3,588,095,863</u>

Note: Balances of other monetary fund are mainly transactions of foreign currency futures and deposits for project fund guarantees.

7. Hold-for-sale financial assets

	<u>Fair value at end of year</u>	<u>Fair value at beginning of year</u>
	RMB Yuan	RMB Yuan
Deductive financial assets	<u>97,331,980(Note)</u>	<u>-</u>

Note: This was the fair value at end of the contract year by which Eureka Investment Co., Ltd. and ING Bank N.V., Hong Kong Branch engaged for future foreign currency trading without transferring of principal. As of December 31, 2008, the nominal principal has amounted to USD269,020,000. Such contracts will due amongst January 5, 2009 to September 24, 2009.

8. Account receivable

(1) Account age analyze of account receivable

Age	End of Term				Beginning of Term			
	Amount RMB Yuan	Proportion %	Bad debt provision RMB Yuan	Book value RMB Yuan	Amount RMB Yuan	Proportion %	Bad debt provision RMB Yuan	Book value RMB Yuan
within 1 yr	106,050,263	94	2,312,665	103,737,598	54,400,839	91	478,083	53,922,756
1-2 years	1,420,716	1	25,136	1,395,580	284,577	1	25,546	259,031
2-3 years	169,547	1	31,982	137,565	912,803	1	265,236	647,567
Over 3 yrs	4,700,950	4	2,793,814	1,907,136	4,223,585	7	2,554,205	1,669,380
Total	112,341,476	100	5,163,597	107,177,879	59,821,804	100	3,323,070	56,498,734

(2) Accounts receivable are presented according to the categories as the following:

Categories	End of Term				Beginning of Term				Basis of categorizing
	Amount RMB Yuan	Proportion %	Bad debt provision RMB Yuan	Book value RMB Yuan	Amount RMB Yuan	Proportion %	Bad debt provision RMB Yuan	Book value RMB Yuan	
Single account with large amount	-	-	-	-	-	-	-	-	Single sum over RMB10 mil.
Single account without large amount but with greater risks after combined with credit features	4,700,950	4	2,793,814	1,907,136	4,223,585	7	2,554,205	1,669,380	Aged over 3 yrs
Other minor accounts	107,640,526	96	2,369,783	105,270,743	55,598,219	93	768,865	54,829,354	
Total	112,341,476	100	5,163,597	107,177,879	59,821,804	100	3,323,070	56,498,734	

(3) Change of bad debt provisions provided upon account receivable

	Year 2008 RMB Yuan	Year 2007 RMB Yuan
Beginning of Term	3,323,070	3,335,742
Provided in current year	1,970,863	301,075
Carried back this term	130,336	313,747
End of Term	5,163,597	3,323,070

(4) Top 5 receivables are as the followings:

Total of top 5 receivables RMB Yuan	Age	Portion in total receivables %
11,989,715	within 1 yr	11

(5) No receivable account due from shareholders with 5% or above shares of the Company.

9. Prepayment

(1) Age analyze of prepaid accounts

<u>Age</u>	<u>End of Term</u>		<u>Beginning of Term</u>	
	<u>Amount</u> RMB Yuan	<u>Proportion</u> %	<u>Amount</u> RMB Yuan	<u>Proportion</u> %
within 1 yr	26,822,305	95	6,987,171	96
1-2 years	1,444,551	5	308,000	4
2-3 years	50,000	-	-	-
Total	28,316,856	100	7,295,171	100

(2) Prepaid accounts are presented according to the categories as the following:

<u>Categories</u>	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan	<u>Basis of categorizing</u>
Single account with large amount	13,616,507	-	Single sum over RMB10 mil.
Single account without large amount but with greater risks after combined with credit features	-	-	aged over 3 yrs
Other minor accounts	14,700,349	7,295,171	
	28,316,856	7,295,171	

(3) No prepaid account to shareholders with 5% or above shares of the Company.

10. Other receivables

(1) Account age analyse of other account receivable

<u>Age</u>	<u>End of Term</u>				<u>Beginning of Term</u>			
	<u>Amount</u> RMB Yuan	<u>Proportion</u> %	<u>Bad debt provision</u> RMB Yuan	<u>Book value</u> RMB Yuan	<u>Amount</u> RMB Yuan	<u>Proportion</u> %	<u>Bad debt provision</u> RMB Yuan	<u>Book value</u> RMB Yuan
within 1 yr	625,184,871	71	59,823	625,125,048	802,223,107	96	22,917	802,200,190
1-2 years	258,550,646	29	108,049,251	150,501,395	32,852,904	4	65,553	32,787,351
2-3 years	1,644,540	-	214,920	1,429,620	434,824	-	7,240	427,584
Over 3 yrs	3,171,213	-	1,721,148	1,450,065	3,479,034	-	2,002,464	1,476,570
	888,551,270	100	110,045,142	778,506,128	838,989,869	100	2,098,174	836,891,695

11. Other receivables - continues

(2) Other receivables are presented according to the categories as the following:

Categories	End of Term			Beginning of Term			Basis of categorizing
	Amount RMB Yuan	Bad debt provision RMB Yuan	Book value RMB Yuan	Amount RMB Yuan	Bad debt provision RMB Yuan	Book value RMB Yuan	
Single account with large amount	819,625,246	108,033,906	(Note) 711,591,340	531,199,497	-	531,199,497	Single sum over RMB10 mil.
Single account without large amount but with greater risks after combined with credit features	3,171,213	1,721,148	1,450,065	3,479,034	2,002,464	1,476,570	aged over 3 yrs
Other minor accounts	73,732,429	290,088	73,442,341	304,311,338	95,710	304,215,628	
Total	896,528,888	110,045,142	786,483,746	838,989,869	2,098,174	836,891,695	

According to the "Confirmation Letter of Land Using Right Transfer", for Eureka Investment Co., Ltd. and Shizhao Investment Co., Ltd. failed to pay the initial payment, the bidding security of HKD122,501,310 (RMB108,033,906) has been provided full provision.

(3) Change of bad debt provisions provided upon other receivables

	Year 2008 RMB Yuan	Year 2007 RMB Yuan
Beginning of Term	2,098,174	3,541,463
Provided in current year	109,613,230	288,845
Carried back this term	9,122	1,714,534
Other transferred out in this year	258,160	17,600
Different of foreign currency translation	(1,398,980)	-
End of Term	110,045,142	2,098,174

(4) Top 5 receivables are as the followings:

<u>Total of top 5 receivables</u> RMB Yuan	<u>Age</u>	<u>Proportion of total other receivables</u> %
774,705,246	within 2 yrs	87

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

11. Inventories

<u>Categories</u>	<u>Amount</u> RMB Yuan	<u>End of Term</u>		<u>Beginning of Term</u>		
		<u>Impairment provision</u> RMB Yuan	<u>Book value</u> RMB Yuan	<u>Amount</u> RMB Yuan	<u>Impairment provision</u> RMB Yuan	<u>Book value</u> RMB Yuan
Real property development costs	22,931,730,833	296,210,000	22,635,520,833	15,997,211,790	-	15,997,211,790
Property products	1,227,864,442	-	1,227,864,442	1,165,031,359	-	1,165,031,359
Raw materials	4,450,453	-	4,450,453	3,982,071	-	3,982,071
Low-value consumables and others	1,628,505	162,982	1,465,523	1,268,635	162,982	1,105,653
	<u>24,165,674,233</u>	<u>296,372,982</u>	<u>23,869,301,251</u>	<u>17,167,493,855</u>	<u>162,982</u>	<u>17,167,330,873</u>

(1). Real estate development costs are as follows:

<u>Projects</u>	<u>Start date</u>	<u>Planned finish date</u>	<u>Expected total investment.</u> RMB0'000	<u>Beginning of Term</u> RMB Yuan	<u>End of Term</u> RMB Yuan
Development costs of real estate under construction:					
Xicheng Jiayuan	2008.10	2012.04	434,899	-	1,769,857,158
Foshan Yiyun Shangcheng	2008.08	2013.03	282,598	-	1,609,776,610
Weijinnan Project	2007.10	2013.09	394,315	1,285,621,090	1,579,060,949
Suzhou Xiaoshicheng	2008.04	2014.03	462,932	-	1,469,354,406
Park 1872	2006.10	2012.11	378,198	1,236,507,084	1,332,885,813
Shanghai Haide Garden Phase II-IV	2006.05	2012.07	150,842	1,031,473,491	1,252,815,691
Foshan Yiyunshui'an	2008.04	2012.06	324,049	-	1,171,678,450
Jinshan Valley	2008.02	2015.07	482,973	-	1,053,695,705
CM Lanyuan	2008.03	2009.12	155,498	-	984,596,333
CM Guanyuan	2008.05	2011.08	195,073	-	936,723,035
Ruiqiao Project	2008.07	2011.11	132,539	-	701,560,844
China Merchants Jiangwan Town	2007.04	2012.12	179,892	478,206,869	681,509,730
Harbor Project	2008.10	2014.10	163,139	-	574,159,384
Nanqiao Project	2008.03	2010.03	84,502	-	495,818,192
Yiyun Xigu	2006.12	2010.12	100,524	146,494,943	481,672,906
Haiyue Huating	2007.02	2009.07	45,020	156,405,242	328,987,065
Zhangzhou CM Garden City	2008.07	2011.11	63,701	-	286,338,846
Yiyunshui'an Phase III	2007.12	2009.03	40,571	-	279,549,890
Yishanjuan Phase II and III	2007.12	2009.08	42,863	134,380,464	215,500,993
Phase V. Garden City	2008.03	2010.06	38,833	16,241,263	202,669,933
Digital Tower, Garden City	2007.09	2009.09	30,360	4,750,541	187,526,695
Zhuhai CM Garden City A	2008.04	2011.02	72,484	-	184,743,841
Meilun Apartment	2008.03	2009.12	28,557	-	158,172,763
36 Xikang Road Tianjin	2007.03	2009.11	57,942	283,646,221	128,614,510
Lanxigu Phase II, land II	2008.08	2011.01	35,890	-	101,016,614
Yiyunjun Phase II	2007.12	2008.12	13,100	55,966,528	-
International Finance Center	2005.01	2008.11	66,448	608,751,475	-
Others				91,133,150	79,142,656
Sub-total				<u>5,529,578,361</u>	<u>18,247,429,012</u>

12. Inventories - continues

(1) Cost of property development - continues

<u>Projects</u>	<u>Planned start date</u>	<u>Planned finish date</u>	<u>Expected total investment.</u> RMB0'000	<u>Beginning of Term</u> RMB Yuan	<u>End of Term</u> RMB Yuan
Land to be developed:					
Chongqing Garden City	2009.11	2015.08	361,338	1,256,600,000	1,284,527,080
Suzhou Weiting	2009.12	2012.12	170,818	1,010,191,231	1,022,094,091
Yongjing Harbor	2009.04	2012.06	203,935	-	934,910,249
CM Plaza	2009.08	2012.03	143,759	-	438,047,925
Woods Apartment	2009.08	2012.04	76,649	-	311,251,663
Zhuhai CM Garden City B	2009.05	2012.07	135,332	255,771,122	270,483,988
Xixiang Golf Garden	2009.12	2012.04	114,1	147,464,0	191,832,850(Note 1
Phase II. Technical Tower	2009.03	2010.03	29,360	-	145,544,282
Zhangzhou Holiday 365	2009.04	2012.10	42,534	-	85,609,693
Foshan Yiyun Shangcheng	2008.08	2013.03	282,598	1,520,896,368	-
Suzhou Xiaoshicheng	2008.04	2014.03	462,932	1,259,858,920	-
Foshan Yiyunshui'an	2008.04	2012.06	324,049	1,008,616,615	-
CM Guanyuan	2008.05	2011.08	195,073	809,517,626	-
Jinshan Valley	2008.02	2015.07	482,973	780,577,841	-
Ruiqiao Project	2008.07	2011.11	132,539	570,845,634	-
CM Lanyuan	2008.03	2009.12	155,498	523,319,068	-
Nanqiao Project	2008.03	2010.03	84,502	366,785,374	-
Yiyunxigu Phase II, III	2008.01	2010.12	100,524	302,144,364	-
Zhuhai CM Garden City A	2008.04	2011.02	72,484	161,400,809	-
Zhangzhou CM Garden City	2008.07	2011.11	63,701	193,617,509	-
Meilun Apartment	2008.03	2009.12	28,557	132,489,922	-
Yiyunshui'an Phase III	2007.12	2009.03	40,573	125,258,519	-
Lanxigu Phase II, land II	2008.08	2011.01	35,890	42,278,462	-
Sub-total				10,467,633,429	4,684,301,821
Less: Impairment provision					296,210,000
Incl. Yiyunshangcheng				-	182,370,000
Suzhou Weiting				-	113,840,000
Total				15,997,211,7	22,635,520,833 (Note 2)

Note 1. Shenzhen Meiyue Property Consultancy Co., Ltd. – one of the Company's subsidiaries won the bidding for land using rights of Xixiang Garden Project in the 24th Auction held by Shenzhen Huisanyang Auction Co., Ltd. on January 11, 2006. But for the need of construction of Xixiang Avenue and the metro project, Shenzhen Municipal Government has not confirmed the land using plan. As of December 31, 2008, this land was under filing procedures for land using rights.

Note 2. As of December 31, 2008, in the construction-in-process and land to be developed, there were totally 1,112,586 square meters of lands regarding Chongqing Garden City, Lanxigu Phase II land II, Xixiang Golf Garden, Yongjingwan, CM Plaza, Wuzi Apartment, Science Building Phase II, Garden City Phase V, Garden City Digital Building, South Fort Garden, Suzhou Xiaoshicheng, and Holiday 365 have been signed for land using right agreements, the land using right certificates were under processing though.

(2). Products of real estate development are as follows:

<u>Projects</u>	<u>Date of finish</u>	<u>Beginning of Term</u> RMB Yuan	<u>Increased this year</u> RMB Yuan	<u>Decreased this year</u> RMB Yuan	<u>End of Term</u> RMB Yuan
Lanxi Valley 2 nd Phase	2007.06	627,743,060	188,262,604	172,580,466	643,425,198
Houses of 36 Xikang Rd. finished	2008.11	-	323,162,846	129,852,297	193,310,549
Yiyunjun Phase II	2008.12	-	137,060,979	-	137,060,979
Yiyunxigu Phase I.	2008.06	-	256,266,558	191,056,253	65,210,305
Suzhou Yiyunshui'an Phase II	2007.12	144,804,688	23,494,510	121,609,793	46,689,405
Park 1872 Phase I	2008.12	-	302,287,747	257,813,843	44,473,904
Yishanjin Phase II	2008.06	37,455,521	438,695,531	436,274,951	39,876,101
Shanhuyuan Phase IV	2007.12	54,877,256	2,814,595	37,041,094	20,650,757
Basement of Sun Garden Phase I	2006.06	11,479,422	-	-	11,479,422
Yishanhai Phase II	2007.12	10,075,953	-	2,461,836	7,614,117
Yiyunjun Phase I	2007.06	5,295,477	-	-	5,295,477
Shanghai Haide Garden Phase I	2006.10	4,516,472	-	1,129,214	3,387,258
Jingshanjiao Apartment	2004.12	1,439,657	-	-	1,439,657
Apartment of Sun Garden Phase I	2005.12	375,679	-	-	375,679
Marine Center	2007.12	258,951,663	-	258,951,663	-
Suzhou Yiyunshuian phase 1	2006.08	910,885	294,512	1,205,397	-
Others		7,105,626	2,081,507	1,611,499	7,575,634
Total		<u>1,165,031,359</u>	<u>1,674,421,389</u>	<u>1,611,588,306</u>	<u>1,227,864,442</u>

12. Inventories - continues

(2). Products of real estate development are as follows: - continues

As of December 31, 2008, there is no pledging or provided as guarantee in the property of inventory, neither suspended or abandoned project.

Capitalization of borrowing expenses was RMB679,850,396 for the year (2007: RMB347,936,386).

(3) Inventory impairment provisions are:

	Beginning of Term	Provided this year	Carried back this term	Transferred this year	End of Term
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
Real property development costs	-	296,210,000(Note)	-	-	296,210,000
Property products	-	-	-	-	-
Raw materials	-	-	-	-	-
Low-value consumables and others	162,982	-	-	-	162,982
Total	162,982	296,210,000	-	-	296,372,982

Note: As of end of this year, the Company had provided RMB296,210,000 of inventory impairment provisions upon the difference of realizable value of inventory lower than their book value.

12. Other current asset

<u>Items</u>	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Prepaid land VAT (Note)	88,259,891	6,596,589
Prepaid operation tax	86,302,838	-
Prepaid other tax	36,987,535	-
Prepaid rent	8,968,112	-
Others	7,078,366	3,012,055
	<u>227,596,742</u>	<u>9,608,644</u>

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.

13. Available-for-sale financial asset

<u>Items</u>	Year end <u>fair value</u> RMB Yuan	Year begin <u>fair value</u> RMB Yuan
Other sellable equity instruments		
Guonong Tech shares	<u>1,743,773</u>	<u>3,887,829</u>

14. Long-term receivable

<u>Items</u>	Year end <u>fair value</u> RMB Yuan	Year begin <u>fair value</u> RMB Yuan
Entrusted loan (Note 1)	838,808,511	
Balance of share equity transfer (Note 2)	<u>133,171,523</u>	<u>-</u>
Total	<u>971,980,034</u>	<u>-</u>

Note 1: In November 2008, the Company entered the Entrusted Loan Contract with China Agriculture Bank Nanshan Branch (“Agriculture Bank Nanshan” hereafter) for the loan quota of RMB900,000,000. Agriculture Bank Nanshan will provide loans against the Notification of Entrusted Loans issued by the Company to assigned parties.

On December 17, 2008, Agriculture Bank Nanshan provided loan of RMB838,808,511 to Nanjing Fucheng Property Development Co., Ltd. upon the Notification of Entrusted Loans issued by the Company. While Nanjing Fucheng provided the property in Nanjing International Finance Center (U1-F6, and F8-F51, totally 100,189 square meters) as security for the loan.

Note 2: In December 2008, Heighten Holdings Limited – one of the Company’s subsidiaries transferred its shares in Elite Trade Investment Limited, the balance receivable was RMB155,668,338 (for details please go to Note 7 and Note 9). According to the Share Trading Agreement entered with ADF Phoenix IV Limited, the receiver, the balance would be retrieved in three to four years. The Company calculated, but not confirmed, financing expenses of RMB22,496,815 with reference to the bank loan rates at the similar period. It was deducted from the long-term receivables.

15. Long-term share equity investment

(1) Particulars about long-term equity investment

Name of invested companies	Initial investment RMB Yuan	Beginning of Term RMB Yuan	New investment this year RMB Yuan	Equity adjusted this year RMB Yuan	Cash dividend this year RMB Yuan	Other decreases RMB Yuan	End of Term RMB Yuan
On equity basis							
Shenzhen China Merchants OCT Investment Co., Ltd.	50,000,000	230,568,095	-	107,279,642	-	-	337,847,737
Guangzhou Panyu Innovation Technology Garden Co., Ltd.	200,000,000	200,000,000	-	-	-	-	200,000,000
Beijing Tianping Property Management Co., Ltd.	490,000	890,261	-	320,789	-	-	1,211,050
Shenzhen China Merchants Guangming Technologies Zone Ltd.	98,000,000	94,369,571	-	(3,945,297)	-	-	90,424,274
Shenzhen Haitao Hotel Co., Ltd.	4,996,675	5,635,361	-	462,512	354,640	-	5,743,233
Tianjin Xinhai real Estate Development Co., Ltd.	6,750,000	19,265,977	-	73,546,354	12,515,976	-	80,296,355
Shenzhen China Merchants OCT Investment Co., Ltd.	2,500,000	2,629,851	-	146,743	-	-	2,776,594
Beijing Hengshihuarong Real-estate Development Co., Ltd.	24,220,904	13,831,308	-	(699,902)	-	-	13,131,406
Shenzhen TCL Optical Electronic Technologies Ltd. (Note 1)	40,000,000	-	40,000,000	(298,380)	-	-	39,701,620
On cost basis							
Shenzhen China Merchants Engineering Co., Ltd.	100,000	100,000	-	-	-	-	100,000
Shenzhen Fishermans' Wharf Restaurant Co., Ltd. (Note 2).	100,000	100,000	-	-	-	-	100,000
Shanghai CM Fengrui Property Ltd. (Note 3)	1,000,000	1,000,000	-	-	-	1,000,000	-
Total	<u>428,157,579</u>	<u>568,390,424</u>	<u>40,000,000</u>	<u>176,812,461</u>	<u>12,870,616</u>	<u>1,000,000</u>	<u>771,332,269</u>
Less: Impairment provision		<u>100,000</u>					<u>100,000</u>
Long-term equity investment (net)		<u>568,290,424</u>					<u>771,232,269</u>

Change of long-term equity investment impairment provision:

Name of invested companies	Beginning of Term RMB Yuan	Increased this year RMB Yuan	Transferred this year RMB Yuan	End of Term RMB Yuan
Shenzhen Fishermans' Wharf Restaurant Co., Ltd. (Note 2).	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>

Note 1: On December 29, 2007, Shenzhen China Merchant Property Co., Ltd. entered the Share Equity Transferring Agreement with Shenzhen TCL Property Co., Ltd. to acquire 40% of the share equities of Shenzhen TCL Electric-Optical Technologies Co., Ltd. by price of RMB40,000,000. As of December 31, 2008, the relative routines had been accomplished.

Note 2: Shenzhen Fisherman Port Restaurant Co., Ltd. was established by Shenzhen Taiger Apartment Management Co., Ltd in 2001. Due to poor management, now it is closed. Shenzhen Taige Apartment Management Co., Ltd fully accounted provision for impairment on its long-term investment.

Note 3. For details please go to Note 7 - 3.

16. Long-term share equity investment - continues

(2) List of joint ventures and affiliates and their major financial information

Name of invested companies	Reg. Add.	Business property	Registered capital RMB Yuan	Portion in the registered capital %	Portion in voting rights %	Gross asset of the invested business at end of year RMB Yuan	Gross liability of the invested business at end of year RMB Yuan	Turnover of the invested business of the year RMB Yuan	Net profit of the invested companies of the year RMB Yuan
<u>Joint ventures</u>									
Shenzhen China Merchants OCT Investment Co., Ltd.	Shenzhen	Property development	100,000,000	50	50	4,556,368,362	3,880,672,887	710,762,603	206,329,754
Guangzhou Panyu Innovative Technologies Garden Co., Ltd.(Note)	Guangzhou	Property leasing and management	150,000,000	70	50	479,277,780	16,168,371	-	-
Shenzhen China Merchants OCT Investment Co., Ltd.	Shenzhen	Property management	5,000,000	50	50	7,030,596	1,692,717	5,373,208	293,486
<u>Affiliates</u>									
Beijing Tianping Property Management Co., Ltd.	Beijing	Property management	1,000,000	49	49	4,193,439	1,729,880	8,837,219	654,671
Shenzhen China Merchants Guangming Technologies Zone Ltd.	Shenzhen	Property development and management	200,000,000	49	49	202,060,646	17,521,312	1,800,000	(8,051,627)
Shenzhen Haitao Hotel Co., Ltd.	Shenzhen	Hotel management	6,000,000	45	45	14,752,692	1,989,951	8,855,632	1,022,151
Tianjin Xinhai real Estate Development Co., Ltd.	Tianjin	Property development	15,000,000	45	45	509,653,152	331,216,807	605,329,893	161,767,295
Beijing Hengshihuarong Real-estate Development Co., Ltd.	Beijing	Property development and operation	50,000,000	24	24	920,551,815	881,239,621	-	(2,784,090)
Shenzhen TCL Electric-Optical Co., Ltd.	Shenzhen	Development of own properties	200,000,000	40	40	106,253,825	13,045,443	-	(745,949)

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

(3) The Company's long-term equity investment receivers as of December 31, 2008 were not limited in ability to transfer capital to the Company.

16. Investment real estate

	<u>Houses & buildings</u> RMB Yuan	<u>Land using right</u> RMB Yuan	<u>Total</u> RMB Yuan
<u>Original value</u>			
Beginning of Term	2,000,572,059	940,122,846	2,940,694,905
Purchased in this year	849,893	-	849,893
Private real estate or inventory converted into real estate.	309,942,638	105,852,033	415,794,671
Decreased for disposal of subsidiaries	65,533,522	2,583,602	68,117,124
End of Term	2,245,831,068	1,043,391,277	3,289,222,345
<u>Accumulated depreciation and accumulated amortization.</u>			
Beginning of Term	517,111,735	45,907,033	563,018,768
Provided in current year	97,263,604	18,767,792	116,031,396
Private real estate or inventory converted into real estate.	1,548,818	7,988,752	9,537,570
Decreased for disposal of subsidiaries	31,579,802	761,357	32,341,159
End of Term	584,344,355	71,902,220	656,246,575
<u>Impairment provision</u>			
Initial of year and end of year	-	-	-
<u>Net amount</u>			
Beginning of Term	1,483,460,324	894,215,813	2,377,676,137
End of Term	1,661,486,713	971,489,057	2,632,975,770

As of December 31, 2008 none of the Company's investment properties is on pledge.

As of December 31, 2008, the Company still has investment properties amounted to RMB313,624,063 of net value which were under processing of filing for property right certificates.

17. Fixed assets

	<u>Houses & buildings</u> RMB Yuan	<u>Equipment & machinery</u> RMB Yuan	<u>Transportation facilities</u> RMB Yuan	<u>Electronics, furniture, and appliances</u> RMB Yuan	<u>Total</u> RMB Yuan
<u>Original value of fixed assets</u>					
Beginning of Term	203,225,138	342,354,720	46,022,024	51,841,848	643,443,730
Purchased in this year	29,449,291	1,954,557	9,335,090	8,176,501	48,915,439
Transferred from construction in process	799,837	15,444,807	-	693,300	16,937,944
Disposed in this year	-	6,592,240	3,760,790	2,213,716	12,566,746
Other decrease in this year	35,143,623	-	-	-	35,143,623
End of Term	198,330,643	353,161,844	51,596,324	58,497,933	661,586,744
<u>Accumulated depreciation:</u>					
Beginning of Term	79,067,177	219,450,319	24,130,689	31,643,400	354,291,585
Depreciation provided this year	7,832,120	11,929,660	5,598,260	6,855,842	32,215,882
Disposed in this year	-	4,909,956	1,190,093	1,845,778	7,945,827
Other decrease in this year	1,548,818	-	-	-	1,548,818
End of term	85,350,479	226,470,023	28,538,856	36,653,464	377,012,822
<u>Impairment provision</u>					
Beginning and end of year	-	-	-	-	-
<u>Net amount</u>					
Beginning of Term	124,157,961	122,904,401	21,891,335	20,198,448	289,152,145
End of Term	112,980,164	126,691,821	23,057,468	21,844,469	284,573,922

As of December 31, 2008, the Company still has RMB48,429,059 of fixed assets which were under process of filing for property certificates.

18. Construction in process

<u>Project</u>	<u>Beginning of Term</u>	<u>Increased this year</u>	<u>Finished and transferred to fixed asset this year</u>	<u>Other transferred out in this year</u>	<u>End of Term</u>	<u>Budget</u>	<u>Portion of investment on budget</u>	<u>Fund recourse</u>
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China Merchants Property Development Co., Ltd.

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	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	%	
Transformer Station	23,668,881	15,140,213	6,008,551	-	32,800,543	220,360,000	18	Own capit
Water supply project	12,126,102	3,503,102	10,929,393	761,915	3,937,896	22,168,616	71	Own capital
Construction project	2,316,011	560,532	-	-	2,876,543	2,876,543	100	Own capital
Reconstruction project	93,283,124	97,536,299	-	190,819,423	-	190,819,423	100	Own capital
Total	131,394,118	116,740,146	16,937,944	191,581,338	39,614,982			
Less: Impairment provision	-				-			
Net value of construction progress	131,394,118				39,614,982			

19. Intangible assets

	<u>Land using right</u> RMB Yuan	<u>Software</u> RMB Yuan	<u>Total</u> RMB Yuan
<u>Original value</u>			
Beginning of Term	59,673,607	213,300	59,886,907
Increased this year	-	9,280	9,280
Investment property transferred in	59,673,607	-	59,673,607
End of Term	-	222,580	222,580
<u>Accumulated amortizing</u>			
Beginning of Term	7,338,820	84,161	7,422,981
Provided in current year	649,932	44,207	694,139
Investment property transferred in	7,988,752	-	7,988,752
End of Term	-	128,368	128,368
<u>Net amount</u>			
Beginning of Term	52,334,787	129,139	52,463,926
End of Term	-	94,212	94,212

20. Long-term amortizable expenses

<u>Items</u>	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Expenses for improvement of operational assets leased in	183,911,501	5,112,593
Outdoor advertisement facilities	6,957,351	295,926
Golf club membership	349,732	571,632
Others	5,320,710	2,120,793
Total	196,539,294	8,100,944

21. Differed tax asset

<u>Items</u>	<u>Temporary difference may be neutralized</u>		<u>Differed income tax asset</u>	
	<u>Beginning of Term</u>	<u>End of Term</u>	<u>Beginning of Term</u>	<u>End of Term</u>
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
Bad debt provision on receivables	3,323,070	427,869	996,921	85,377
Bad debt provision on other receivables	2,098,174	630,143	660,094	126,029
Inventory impairment provision	162,982	162,982	29,337	32,596
Long-term equity investment impairment provision	100,000	100,000	18,000	20,000
Depreciation of fixed assets	191,416	298,286	34,455	53,692
Amortizing of other long-term assets	823,128	1,501,667	271,632	388,566
Land VAT drawn in advance	20,571,323	154,825,620	6,788,537	38,519,585
Expected liabilities	1,211,060	8,251,911	217,991	1,650,382
Total	<u>28,481,153</u>	<u>166,198,478</u>	<u>9,016,967</u>	<u>40,876,227</u>

The following neutralizable provisional differences and losses are not recognized as differed income tax assets:

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Neutralizable losses	29,535,706	4,190,278
Neutralizable provisional differences	<u>146,708,850</u>	<u>87,387,708</u>
Total	<u>176,244,556</u>	<u>91,577,986</u>

The neutralizable losses of unconfirmed differed income tax assets will due not later than 2013.

22. Asset impairment provision

	<u>Beginning of Term</u>	<u>Provided this year</u>	<u>Carried back this term</u>	<u>Other transferred out in this year</u>	<u>Difference of foreign currency translating</u>	<u>End of Term</u>
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
Bad debt provision	5,421,244	111,584,093	139,458	258,160	(1,398,980)	115,208,739
- Account receivable	3,323,070	1,970,863	130,336	-	-	5,163,597
- Other receivables	2,098,174	109,613,230	9,122	258,160	(1,398,980)	110,045,142
Inventory impairment provision	162,982	296,210,000	-	-	-	296,372,982
Long-term equity investment impairment provision	100,000	-	-	-	-	100,000
Total	<u>5,684,226</u>	<u>407,794,093</u>	<u>139,458</u>	<u>258,160</u>	<u>(1,398,980)</u>	<u>411,681,721</u>

23. Short-term loans

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Credit loan	2,802,290,730	3,876,295,661
Guarantee loan	811,665,548(Note)	1,795,236,833
Total	<u>3,613,956,278</u>	<u>5,671,532,494</u>

Note: The Company borrowed RMB400,000,000 from China Merchants Bank Shekou Branch, which was secured by China Merchants Shekou Industrial Zone Co., Ltd.

Shenzhen China Merchants Power Supply Co., Ltd. – one of the Company's subsidiaries borrowed USD30,000,000 (RMB205,038,000) from ING Bank N.V., Shanghai Branch, which was secured by the Company; and USD24,380,000 (RMB166,627,548) which was secured by China Merchants Shekou Industrial Zone Co., Ltd.

Suzhou China Merchants Nanshan Property Co., Ltd., one of the Company's subsidiaries, raised the loan of RMB40,000,000 from China Merchants Bank Xiangcheng Branch, which was guaranteed by China Merchants Shekou Industrial Zone Co., Ltd. and Shenzhen Nanshan Development Industrial Co., Ltd.

24. Notes payable

<u>Categories</u>	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Bank acceptance	<u>143,287,841(Note)</u>	<u>97,215,654</u>

Note: China Merchants Shekou Industrial Zone Co., Ltd. provided guarantee of RMB58,169,050 to Shenzhen China Merchants Property Co., Ltd. for the accepted bank draft issued by China Merchants Bank New Age Branch. The above drafts will become due in 2009.

25. Account payable

(1). Information on shareholders holding more than 5% (include 5%) voting right are as follows:

<u>Name of the shareholder</u>	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan	<u>Property</u>
China Merchants Shekou Industrial Zone Co., Ltd. (Note)	77,056,300	-	Land price
China Merchants Shekou Industrial Zone Co., Ltd. center.	5,338,724	5,338,724	Fund for the land of maritime
Total	<u>82,395,024</u>	<u>5,338,724</u>	

Note: It was the balance of RMB29,259,600 payable by Shenzhen China Merchants Properties Co., Ltd. to China Merchants Shekou Industrial Zone Co., Ltd. to purchase China Merchants Science & Tech Building Phase II, China Merchants Plaza, Wuzi Apartment, and Yongjingwan, as well as the due payment of RMB47,796,700 for the land using right of Lanxi Valley Phase II.

(2) Account payable with large amount and aged over one year:

<u>Name of the companies</u>	<u>End of Term</u> RMB Yuan	<u>Age</u>	<u>Reason of overdue</u>	<u>Amount to be repaid after the B/S date</u> RMB Yuan
Hongrun Construction Group Holdings Co., Ltd.	1,525,608	1-2 years	5% engineering quality security, paid upon expiration of quality warranty period and without any claim	-
Suzhou Erjian Construction Group	1,955,258	1-2 years	5% engineering quality security, paid upon expiration of quality warranty period and without any claim	-
Chaoyang Property Development Co., Ltd.	40,000,000	3-4 years	Resident moving expenses payable to Chaoyang Property Development Co., Ltd., payable upon granting of the Resident Moving Conclusive Letter issued by National Land Bureau	-

26. Prepayment received

(1) Age analyse of prepayment received

	<u>End of Term</u>		<u>Beginning of Term</u>	
	RMB Yuan	%	RMB Yuan	%
within 1 yr	2,699,705,236	99	170,341,970	93
1-2 years	29,679,420	1	11,334,473	6
2-3 years	<u>2,088,037</u>	<u>-</u>	<u>1,377,389</u>	<u>1</u>
Total	<u>2,731,472,693</u>	<u>100</u>	<u>183,053,832</u>	<u>100</u>

28. Prepayment received - continues

(2) Including: prepayment received for sales of houses

<u>Projects</u>	<u>Beginning of Term</u>	<u>End of Term</u>	<u>Presell portion</u>	<u>Planned finish date</u>
	RMB Yuan	RMB Yuan	%	
Haiyue Huating	-	579,276,285	58	2009
Jinshangu Phase I	-	498,516,765	95	2009
Yiyunjun Phase II	-	318,564,899	100	completed
Foshan Yiyunshui'an Phase I	-	290,116,266	100	2009
Park 1872 Phase I	-	285,731,279	52	2010
Shanghai Haide Garden Phase II	20,440,687	211,845,301	85	2009
Tianjin Xikang Rd. Project	-	107,936,970	69	2010
Yiyunxigu Phase I, II	-	89,504,312	73	2009
Xingcheng Phase I (Weijinnan Project)	-	79,199,033	18	2009
CM. Jiangwancheng Phase I	-	70,627,103	24	2009
Yishanjuan Phase II and III	29,927,317	64,608,350	48	2009
Lanxi Valley 2 nd Phase	47,889,837	47,100,566	35	completed
Yiyunshui'an Phase II and III	1,182,319	30,601,109	40	2009
Shanhuyuan Phase IV	17,298,367	3,253,942	88	completed
Seaview Plaza	2,903,977	1,328,672	100	completed
Huaguoshan Building shops	2,731,255	648,821	100	completed
Yishanhai Phase II	1,796,069	345,996	100	completed
Yiyunxigu Phase I.	15,997,135	-	100	completed
Haiyue Phase III shops	2,687,974	-	100	completed
Garden City Phase III Land No.1	2,262,732	-	100	completed
Others	28,704,515	15,126,040		
Total	173,822,184	2,694,331,709		

(3) No prepayment received was from shareholders holding 5% or over voting shares of the Company.

27. Employees' wage payable

	<u>Beginning of Term</u>	<u>Increased this year</u>	<u>Decreased this year</u>	<u>End of Term</u>
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
Wage, bonus, allowance, subsidy	119,411,686	389,282,227	409,278,343	99,318,894
Employee welfare	1,009,976	31,146,005	31,343,840	932,921
Social insurance	1,934,547	49,717,614	45,920,640	5,707,212
Housing fund	275,771	6,555,169	6,746,897	84,043
Trade union and education allowance	13,357,210	14,505,231	12,495,526	15,366,917
Compensation for dismissing of employment	-	856,910	856,910	-
Others	230,595	8,714,704	8,455,441	490,061
Total	136,219,785	500,777,860	515,097,597	121,900,048

28. Tax payable

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Enterprise income tax	109,859,036	145,712,372
Business tax	55,480,137	49,706,755
Land VAT (Note)	43,687,588	35,355,661
Contract tax	36,600,000	71,908,728
VAT	12,072,972	5,893,186
Personal income tax	3,323,067	1,520,498
City maintenance and construction tax	1,345,840	923,225
Land using tax	341,748	206,225
Property tax	57,065	42,523
Others	7,778,160	5,921,077
Total	<u>270,545,613</u>	<u>317,190,250</u>

Note: For details please go to Note 13.

29. Interest payable

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Short-term loan interest	13,616,242	11,135,761
Long-term loan interest	27,434,963	19,550,000
Total	<u>41,051,205</u>	<u>30,685,761</u>

30. Dividend payable

<u>Name of the investor</u>	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Tianjin Shenmiao Investment Group Co., Ltd.	8,493,185(Note)	-
Shekou Huayuan Restaurant	285,600	285,600
Shenzhen Shekou Dazhong Investment Co., Ltd.	-	20,913,265
Hong Kong Chinese Businessman Property Co., Ltd.	-	1,482,316
China Merchants Development Co., Ltd.	-	143,997
Shenzhen China Merchants Landmark Co., Ltd.	-	80,391
Total	<u>8,778,785</u>	<u>22,905,569</u>

Note: It was the dividend payable by Tianjin China Merchants Property Co., Ltd. – one of the subsidiaries of the Company to Tianjin Shenmiao Investment Group Co., Ltd. as part of the profit distribution plan as of December 31, 2008 approved by the Board meeting held on December 20, 2008

31. Other account payable

(1) Particulars about other account payable due to shareholders holding 5% or above voting shares of the Company

<u>Name of the shareholder</u>	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan	<u>Property</u>
China Merchants Shekou Industrial Zone Co., Ltd.	-	4,852,099	Current account

(2) Other payables with large amount:

<u>Name of the companies</u>	<u>End of Term</u> RMB Yuan	<u>Age</u>	<u>Reason of overdue</u>	<u>Amount to be repaid after the B/S date</u> RMB Yuan
Huidefeng Property (China) Co., Ltd.	751,219,269	within 2 yrs	Payable by Huipeng Property Co., Ltd. to Huidefeng Property (China) Co., Ltd. for the investment payment made to Foshan Xinjie Property Co., Ltd. on behalf of Huipeng.	-
Shenzhen Nanshan Development Industrial Co., Ltd.	479,300,681	1-2 yrs	Payable by Suzhou China Merchants Nanshan Property Co., Ltd. to Shenzhen Nanshan Development Co., Ltd. for the payment paid on behalf.	-

32. Non-current liability due in 1 year

<u>Categories</u>	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Long-term loans due in 1 year	1,810,000,000	300,000,000
Other non-current liabilities due in 1 year	766,062	-
Total	1,810,766,062(Note)	300,000,000

Note: Please refer to Note 35, 39.

33. Other current liability

Other current liability	End of Term RMB Yuan	Beginning of Term RMB Yuan
Land VAT drawn in advance (Note)	439,334,198	370,122,155
Outsourced cleaning and security guard services	5,853,294	7,237,384
Agencies	3,000,000	2,086,099
Original water and power supply	2,216,370	3,964,082
Cloth fee	1,639,910	1,829,940
Improving of intelligent system	1,385,217	1,059,919
Visiting tours	753,973	2,826,490
Land using rights	-	23,231,401
Others	4,889,436	3,250,968
Total	459,072,398	415,608,438

Note: Land VATs are calculated and provided in accordance with Guo-Shui-Fa[2006]187 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.

34. Long-term borrowings

		<u>End of Term</u>			<u>Beginning of Term</u>		
<u>Categories</u>		<u>Original currency</u>	<u>Exchange rate</u>	<u>RMB Yuan</u>	<u>Original currency</u>	<u>Exchange rate</u>	<u>RMB Yuan</u>
Credit loan	- RMB	3,950,000,000	1.00	3,950,000,000	1,680,000,000	1.00	1,680,000,000
Guaranteed loan (Note 1)	- RMB	2,590,000,000	1.00	2,590,000,000	1,900,000,000	1.00	1,900,000,000
	- USD	177,000,000	6.83	1,209,761,935	50,000,000	7.30	365,235,019
	- HKD	130,000,000	0.88	114,647,000	-	-	-
Entrusted loan (Note 2)	RMB	752,906,972	1.00	752,906,972	-	-	-
				8,617,315,907			3,945,235,019
Less: Long-term borrowings due in 1 year		1,810,000,000	1.00	1,810,000,000	300,000,000	1.00	300,000,000
Incl. Borrowings on credit		450,000,000	1.00	450,000,000	300,000,000	1.00	300,000,000
	Guarantee loan	1,360,000,000	1.00	1,360,000,000	-	-	-
Cooling fee				6,807,315,907			3,645,235,019

Annual interest rate of above loans are 4.60% to 7.56%.

Note 1: The Company borrowed RMB100,000,000 from China Merchants Bank Shekou Branch, and RMB110,000,000 from China Merchants Bank New Age Branch, both of them were secured by China Merchants Shekou Industrial Zone Co., Ltd.

The Company borrowed RMB650,000,000 from Shanghai International Trust Co., Ltd by mean of trust finance, and RMB1,000,000,000 from Industrial Bank Shanghai Branch. According to the “Agreement on Issuing the Deed of Guarantee” entered with China Construction Bank Shenzhen Branch, both of the above loans were guaranteed by China Construction Bank Shenzhen Branch.

Shenzhen China Merchants Property Co., Ltd. borrowed RMB590,000,000 from China Merchants Bank New Age Branch, which was secured by CMSIZ.

35. Long-term borrowings - continues

Shanghai Fengyang Co., Ltd. – one of the Company's subsidiaries, raised the loan of RMB40,000,000 from China Merchants Bank Shanghai Branch, which was secured by China Merchants Shekou Industrial Zone Co., Ltd.

Tianjin China Merchants Property Co., Ltd. – one of the Company's subsidiary borrowed RMB100,000,000 from China Merchants Bank Tianjin Branch which was under guarantee provided by CMSIZ.

Eureka Investment Co., Ltd. Raised a loan of USD80,000,000 from China Merchants Bank Offshore Business Department and USD50,000,000 from ING Bank N.V., Hong Kong Branch, which were both secured by China Merchants Group (HK) Co., Ltd.

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

Note 2: On December 2008, according to the "Contract for Entrusted Loans in RMB" entered by Shenzhen China Merchants Construction Co., Ltd., Nanjing Fucheng Property Development Co., Ltd. and Bank of China Shekou Branch, Nanjing Fucheng Property Development Co., Ltd. entrusted Bank of China Shekou Branch to provide Shenzhen China Merchants Construction Co., Ltd. the loan of RMB152,906,972 with term of 3 years.

As entrusted by CMSIZ, China Industrial & Commercial Bank Shekou Branch provided loan of RMB300,000,000 to the Company with term of 2 years; As entrusted by CMIZ, China Agriculture Bank Nanshan Branch provided RMB300,000,000 of loan to the Company with term of 2 years. For details please see Note 36(4)(j).

35. Long-term payable

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Main body maintaining fund	33,285,411	28,790,682
Less: Long-term payables due in 1 year	-	-
Long-term payables due beyond 1 year	<u>33,285,411</u>	<u>28,790,682</u>

36. Expected liabilities

<u>Categories</u>	<u>Beginning of Term</u> RMB Yuan	<u>Increased this year</u> RMB Yuan	<u>Decreased this year</u> RMB Yuan	<u>End of Term</u> RMB Yuan
Predicted expenses (Note 1)	-	82,214,387	-	82,214,387
Guishan Villa case (Note 2)	-	7,450,000	-	7,450,000
Sue case of delayed certificates(Note 3)	1,211,060	-	409,149	801,911
Total	1,211,060	89,664,387	409,149	90,466,298
Less: Predicted liability due in 1 year	-	-	-	-
Predicted liability due beyond 1 year	1,211,060	89,664,387	409,149	90,466,298

Note 1: According to the agreement entered by the Company with Nanjing Fucheng Property Development Co., Ltd., this was the supplementary land transfer payment, land using payment, land VAT, and property maintenance fund which are possibly exist before the transferring of International Finance Center and should be undertaken by the Company.

Note 2: The Owners' Committee of Guishan Villa Estate developed by Shenzhen China Merchants Property Co., Ltd. raised lawsuit against Shenzhen China Merchants Property Co., Ltd. claiming for RMB14,837,342 of compensation of land occupied in Guishan Villa Estate. Shenzhen China Merchants Property Co., Ltd. predicted the possibility of make the above compensation and provided the predicted liability of RMB7,450,000 which was 50% of the claimed amount.

Note 3: Some of the owners of properties sold by Shenzhen China Merchants Property Co., Ltd. raised lawsuit against Shenzhen China Merchants Property Co., Ltd. claiming for compensation on the delayed property certificate filing procedures. In 2008, the Company paid RMB12,900 according to the judgment made by the court, and the predicted liability of RMB396,249 was restored.

37. Differed tax liabilities

<u>Provisional items of difference</u>	<u>Taxable provisional difference</u>		<u>Differed income tax liability</u>	
	<u>Beginning of Term</u> RMB Yuan	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan	<u>End of Term</u> RMB Yuan
Change of sellable financial asset fair value	3,194,784	171,498	547,380	34,300

38. Other non-current liabilities

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Differed rental income	3,650,020	4,316,680
Infrastructure grant from Water Supply Bureau	2,837,387	860,640
Special grant for culture development	1,500,000	-
Other water supply grants	96,300	-
Total	8,083,707	5,177,320
Less: Other non-current liabilities due in 1 year	99,402	-
Other non-current liabilities due beyond 1 year	<u>7,984,305</u>	<u>5,177,320</u>

39. Share capital

2008

	<u>Beginning of Term</u>	<u>Changed this year</u>			<u>End of Term</u>
	(shares)	Bonus shares and capitalized from capital reserves (shares)	<u>New offer</u> (shares)	<u>Others</u> (shares)	(shares)
I. Shares with conditional subscription					
1. State legal person shares	301,299,211	150,649,606	279,349,288	-	731,298,105
2. Other domestic shares	149,494	74,747	73,174	(45,851)	251,564
3. Foreign shares	128,587,201	64,293,601	-	5,051,063	197,931,865
Incl. Shares held by foreign legal persons	128,439,676	64,219,838	-	5,050,126	197,709,640
Foreign natural person shares	147,525	73,763	-	937	222,225
Total of conditional shares	<u>430,035,906</u>	<u>215,017,954</u>	<u>279,422,462</u>	<u>5,005,212</u>	<u>929,481,534</u>
II. Shares with unconditional subscription					
1. Common shares in RMB	317,189,437	158,594,718	170,577,538	45,851	646,407,544
2. Foreign shares in domestic market	97,641,659	48,820,829	-	(5,051,063)	141,411,425
Total of unconditional shares	<u>414,831,096</u>	<u>207,415,547</u>	<u>170,577,538</u>	<u>(5,005,212)</u>	<u>787,818,969</u>
III. Total of shares					
	<u>844,867,002</u>	<u>422,433,501</u> (注1)	<u>450,000,000</u> (注2)	-	<u>1,717,300,503</u>

The above shares are with par value of RMB1 yuan.

Note 1: The dividend plan for 2007 was adopted by the Annual General Meeting 2007, namely: upon total capital shares of 844,867,002 outstanding at the end of year, upon total capital shares of 844,867,002 outstanding at the end of year, 3 bonus shares will be delivered to each 10 shares. Upon total capital shares of 844,867,002 outstanding at December 31 2007, 2 shares will be capitalized to each 10 shares. Totally RMB168,973,400 will be capitalized.

The above figures of capital shares was verified by Carea Schinda Certified Public Accountants which issued the Capital Verification Report (开元信德深验资字(2008)第 040 号)

40. Share capital - continues

Note 2. As approved by the Shareholders' Meeting 2007, and approved by China Securities Regulatory Commission with document (证监许可[2008]989号), the Company placed 450,000,000 shares with face value of RMB1.00 to the existing A-share holders on November 26, 2008, the placing price was RMB13.20 per share. Among which, 279,349,288 shares were subscribed by China Merchants Shekou Industrial Zone Co., Ltd. Upon completion of this time of placing, the Company's total capital shares increased up to 1,717,300,503 shares. The fund raised in this public placing was RMB5,777,220,556 in net amount, in which RMB450,000,000 was increasing of share capital, and RMB5,327,220,556 was increasing of capital reserves.

The above change of share capital was verified by Carea Schinda Certified Public Accountants with the Capital Verification Report (开元信德深验资字(2008)第 040 号).

Year 2007:

	<u>Beginning of Term</u> (shares)	Bonus shares and capitalized from capital reserves (shares)	<u>Changed this year</u>		<u>End of Term</u> (shares)
			<u>New offer</u> (shares)	<u>Others</u> (shares)	
I. Shares with conditional subscription					
1. State legal person shares	147,426,958	43,135,614	110,736,639	-	301,299,211
2. Other domestic shares	173,942	5,851	-	(30,299)	149,494
3. Foreign shares	128,591,576	-	-	(4,375)	128,587,201
Incl. Shares held by foreign legal persons	128,439,676	-	-	-	128,439,676
Foreign natural person shares	151,900	-	-	(4,375)	147,525
Total of conditional shares	276,192,476	43,141,465	110,736,639	(34,674)	430,035,906
II. Shares with unconditional subscription					
1. Common shares in RMB	244,992,912	72,166,226	-	30,299	317,189,437
2. Foreign shares in domestic market	97,637,284	-	-	4,375	97,641,659
Total of unconditional shares	342,630,196	72,166,226	-	34,674	414,831,096
III. Total of shares	618,822,672	115,307,691(Note 3)	110,736,639(Note 4)	-	844,867,002

The above shares are with par value of RMB1 yuan.

Note: As approved by China Securities Regulatory Commission by Zheng-jian-fa-zi [2006]67, the Company issued 15.1 million convertible company bonds at face value of RMB100 and term of 5 years. The face interest rates were: 1.0% for the 1st year, 1.4% for the 2nd year, 1.8% for the 3rd year, 2.2% for the 4th year, and 2.6% for the 5th year. Interests will be paid once per year since the primary issuing date. The starting and ending date for share converting was: the 1st trading day (include) 6 months after completion of issuing until the expiration day of the convertible bonds, i.e. March 1 2007 to August 30 2011.

Share capital - continues

Year 2007 - continues

The above convertible bonds were listed in Shenzhen Stock Exchange for trading since September 11, 2006 with abbreviation of "China Merchants Convertible Bond". These bonds can be converted into current A-shares since March 1, 2007.

On May 25, 2007, converting of China Merchants Convertible Bonds was terminated. Till then, there were totally 15,093,841 unit of bonds (with face value of RMB1,509,384,100 in total) were filed to convert at price of RMB13.09 per share, as the result, the capital shares of the Company has increased by 115,307,691 shares, and the capital reserves has increased by RMB1,394,072,217, the remained 6, 159 units of convertible bonds (with face value of RMB615,900 in total) were repurchased by the Company.

Details of above converting of bonds were verified by Pan-China Shenzhen CPA Ltd. with the Capital Verification Report titled (信德验资报字(2007)第 053 号).

Note 4: Examined by 2006 shareholders meeting, and approved by " Notice On approval of China Merchants Real Estate Holdings Co., Ltd. non-public issuance of stocks" (File No.299 SFC Issuance Zi [2007]) and "Reply on approving exemption of the obligation of China Merchants Shekou Industrial Zone Co., Ltd. purchasing the share of China Merchants Holdings Co., Ltd." (File No.156 SFC Corporation Zi [2007] issued by CSRC), the Company non-publicly issued 110,736,639 shares to China Merchants Shekou Industrial Zone Co., Ltd., face value 1.00 Yuan per share, issuance price 20.77 Yuan per share. The net amount of proceeds from this private issuing of shares was RMB2,292,166,500, in which RMB110,736,639 was added to share capital, and RMB2,181,429,861 was added to capital reserves.

Aforesaid practically received capital has been verified by Pan-China Schinda Certified Public Accountants and the "Capital Verification Report" (开元信德验资字(2007)第 055 号) was issued thereof.

40. Capital reserves

Year 2008:

<u>Items</u>	<u>Beginning of Term</u> RMB Yuan	<u>Increased this year</u> RMB Yuan	<u>Decreased this year</u> RMB Yuan	<u>End of Term</u> RMB Yuan
Share capital premium	3,295,677,809	5,327,220,556	189,873,821	8,433,024,544
Incl. Share capital paid in by investors	3,557,191,993	5,327,220,556 (Note 1)	-	8,884,412,549
Using of converting rights of convertible bonds	1,394,072,217	-	-	1,394,072,217
Writing back of share equity investment formed by merger of firms under common control	(1,354,694,800)	-	-	(1,354,694,800)
Purchase of equity from minority shareholders of subsidiaries (or affiliates)	(300,891,601)	-	20,900,421(Note 2)	(321,792,022)
Capital reserves capitalized		-	168,973,400(Note 3)	(168,973,400)
Other capital reserves	118,180,186	-	2,659,946	115,520,240
Incl. Amount offset from equity by converting of convertible bonds	-	-	-	-
Other changes of owners' equity other than net income of the invested firms	12,421,761	-	1,028,971	11,392,790
Gain or loss from change of fair value of sellable financial assets	1,346,667	-	1,630,975	(284,308)
Transferred from capital reserves under original system	104,411,758	-	-	104,411,758
Total	<u>3,413,857,995</u>	<u>5,327,220,556</u>	<u>192,533,767</u>	<u>8,548,544,784</u>

Note 1: It was the share capital premium increased due to public issuing of shares in 2008. Details are available in Note 41 (2)

Note 2: When Shenzhen China Merchants Property Co., Ltd. purchases the 45% of shares of Shenzhen Meiyue Property Consulting Co., Ltd. from Mr. Zhang Hong, the difference between the long-term equity investment increased due to purchasing of minor shareholders equity and the share of net asset of Shenzhen Meiyue Property Consulting Co., Ltd. since the merger day in an continuous basis, and the capital reserves as reduced correspondingly. For details please see Note6 – 1.

Note 3: Please see Note 40-1

41. Capital reserves - continues

Year 2007:

Items	Beginning of Term RMB Yuan	Increased this year RMB Yuan	Decreased this year RMB Yuan	End of Term RMB Yuan
Share capital premium	21,067,332	3,576,128,294	301,517,817	3,295,677,809
Incl. Share capital paid in by investors	1,375,762,132	2,181,429,861(Note 4)	-	3,557,191,993
Using of converting rights of convertible bonds	-	1,394,072,217(Note 5)	-	1,394,072,217
Writing back of share equity investment formed by merger of firms under common control	(1,354,694,800) (Note 6)	-	-	(1,354,694,800)
Purchase of equity from minority shareholders of subsidiaries (or affiliates)	-	626,216(Note 7)	301,517,817(Note 8)	(300,891,601)
Other capital reserves	205,610,700	1,028,970	88,459,484	118,180,186
Incl. Amount offset from equity by converting of convertible bonds	76,764,820	-	76,764,820	-
Other changes of owners' equity other than net income of the invested firms	11,392,791	1,028,970	-	12,421,761
Gain or loss from change of fair value of sellable financial assets	13,041,331	-	11,694,664	1,346,667
Transferred from capital reserves under original system	104,411,758	-	-	104,411,758
Total	<u>226,678,032</u>	<u>3,577,157,264</u>	<u>389,977,301</u>	<u>3,413,857,995</u>

Note 4. It was the share capital premium increased due to public issuing of shares in 2007. Details are available in Note 40 (4)

Note 5: Please see Note 40 - 3

Note 6. It was caused by adopting of the new accounting standard in 2007 and the influence of change of accounting policy on retrospective basis.

Note 7: In 2007, Zhangzhou China Merchants Real Estate Co., Ltd. was included in the consolidation range as merger of enterprise under common control. The balance of RMB626,216 between the merger consideration and the book value of the Company's share of equity of Zhangzhou China Merchants Real Estate Co., Ltd. at the merger date was used to increase the capital reserves.

Note 8: In 2007, the Company has taken over the 5% share equity of Shenzhen China Merchants Real Estate Co., Ltd. which was held by Shenzhen Shekou Dazhong Investment Co., Ltd. The balance between the long-term equity investment costs increased due to purchasing of minor share equities and the share of recognizable net asset of Shenzhen China Merchants Real Estate Co., Ltd. calculated constantly since the day of purchasing upon the new share portion, has been used to reduce the consolidated capital reserves by RMB301,517,817.

41. Surplus reserves

	Statutory common reserves RMB Yuan	Optional surplus reserves RMB Yuan	Total RMB Yuan
Year 2008:			
Balance at the beginning of year	471,924,069	140,120,038	612,044,107
Increased this year	58,182,397	-	58,182,397
Decreased this year	-	-	-
Balance at the end of year	<u>530,106,466</u>	<u>140,120,038</u>	<u>670,226,504</u>
Year 2007:			
Balance at the beginning of year	356,136,305	140,120,038	496,256,343
Increased this year	115,787,764	-	115,787,764
Decreased this year	-	-	-
Balance at the end of year	<u>471,924,069</u>	<u>140,120,038</u>	<u>612,044,107</u>

Statutory reserves may be used to makeup the Company's losses, expand the Company's business operation, or converted to share capital.

42. Retained profit

	<u>Year 2008</u> RMB Yuan	<u>Year 2007</u> RMB Yuan
Profit not distributed at the beginning of year	3,026,575,655	2,139,191,449
Plus: net profit of current term	1,227,615,829	1,157,877,638
Less: Providing of statutory surplus reserves (Note 1)	<u>58,182,397</u>	<u>115,787,764</u>
Profit distributable to shareholders	4,254,191,484	3,181,281,323
Less: Cash dividend of the previous year payable —approved by the shareholders' meeting (Note 2)	84,486,700	154,705,668
Less: Share dividend of the previous year payable —approved by the shareholders' meeting	<u>253,460,101</u>	<u>-</u>
Retained profit at the end of term	<u>3,858,062,286</u>	<u>3,026,575,655</u>
Incl. Post balance sheet cash dividend distributed as resolution (Note 3)	171,730,050	84,486,700

43. Retained profit - continues

Note 1. Providing of surplus reserves

According to the provisions of the Articles of Association of the company, statutory surplus reserves are provided at 10% of the net profit. When the statutory surplus reserves has accumulated to over 50% of the registered capital of the Company, providing of statutory surplus reserves can be suspended.

Note 2: Cash dividend approved by the Shareholders' Annual Meeting.

According to the profit distribution and capitalizing of capital reserves plan for year 2007 decided by the 21st meeting of the 5th term of Board held on February 18, 2008, the Company distributed RMB1.00 (tax included) to each 10 shares upon the total capital shares of 844,867,002 at December 31, 2007, and RMB84,486,700 of dividend was distributed in cash in total; distributed 3 bonus shares to each 10 shares, and RMB253,460,101 was distributed in share dividend;

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

According to the Profit Distribution Plan 2008 passed at the 3rd meeting of the 6th term of Board held on March 27 2009, basing on the total capital shares of 1,717,300,503 shares as of December 31 2008, RMB1 will be distributed in cash to each 10 shares. Totally RMB171,730,050 will be distributed. This plan is subject to the approval of the Shareholders' Meeting.

Note 4: Surplus reserves already provided by the subsidiaries

As of December 31, 2008, there was RMB327,355,398 of surplus reserves provided by the subsidiaries which has been included in the retained profit of the Company.

43. Minor shareholders' equity

Minor shareholders' equity of main subsidiaries of the Group are as the followings:

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Foshan Xincheng Property Co., Ltd.	469,268,062	477,968,253
Suzhou Shuanghu Property Co., Ltd.	427,625,726	332,285,294
Shanghai Fengyang Property Ltd.	231,712,648	234,526,526
China Merchants Jiaming (Beijing) Property Co., Ltd.	99,912,892	-
Suzhou CM Nanshan Property Co., Ltd.	76,078,951	39,789,614
Zhangzhou China Merchants Properties Co., Ltd.	71,887,922	55,104,448
Shekou Xinghua Industrial Holdings Co., Ltd.	35,982,232	33,917,171
Chengdu CM Property Ltd.	19,289,542	19,953,774
Tianjin China Merchants Properties Co., Ltd.	11,136,311	8,661,828
Guangzhou Qidi Tech & Science Investment Co., Ltd.	8,226,530	8,230,533
Shenzhen CM Water Supply Co., Ltd.	628,070	652,349
Fucheng (China) Ltd. (Note *1)	-	13,137,740
Huipeng Property Co., Ltd.	(54,415,380)	17,081
Others	19,427,133	17,579,662
Total	<u>1,416,760,639</u>	<u>1,241,824,273</u>

44. Turnover

	<u>Accumulated this year</u>	<u>Accumulated last year</u>
	RMB Yuan	RMB Yuan
Major business	3,568,843,651	4,099,630,381
Incl. Property industry	2,515,297,197	3,127,608,626
Public Utilities	752,896,356	727,909,311
Property management	300,650,098	244,112,444
Other business	4,340,549	12,014,287
Total	<u>3,573,184,200</u>	<u>4,111,644,668</u>

The operating income from top five customers amounted to RMB273,597,607 (last year: RMB259,320,513), occupying 7.91% of the total operating income (last year: 6.31%).

45. Operation cost

	<u>Accumulated this year</u>	<u>Accumulated last year</u>
	RMB Yuan	RMB Yuan
Major business	2,097,425,056	2,168,237,471
Incl. Property industry	1,306,287,950	1,425,622,833
Public Utilities	532,943,868	556,232,751
Property management	258,193,238	186,381,887
Other business	348,057	10,913,479
Total	<u>2,097,773,113</u>	<u>2,179,150,950</u>

46. Business tax and levies

	<u>Accumulated this year</u>	<u>Accumulated last year</u>
	RMB Yuan	RMB Yuan
Business tax	140,494,261	170,868,736
Land VAT	114,034,707	332,459,873
Education surtax	4,881,497	5,681,485
City maintenance and construction tax	4,280,540	3,288,014
Others	1,289,112	546,972
Total	<u>264,980,117</u>	<u>512,845,080</u>

47. Financial expenses	<u>Accumulated this year</u>		<u>Accumulated last</u>	
	<u>year</u>	RMB Yuan	RMB Yuan	
Interest expense		876,231,262	444,183,293	
Less: Interest paid and capitalized		795,241,730	416,632,345	
Interest income		45,967,009	19,993,129	
Exchange differences		(127,313,841)	(71,745,003)	
Less: Exchange difference capitalized		(115,391,334)	(68,695,959)	
Commission charges and others		7,813,627	6,095,855	
Total		<u>30,913,643</u>	<u>10,604,630</u>	
48. Asset impairment loss	<u>Accumulated this year</u>		<u>Accumulated last</u>	
	<u>year</u>	RMB Yuan	RMB Yuan	
Bad debt losses		111,444,635	(4,678,993)	
Inventory impairment losses		296,210,000	-	
Total		<u>407,654,635</u>	<u>(4,678,993)</u>	
49. Income from change of fair value	<u>Accumulated this year</u>		<u>Accumulated last</u>	
	<u>year</u>	RMB Yuan	RMB Yuan	
Source of income from change of fair value				
Transactional financial assets (Note)		145,469,305	-	
Trade off financial liabilities		-	(50,589,723)	
Total		<u>145,469,305</u>	<u>(50,589,723)</u>	

Note: For details please see Note 9.

50. Investment income

	<u>Accumulated this year</u>	<u>Accumulated last year</u>
	RMB Yuan	RMB Yuan
Long-term equity investment income	858,738,316	146,444,462
Incl. Gains recognized on equity basis	176,812,461	143,786,639
Income of disposal of long-term equity investment	681,925,855(Note)	2,657,823
Income of transactional financial assets	(55,923,027)	1,983,691
Gains from sellable financial assets	-	52,636,382
Total	<u>802,815,289</u>	<u>201,064,535</u>

Note: It was caused by gains from disposal of Elite Trade Investment Limited, China Merchants Port Service (Singapore) Co., Ltd., and Xi'an China Merchants Property Co., Ltd. Details are available with Note 7, 8, 9, and 10.

51. Non-business income

<u>year</u>	<u>Accumulated this year</u>	<u>Accumulated last year</u>
	RMB Yuan	RMB Yuan
Government subsidy (Note)	21,454,931	31,670,118
Write back of predicted debts	396,249	4,810,848
Profit from disposal of fixed assets	263,020	67,299,259
Gains from disposal of investment properties	-	8,638,881
Income from penalties	-	220,000
Others	2,059,167	17,333,260
Total	<u>24,173,367</u>	<u>129,972,366</u>

Note: See Note 56.

52. Non-operational expenditure

<u>year</u>	<u>Accumulated this year</u>	<u>Accumulated last</u>
	RMB Yuan	RMB Yuan
Predicted liability expenditure	7,450,000	-
Outgoing donations	2,398,000	-
Loss from fixed asset disposal	2,111,390	1,527,513
Others	557,066	1,215,698
Total	<u>12,516,456</u>	<u>2,743,211</u>

53. Income tax

<u>year</u>	<u>Accumulated this year</u>	<u>Accumulated last</u>
	RMB Yuan	RMB Yuan
Income tax of current term	241,724,126	264,839,479
Deferred income tax	<u>(31,859,260)</u>	<u>(5,530,145)</u>
	<u>209,864,866</u>	<u>259,309,334</u>

Adjustments on income tax expenditure and accounting profit:

<u>year</u>	<u>Accumulated this year</u>	<u>Accumulated last</u>
	RMB Yuan	RMB Yuan
Accounting profit	1,301,864,971	1,454,440,222
Income tax expenditure calculated at 18% (previous year: 15%-25%)	234,335,695	425,660,575
Influence of taxes may not be neutralized by expenses	35,072,783	-
Influence of tax-free income	(148,368,640)	(160,821,096)
Influence of taxes not confirmed to neutralize loss and neutralizable provisional differences	84,666,570	(5,530,145)
Change of balance of differed taxable asset/liabilities caused by change of tax rate	(388,283)	-
Influence of inconsistency in tax rates of subsidiaries in other region	<u>4,546,741</u>	<u>-</u>
Income tax expenses	<u>209,864,866</u>	<u>259,309,334</u>

54. Government subsidy

<u>year</u>	<u>Accumulated this year</u> <u>Accumulated last</u>	
	RMB Yuan	RMB Yuan
Income-related government subsidy received		
Refund of import VAT of electricity power (Note 1)	19,891,869	26,796,882
Water conservancy fund subsidy	-	2,139,468
Tax refund (Note 2)	1,180,460	2,733,768
Conference activity subsidy (Note 3)	283,200	-
Total	<u>21,355,529</u>	<u>31,670,118</u>
Asset-related government subsidy received		
Government subsidy for pipe line reconstruction (Note 4)	<u>2,936,789</u>	<u>-</u>
Total	<u>2,936,789</u>	<u>-</u>
Government subsidy counted into current gain/loss account	<u>21,454,931</u>	<u>31,670,118</u>
Government subsidy counted into differed gain/loss	<u>2,837,387</u>	<u>2,936,789</u>

Note 1: As approved by the Ministry of Finance and National Tax Bureau General with document Cai-Guan-Shui [2008]6, in the period from January 1, 2008 to December 31, 2008, the electric power imported by Shenzhen China Merchants Power Supply Co., Ltd. from Hong Kong is on the basic amount of 560 million Kwh. The VAT on the amount lower than the basic amount will be refunded at 40%, where the amount beyond the basic amount is subject to the import VAT according to the regulations.

Note 2: This was the tax refund received by Shanghai China Merchants Property Management Co., Ltd. according to the agreement engaged with Shanghai Hongkou District Government.

Note 3: It was the conference activity allowance granted by Shenzhen Nanshan Culture Industry Development Office to Shenzhen China Merchants Property Co., Ltd. for the 4th Culture Fair held in Nanhai E-Cool.

Note 4: It was the differed income formed by government grant received by Shenzhen China Merchants Water Supply Co., Ltd. for reconstruction of Shahexi DN1200 pipe lines and expanding engineering of Xili (Beihuan-Langshan) water pipe.

55. Earnings per share

(1) At calculating of diluted earnings per share, the current net profit attributable to the common shareholders is:

	<u>Accumulated this year</u> RMB Yuan	<u>Accumulated last year</u> RMB Yuan
Net profit of current term attributable to the common shareholders	1,227,615,829	1,157,877,638
Diluted potential common share interest recognized to expenditure at current term		
The part attributable to common share holders after deducting of income tax influence	-	-
Gains or expenses generated by converting of diluted potential common shares		
The part attributable to common share holders after deducting of income tax influence	-	-
	<u>1,227,615,829</u>	<u>1,157,877,638</u>

(2) At calculating of basic earnings per share, the denominator is the weighted average of common shares out in the market. The calculating process is as the following:

<u>year</u>	<u>Accumulated this year</u> RMB Yuan	<u>Accumulated last year</u> RMB Yuan
Common shares out in the market at beginning of year	1,267,300,503	928,234,008
Plus: Weighted amount of common shares issued this term	<u>37,500,000</u>	<u>146,642,525</u>
Common shares issued	<u>1,304,800,503</u>	<u>1,074,876,533</u>

(3) At calculating of diluted earnings per share, the weighted average of common shares out in the market is calculated as the following:

<u>year</u>	<u>Accumulated this year</u> RMB Yuan	<u>Accumulated last year</u> RMB Yuan
Weighted average of common shares used in calculating of basic earnings per share	1,304,800,503	1,074,876,533
Plus: Weighted average amount of common shares increased with assumption of the diluted potential common shares have been converted to current common shares	-	67,869,084
Weight average amount of common shares used in calculating of diluted earning per share	<u>1,142,745,617</u>	<u>1,304,800,503</u>

56. Net profit deducted non-recurring gain/loss

	<u>Accumulated this year</u> RMB Yuan	<u>Accumulated last year</u> RMB Yuan
Net profit	1,092,000,105	1,195,130,888
Plus: Non-recurring loss (Plus: gains)		
- Gain/loss of non-current assets disposal	22,343,267	(74,411,140)
- Government subsidy	(1,563,062)	(4,873,236)
- Writing back of impairment provisions provided in previous years	(139,458)	(4,835,235)
- Net gain/loss of current term of enterprises under common control from the beginning of term till the date of merger	-	(15,095,325)
- Non-business net gain/loss other than the above items	7,949,650	(21,142,964)
- Influence of income tax on the non-recurring gain/loss	(1,548,930)	15,237,383
Net profit deducted non-recurring gain/loss	1,119,131,845	1,090,010,371
Including: Net profit attributable to the shareholders of parent company less non-recurring gain/loss	1,254,735,748	1,069,028,729
Net profit after deducting of non-recurring gain/loss attributable to the minor shareholders	(135,603,903)	20,981,642

Note: The net income of RMB702,420,752 from disposal of Nanjing International Finance Center – the property under possession of Nanjing Fucheng Property Development Co., Ltd., and the share equity of Elite Trade Investment Limited, Fucheng (China) Co., Ltd. and Nanjing Fucheng Property Development Co., Ltd., were not included in non-recurring gain/loss account. Gains from disposal of other subsidiaries have been included in non-recurring gain/loss. For details please see Note 7, 8, 9, 10, and 52.

The Company adopts accounting on trading financial assets (liabilities), for avoiding of exchange rate fluctuation risks, the future foreign currency trading without transaction of principal are effective hedge operation of the Company relative to normal operation. Gain/loss from the fluctuation of fair value of these trading financial assets were RMB145,469,305 in the year, and the loss from due transaction of the contracts was RMB55,923,027. They were not included in non-recurring gain/loss. For details please see Note 8, 50, and 51.

57. Cash and cash equivalents

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Cash	7,358,057,106	3,544,984,914
Incl: Cash in stock	67,837	127,307
Bank savings could be used at any time	7,357,958,898	3,544,429,053
Other monetary capital could be used at any time	30,371	428,554
Balance of cash and cash equivalents	7,358,057,106	3,544,984,914
Constrained cash and cash equivalents of the parent company and internal subsidiaries	31,076,441	43,110,949

58. Appendix of Cash Flow Statement

<u>year</u>	<u>Accumulated this year</u>	<u>Accumulated last year</u>
	RMB Yuan	RMB Yuan
(1) Net profit adjusted to cash flow of business operation		
Net profit	1,092,000,105	1,195,130,888
Plus: Asset impairment provision	407,654,635	(4,678,993)
Depreciation of fixed assets	32,215,882	47,064,415
Amortizing of intangible assets and investment properties	116,725,535	86,800,296
Amortizing of long-term expenses	13,505,728	3,496,991
Cash received from treatment of fixed assets, intangible assets and other long-term assets (less: gains)		
Loss of asset (Less: gains)	1,848,370	(74,410,627)
Loss of fair value change (less: gains)	(145,469,305)	50,589,723
Financial expenses	81,361,471	10,604,630
Invest losses (Less: gains)	(802,815,289)	(201,064,535)
Decrease of differed income tax assets (less: increase)	(31,859,260)	(5,530,145)
Decrease of inventory (Less: increase)	(6,318,329,982)	(8,639,776,066)
Decrease of operational receivables (Less: increase)	(231,303,360)	(280,864,944)
Increase of operational payables (Less: decrease)	1,766,715,417	3,810,046,785
Cash flow generated by business operation, net	<u>(3,919,843,675)</u>	<u>(4,002,591,582)</u>
(2) Investment and financing activities not involved in cash flow:		
Credit converted to investment	-	12,080,000
Debt converted to capital shares	-	1,386,468,648
(3) Change of cash and cash equivalents, net:		
Balance of cash at period end	7,358,057,106	3,544,984,914
Less: Initial balance of cash	3,544,984,914	919,405,741
Plus: Balance of cash equivalents at the period end	-	-
Less: Initial balance of cash equivalents	-	-
Net increasing of cash and cash equivalents	<u>3,813,072,192</u>	<u>2,625,579,173</u>

59. Other cash flow related to business operation

<u>Items</u>	<u>Accumulated this year</u>	<u>Accumulated last year</u>
<u>year</u>	RMB Yuan	RMB Yuan
Other cash received from business operation		
Operational trade money received	578,643,021	947,782,767
Project deposit received	115,116,320	320,489,499
Operational provisional money received	117,299,353	450,498,500
Interest received	43,390,638	6,133,373
Others	33,477,228	31,364,586
Sub-total	<u>887,926,560</u>	<u>1,756,268,725</u>
Other cash paid for business activities		
Operational trade money paid	75,176,475	123,313,094
Cash paid for administrative expenses	102,743,738	110,771,981
Project deposit refunded	-	126,045,502
Cash paid for sales expenses	141,705,051	76,214,765
Others	17,076,652	21,223,684
Sub-total	<u>336,701,916</u>	<u>457,569,026</u>

60. Other cash flow related to investment activities

<u>Items</u>	<u>Accumulated this year</u>	<u>Accumulated last year</u>
<u>year</u>	RMB Yuan	RMB Yuan
Other cash paid for investment activities		
Cash retrieved from foreign currency future trade	<u>54,886,338</u>	<u>19,910,931</u>

61. Merger of companies

The Company is one of the merged parties under different control

Merged parties under different control of the Company happened in 2008 are as the followings:

(1) Profile of Shanghai China Merchants Property Co., Ltd. – the merged party:

For details please go to Note 7.

(2) Financial highlights of Shanghai CM Fengrui Property Ltd.

	Date of purchase		December 31, 2007	
	<u>Book value</u>	<u>fair value</u>	<u>Book value</u>	<u>fair value</u>
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
Recognizable asset:				
Current Assets	10,002,000	10,002,000	10,010,125	10,117,727
Non-current assets	-	-	-	-
Sub-total	<u>10,002,000</u>	<u>10,002,000</u>	<u>10,010,125</u>	<u>10,117,727</u>
Recognizable liability:				
Current Liabilities	2,000	2,000	121,635	117,727
Non-current liabilities	-	-	-	-
Sub-total	<u>2,000</u>	<u>2,000</u>	<u>121,635</u>	<u>117,727</u>
Total of net assets	<u>10,000,000</u>	<u>10,000,000</u>	<u>9,888,490</u>	<u>10,000,000</u>
Less: Minor shareholders' equity		<u>2,000,000</u>		
Equity attributable to owners of the company		8,000,000		
Less: Consideration paid to purchase		7,000,000		
Equity obtained in previous years		<u>1,000,000</u>		
Goodwill		<u>-</u>		

Shenzhen China Merchants Property Co., Ltd. used cash for consideration of merger. The book value and fair value of consideration paid at merger day were RMB7,000,000.

	Amount RMB Yuan
Cash and cash equivalents paid as considerations	7,000,000
Less: Cash and cash equivalents hold by the company being merged	<u>1,747,760</u>
Cash and cash equivalents paid to acquire subsidiaries	<u>5,252,240</u>

62. Merger of companies - continues

(1) The Company is one of the merged parties under different control

(3) Business results and net cash flow of Shanghai CM Fengrui Property Ltd. from the merger day to the end of the current term

:	From day purchased to end of the term when merged RMB Yuan
Turnover	-
Operation cost and expenses	-
Total profit	-
Net profit	-
Net cash flow for business activities	(8,262,365)
Net cash flow for investment	-
Net cash flow of financing	-
Net increase of cash and cash equivalents	(8,262,365)

62. Disposal of subsidiaries

The Company disposed the following subsidiaries (details of disposed subsidiaries are available in Note 7), thus they were not included in the consolidated balance sheet ended December 31, 2008. But the business performance and cash flow realized prior to the day of disposal were reflected in the consolidated income statement and cash flow statement of year 2008.

(1) Financial situation at the disposal day and December 31, 2007 and the business performance from January 1, 2008 to the disposal day were as the followings:

	<u>Disposal day</u> RMB Yuan	<u>Dec. 31 2007</u> RMB Yuan
China Merchants Port Service (Singapore) Co., Ltd.		
Current Assets	62,141,103	62,141,103
Non-current assets	-	-
Current Liabilities	-	-
Non-current liabilities	-	-
Fucheng (China) Ltd. (Note *1)		
Current Assets	738	69,497,643
Non-current assets	38,150,256	72,757,677
Current Liabilities	-	79,554,618
Non-current liabilities	-	-
Nanjing Fucheng Real-estate Development Co., Ltd.		
Current Assets	903,905,055	619,081,390
Non-current assets	35,775,965	45,892,772
Current Liabilities	901,439,099	521,879,917
Non-current liabilities	-	68,120,521

63. Disposal of subsidiaries – continue

(1) Financial situation at the disposal day and December 31, 2007 and the business performance from January 1, 2008 to the disposal day were as the followings: -continues

	<u>Disposal day</u> RMB Yuan	<u>Dec. 31 2007</u> RMB Yuan
Elite Trade Investment Limited		
Current Assets	-	1,580
Non-current assets	39,049,987	-
Current Liabilities	738	1,565
Non-current liabilities	-	-
Xi'an CM Property Management Co., Ltd.		
Current Assets	2,939,870	3,524,246
Non-current assets	157,139	368,257
Current Liabilities	1,804,641	2,263,342
Non-current liabilities	230,753	461,505
		Jan 1 2008 to disposal day RMB Yuan
China Merchants Port Service (Singapore) Ltd. (Note)		
Fucheng (China) Ltd. (Note *1)		
Turnover		-
Operation cost and expenses		1,359,380
Total profit		37,292,983
Net profit		37,292,983
Net cash flow for business activities		(40,648,139)
Net cash flow for investment		74,147,033
Net cash flow of financing		(33,523,271)
Influence of exchange rate on cash flow		(852)
Net increase of cash and cash equivalents		(25,229)

63. Disposal of subsidiaries – continue

(1) Financial situation at the disposal day and December 31, 2007 and the business performance from January 1, 2008 to the disposal day were as the followings: -continues

	Jan 1 2008 to disposal day RMB Yuan
Nanjing Fucheng Real-estate Development Co., Ltd.	
Turnover	16,707,970
Operation cost and expenses	16,807,509
Total profit	(5,636)
Net profit	(5,636)
Net cash flow for business activities	(77,283,851)
Net cash flow for investment	(152,486,863)
Net cash flow of financing	271,503,099
Influence of exchange rate on cash flow	(351)
Net increase of cash and cash equivalents	41,732,034
Elite Trade Investment Limited	
Turnover	-
Operation cost and expenses	752
Total profit	(752)
Net profit	(752)
Net cash flow for business activities	26
Net cash flow for investment	-
Net cash flow of financing	-
Influence of exchange rate on cash flow	(96)
Net increase of cash and cash equivalents	(70)
Xi'an CM Property Management Co., Ltd.	
Turnover	1,436,146
Operation cost and expenses	1,433,889
Total profit	-
Net profit	-
Net cash flow for business activities	(588,656)
Net cash flow for investment	-
Net cash flow of financing	1,917,874
Influence of exchange rate on cash flow	-
Net increase of cash and cash equivalents	1,329,218

Note: China Merchants Port Service (Singapore) Ltd. was cleared in 2007, thus the business performance and cash flow in the period from Jan 1, 2008 to the disposal day were zero.

63. Disposal of subsidiaries – continue

(1) Cash flow information about the disposal of subsidiaries

	<u>Amount</u> RMB Yuan
Price of subsidiary disposal	881,815,665
Cash and cash equivalents received from disposal of subsidiaries	724,948,365
Less: Cash and cash equivalent under possession of subsidiaries	43,053,953
Net cash received from disposal of subsidiaries	<u>681,912,273</u>

63. Segment report

For the risks and returns are mainly influenced by the differences of products and services, the Company takes business segment as the main form of report, whereas geographic segment as the secondary form of report.

(1) Main report form – business division

<u>Year 2008</u>	<u>Property development</u> RMB Yuan	<u>Public sector</u> RMB Yuan	<u>Property management</u> RMB Yuan	<u>Others</u> RMB Yuan	<u>Unclassified projects</u> RMB Yuan	<u>Neutralized between segments</u> RMB Yuan	<u>Total</u> RMB Yuan
Income from external trade	2,515,297,197	752,896,356	300,650,098	4,340,549	-	-	3,573,184,200
Income among the segments	-	6,016,088	14,828,208	-	-	(20,844,296)	-
Total of turnover	<u>2,515,297,197</u>	<u>758,912,444</u>	<u>315,478,306</u>	<u>4,340,549</u>	<u>-</u>	<u>(20,844,296)</u>	<u>3,573,184,200</u>
Operational expenses	<u>2,339,596,056</u>	<u>555,564,783</u>	<u>299,921,327</u>	<u>26,109,221</u>	<u>-</u>	<u>(20,844,296)</u>	<u>3,200,347,091</u>
Operation profit	<u>175,701,141</u>	<u>203,347,661</u>	<u>15,556,979</u>	<u>(21,768,672)</u>	<u>917,370,951</u>	<u>-</u>	<u>1,290,208,060</u>
Total of assets	<u>31,036,058,438</u>	<u>1,686,432,986</u>	<u>270,294,888</u>	<u>23,650,206,507</u>	<u>1,748,248,987</u>	<u>(20,976,084,196)</u>	<u>37,415,157,610</u>
Total of liability	<u>25,251,525,806</u>	<u>113,443,855</u>	<u>199,640,697</u>	<u>4,315,817,959</u>	<u>12,231,306,485</u>	<u>(20,976,084,196)</u>	<u>21,135,650,606</u>
Depreciation and amortized expenses	140,476,587	19,511,596	1,693,532	765,430	-	-	162,447,145
Impairment recognized in current term	406,032,595	1,616,756	5,284	-	-	-	407,654,635
Capital expenditure							
Incl. Expenditure of construction-in-process	98,096,831	18,643,315	-	-	-	-	116,740,146
Expenditure for purchasing of fixed assets	45,411,967	1,433,707	1,976,592	93,173	-	-	48,915,439
Expenditure for purchasing of intangible assets	9,280	-	-	-	-	-	9,280
Expenditure for purchasing of investment property	849,893	-	-	-	-	-	849,893
<u>Year 2007</u>	<u>Property development</u> RMB Yuan	<u>Public sector</u> RMB Yuan	<u>Property management</u> RMB Yuan	<u>Others</u> RMB Yuan		<u>Neutralized between segments</u> RMB Yuan	<u>Total</u> RMB Yuan
Income from external trade	3,127,608,625	727,909,311	244,112,444	12,014,288		-	4,111,644,668
Income among the segments	-	4,478,913	14,604,456	-		(19,083,369)	-
External business costs	1,425,622,833	560,711,664	200,986,343	10,913,479		(19,083,369)	2,179,150,950
Periodic expenses	187,382,848	(7,915,078)	19,827,291	46,486,484		-	245,781,545
Operation profit	<u>1,187,283,357</u>	<u>178,528,561</u>	<u>25,063,179</u>	<u>1,027,638,471</u>		<u>(1,091,302,501)</u>	<u>1,327,211,067</u>
Total of assets	<u>23,209,258,198</u>	<u>1,705,449,806</u>	<u>269,369,941</u>	<u>18,995,115,070</u>		<u>(19,072,029,333)</u>	<u>25,107,163,682</u>
Total of liability	<u>19,349,482,365</u>	<u>1,071,438,786</u>	<u>179,560,444</u>	<u>10,828,288,869</u>		<u>(15,466,351,510)</u>	<u>15,962,418,954</u>
Supplementary info.							
Depreciation and amortized expenses	100,634,240	22,902,462	1,591,956	8,736,052		-	133,864,710
Impairment recognized in current term	(2,971,637)	40,047	(52,202)	(1,695,201)		-	(4,678,993)
Capital expenditure							
Incl. Expenditure of construction-in-process	90,646,540	14,743,795	-	-		-	105,390,335
Expenditure for purchasing of fixed assets	48,811,237	3,045,461	1,529,250	80,372		-	53,466,320
Expenditure for purchasing of intangible assets	38,841,881	-	-	-		-	38,841,881

64. Segment report - continues

(2) Secondary report form

Most of the Company's business are located in the mainland of China, thus no geographic segment information is provided.

64. Related parties and transactions

(1) Controlling related parties

<u>Name of companies</u>	<u>Organization code</u>	<u>Registered address</u>	<u>Business property</u>	<u>Registered capital</u> RMB'000	<u>Portion of voting rights</u>	<u>Share proportion %</u>
China Merchants Shekou Industrial Zone Co., Ltd.	10001146-0	Shenzhen	Establishment and management of various types of enterprises.	2,236,000	42.58%	42.58%

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) Information regarding the subsidiaries are available with Note 7.

(3) Other related parties have trades with the Company but without controlling relationships are:

	<u>Relationship</u>		
Shenzhen China Merchants Landmark Co., Ltd.	Subsidiary of the parent company		
China Merchants Port Service (Shenzhen) Ltd.	Subsidiary of the parent company		
Shenzhen Beike Venture Co., Ltd.	Subsidiary of the parent company		
Dafeng International Holdings	Subsidiary of the parent company		
China Merchants Group (HK) Ltd.	Under common shareholder	substantial	controlling
China Merchants Hanghua Technologies and Trade Center Co., Ltd.	Under common shareholder	substantial	controlling
China Merchants Logistics Holdings Co., Ltd.	Under common shareholder	substantial	controlling
China Merchants Securities Co., Ltd.	Under common shareholder	substantial	controlling
China Merchants International (China) Investment Co., Ltd.	Under common shareholder	substantial	controlling

65. Related parties and transactions - continues

(1) Other related parties have trades with the Company but without controlling relationships are - continues

	Relationship		
China Merchants Landmark Co., Ltd.	Same controlling shareholder		
Shenzhen Beike Chuangye Co., Ltd	Same controlling shareholder		
Dafeng International Holdings	Same controlling shareholder		
China Merchants Logistics Group Co., Ltd.	Same controlling shareholder		
Shenzhen Shekou Dazhong Investment Co., Ltd.	Same controlling shareholder		
China Merchants Hanghua Technologies and Trade Center Co., Ltd.	Same controlling shareholder		
Hong Kong Chinese Businessman Property Co., Ltd.	Same controlling shareholder		
China Merchants Port Service (Shenzhen) Ltd	Under common shareholder	substantial	controlling
China Merchants Group (Hong Kong) Co. Ltd.	Under common shareholder	substantial	controlling
China Merchants Securities Co. Ltd	Under common shareholder	substantial	controlling
China Merchants International (China) Investment Co., Ltd	Under common shareholder	substantial	controlling
Hong Kong Chinese Businessman Property Co., Ltd.	Under common shareholder	substantial	controlling
China Merchants Zhangzhou Development Zone Co.Ltd\	Under common shareholder	substantial	controlling
China Merchants Development Co., Ltd.	Under common shareholder	substantial	controlling
Shenzhen China Merchants OCT Investment Co., Ltd.	Joint company of the Company		
Beijing Hengshihuarong Real-estate Development Co., Ltd.	Affiliate company		
Shenzhen China Merchants Guangming Technologies Zone Ltd.	Affiliate company		
Tianjin Xinhai Real Estate Development Co., Ltd.	Affiliate company		
Director, general manager and vice general manager	Key management		

(4) The following material related transactions have occurred between the Company and the related parties in this year

(a) Leasing expenditures

	<u>Accumulated this year</u> <u>Accumulated last</u>	
<u>year</u>	RMB Yuan	RMB Yuan
China Merchants Sekou Industrial Zone Co., Ltd. (Note 1)	22,024,280	15,142,760
China Merchants Landmark Co., Ltd. (Note 2)	3,468,317	3,173,626
Total	25,492,597	18,316,386

Note 1: Shenzhen China Merchants Property Co., Ltd., Shenzhen China Merchants Water Supply Co., Ltd., Shenzhen China Merchants Power Supply Co., Ltd. – the subsidiaries of the Company paid the land using fee for year 2008, and rental for Nanhai E-cool block 1, 3, 5 from September to December 2008 to CMSIZ.

Note 2: It was the rental of employees' hall of residence located at 45 Taizi Road paid by Shenzhen China Merchants Property Co., Ltd., and China Merchants Property Management Co., Ltd. to Shenzhen China Merchants Landmark Co., Ltd. for year 2008.

65. Related parties and transactions - continues

- (4) The following material related transactions have occurred between the Company and the related parties in this year - continues

(b) Rental income

	<u>Accumulated this year</u> RMB Yuan	<u>Accumulated last year</u> RMB Yuan
China Merchants Sekou Industrial Zone Co., Ltd. (Note 1)	12,587,319	3,281,811
China Merchants International (China) Investment Co., Ltd. (Note 2)	3,039,435	-
China Merchants Landmark Co., Ltd. (Note 1)	2,327,066	559,045
China Merchants Logistics Group Co., Ltd. (Note 2)	1,111,074	774,380
Shenzhen Beike Chuangye Co., Ltd. (Note 3)	670,000	670,000
China Merchants Port Service (Shenzhen) Ltd.	-	10,573,509
Total	<u>19,734,894</u>	<u>15,858,745</u>

Note 1: Shenzhen China Merchants Property Co., Ltd.– the subsidiary of the Company received rental for New Age Plaze from January to December 2008 to CMSIZ.

Note 2: Rental received by Shenzhen China Merchants Property Co., Ltd. from the above companies for period from January to December 2008.

Note 3: This was the differed rental income of Shenzhen China Merchants Property Co., Ltd. from Shenzhen Beike Chuangye Co., Ltd. for the house in Beike Chuangye Building located at Industry Road, Shekou. China Merchants Property Co., Ltd. received RMB10,000,000 for the rent at one off in 2000, and transferred RMB 670,000 yuan each year since that year. By December 31, 2008, the Company's deferred rental income amounted to RMB3,650,020 Yuan.

The above transactions are implemented according to agreement price.

65. Related parties and transactions - continues

- (4) The following material related transactions have occurred between the Company and the related parties in this year - continues

- (c) Income from power supply and water supply.

The subsidiary of the Company Shenzhen Water Works Co., Ltd. provided life and industrial water to China Merchants Shekou Industrial Zone Co., Ltd and its subsidiaries. The subsidiary of the Company Shenzhen China Merchants Power Supply Co., Ltd provided life and production power to China Merchants Shekou Industrial Zone Co., Ltd and its controlling subsidiaries.

The above transactions are implemented according to agreement price.

- (d) Purchasing of assets

	<u>Accumulated this year</u> RMB Yuan	<u>Accumulated last year</u> RMB Yuan
China Merchants Shekou Industrial Zone Co., Ltd.	2,084,273,988(Note 1)	120,708,800
Shenzhen China Merchants Landmark Co., Ltd.	192,924(Note 2)	880,960,475
Total	<u>2,084,466,912</u>	<u>1,001,669,275</u>

Note 1: In February 2008, Shenzhen China Merchants Property Co., Ltd. signed the "Land Using Right Confirmation Contract" with CMSIZ regarding the land using rights of Garden City Digital Building, Garden City Phase V, Technical Building Phase II, Wuzi Apartment, China Merchants Plaza, and Yongjingwan. By this contract, Shenzhen China Merchants Property Co., Ltd. accept the land using rights of these projects, with price of RMB2,601,810,000 in total.

In December 2008, CMSIZ reduced the price of above six pieces of land by RMB519,957,200 according to "The letter about reducing of the considerations of land using rights". Thus the land price payable was reduced to RMB2,081,852,800 thereafter. Up to year 2008, the payment made was RMB2,052,593,200.

In January 2008, Shenzhen China Merchants Power Supply Co., Ltd. entered the "Land Using Right Confirmation Contract" with CMSIZ regarding the land using rights of land piece T102-0183 located to the south of Qianhaiwan Logistics Garden and west of Xinghai Road, the land is used for 110KV transforming station, and the price was RMB2,421,188.

Note 2: It was the price paid by Shenzhen China Merchants Property Co., Ltd. to Shenzhen China Merchants Landmark Co., Ltd. for purchasing of cars.

65. Related parties and transactions - continues

- (4) The following material related transactions have occurred between the Company and the related parties in this year - continues

(e) Guarantee and assurance

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
China Merchants Sekou Industrial Zone Co., Ltd. (Note 1)	1,741,133,590	2,008,272,414
China Merchants Group (HK) Co., Ltd. (Note 2)	1,324,408,935	852,197,019

Dafeng International Inc., a wholly owned subsidiary of China Merchants Shekou Industrial Zone Co., Ltd., provided clearance assurance for the long-term foreign currency exchange in ING Bank N.V., Hong Kong Branch conducted by Hong Kong Eureka Investment Co., Ltd.

Note 1: China Merchants Shekou Industrial Zone Co., Ltd. provided RMB610,000,000 of loan guarantee for the company; RMB 590,000,000 of loan guarantee for Shenzhen China Merchants Property Co., Ltd.; RMB40,000,000 of loan guarantee for Shanghai Fengyang Property Development Co., Ltd.; RMB100,000,000 for Tianjing China Merchants Property Co., Ltd.; USD24,380,000 (RMB166,627,548) for Shenzhen China Merchants Power Supply Co., Ltd.; RMB24,000,000 for Suzhou China Merchants Nanshan Property Co., Ltd.

CMSIZ also provided guarantee of RMB146,266,963 for the guaranteed payment of Shenzhen China Merchants Property Co., Ltd.; and RMB6,070,029 for the guaranteed payment of Tianjiang China Merchants Property Co., Ltd.

CMSIZ provided guarantee of RMB58,169,050 for the accepted bank draft to Shenzhen China Merchants Property Co., Ltd.

Note 2: It was the guarantee provided by China Merchants Group (HK) Co., Ltd. to Jiarui Investment Co., Ltd. for bank loans.

(j) Entrusted loan

<u>Name of the parties</u>	<u>End of Term</u> RMB Yuan	<u>Loan terms</u>	Rate of the year	<u>Interest paid</u> RMB Yuan
China Merchants Sekou Industrial Zone Co., Ltd. (Note 1)	300,000,000	June 2 2008 – June 1 2010	7.560%	13,356,000
China Merchants Sekou Industrial Zone Co., Ltd. (Note 2)	300,000,000	Sept. 25 2008 to Sept. 24 2010	7.290%	5,892,750

Note 1: As entrusted by CMSIZ, China Industrial & Commercial Bank Shekou Branch provided entrusted loans to the Company.

Note 2: As entrusted by CMSIZ, China Agriculture Bank Nanshan Branch provided entrusted loans to the Company.

65. Related parties and transactions - continues

- (4) The following material related transactions have occurred between the Company and the related parties in this year - continues

(k) Balance of debts and credits

Detailed information on the balance of credit and debt between the related parties and the Company, as follows:

<u>Accounts</u>	<u>Name of the parties</u>	<u>End of Term</u>	<u>Beginning of</u>
	RMB Yuan	RMB Yuan	<u>Term</u>
Other receivable	Shenzhen China Merchants OCT Investment Co., Ltd.	261,728,182	194,152,935
	Beijing Hengshihuarong Real-estate Development Co., Ltd.	206,243,158	210,679,716
	<u>Total</u>	<u>467,971,340</u>	<u>404,832,651</u>
Account payable	China Merchants Shekou Industrial Zone Co., Ltd.	82,395,024	5,338,724
Other account payable	CM Zhangzhou Development Zone Ltd.	200,850,000	8,621,528
	Tianjin Xinhai real Estate Development Co., Ltd.	117,331,399	63,431,399
	Shenzhen China Merchants Guangming Technologies Zone Ltd.	6,563,954	22,895,913
	China Merchants Securities Co., Ltd.	2,000,000	-
	China Merchants Hanghua Technologies and Trade Center Co., Ltd.	1,973,777	-
	Dafeng International Holdings	-	175,310,400
	China Merchants Shekou Industrial Zone Co., Ltd.	-	4,852,099
	<u>Total</u>	<u>328,719,130</u>	<u>275,111,339</u>
Dividend payable	Shenzhen Shekou Dazhong Investment Co., Ltd.	-	20,913,265
	Hong Kong Chinese Businessman Property Co., Ltd.	-	1,482,316
	China Merchants Development Co., Ltd.	-	143,997
	Shenzhen China Merchants Landmark Co., Ltd.	-	80,391
	<u>Total</u>	<u>-</u>	<u>22,619,969</u>

65. Related parties and transactions - continues

- (4) The following material related transactions have occurred between the Company and the related parties in this year - continues

(m) Transactions with affiliates

<u>Name of the parties</u>	<u>Balance of capital adopted at the beginning of year</u> RMB Yuan	<u>Principal lend out / borrowed in in current year</u> RMB Yuan	<u>Interest of capital adopted in current year</u> RMB Yuan	<u>Returned this year</u> RMB Yuan	<u>Balance of capital adopted at end of year</u> RMB Yuan
Dafeng International Holdings	(175,310,400)	(799,673,143)	(45,030,883)	1,020,014,426	-
Shenzhen China Merchants OCT Investment Co., Ltd.	194,152,935	151,321,437	9,761,780	(93,507,970)	261,728,182
Total	<u>18,842,535</u>	<u>(648,351,706)</u>	<u>(35,269,103)</u>	<u>926,506,456</u>	<u>261,728,182</u>

(n) Collective investment

In December 2008, Shenzhen China Merchants Property Co., Ltd. and Shenzhen China Merchants Financial Service Co., Ltd. - the related party, setup Beijing Kanglade Property Development Co., Ltd. jointly. The above parties hold 60% and 40% of the shares of the new company respectively.

(o) Remunerations of key managements

	<u>Accumulated this year</u> RMB Yuan	<u>Accumulated last year</u> RMB Yuan
Remunerations of key managements	<u>9,903,266</u>	<u>10,638,718</u>

65. Financial Instruments and Risk Management

Financial instruments adopted by the Company are available-for-sale financial assets, long-term equity investments, loans, account receivable, account payable, transactional financial liabilities, and convertible bonds. Details of these financial instruments are available in respective notes herein. Risks attached to these financial instruments and the risk management policies adopted by the Company are illustrated hereafter. The executive team of the Company have been monitoring and controlling over the risk exposures to constrain them in a certain extent.

1. Objective and policies of risk management

The objective of the Company's risk management is to achieve a balance between the risk and gains. Constrain the negative influence on business operation to the lowest limit, and maximum the interests of shareholders and other equity holders. With regard to this target, the basic policies of the Company are; locate and analyse the risks, set appropriate bottom line for risks, and manage and monitor on each risk and constrain them in a certain extent.

66. Financial Instruments and Risk Management - continues

1.1 Market risk

1.1.1 Foreign currency risk

Foreign currency risks are those generated by vibration of exchange rates. Foreign currency risks of the Company are mainly involved with Hong Kong Dollar, Singapore 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, 2008, except for the following assets which are demonstrated in Hong Kong Dollar, Singapore 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.

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Monetary capital	491,624,844	113,278,537
Other account receivable	108,790,311	120,096,375
Account payable	-	77,382,450
Other account payable	751,219,269	174,220,230
Short-term loans	1,488,956,278	2,231,531,334
Long-term borrowings	1,324,408,935	365,235,019
Trade contract of future foreign currency without handover of principal	1,838,644,092	2,023,330,372

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

1.1.2 Interest rate risk

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

1.1.3 Other price risks

The financial assets available to sale (see Note 15) held by the Company are measured at their fair value at the balance sheet day. Thus the Company is exposed to the risks of securities market vibration. So far the Company adopted no countermeasures to minimize financial asset price change risks.

1.2 Credit risks

As at December 31, 2008, 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:

- the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet; As for the financial instruments measured by fair value, the book values are reflecting the exposure to risks, though they are not the biggest exposures. The biggest exposures change along with the change of future fair values.

66. Financial Instruments and Risk Management - continues

1.2 Credit risks - continue

- The financial guarantee contract amount disclosed in Note 68 – Contingent Issues.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company adopted necessary policies to make sure that all clients and customers are attributed with merit credit records.

1.3 Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensure the loan contracts are properly exercised.

The Company uses bank loans as main capital resources. On December 31, 2008, the bank loan credit used was RMB19,379,230,000.

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

	<u>Book value</u>	<u>Gross value</u>	<u>within 1 yr</u>	<u>1-5 years</u>	<u>over 5 yrs</u>
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
Account receivable	107,177,879	107,177,879	107,177,879	-	-
<u>Other receivables</u>	778,506,128	778,506,128	778,506,128	-	-
<u>Hold-for-sale financial assets</u>	1,743,773	1,743,773	1,743,773	-	-
<u>Long-term receivable</u>	971,960,034	994,476,849	-	994,476,849	-
Loans	(12,231,272,185)	(12,231,272,185)	(5,423,956,278)	(6,807,315,907)	-
Notes payable	(143,287,841)	(143,287,841)	(143,287,841)	-	-
Account payable	(1,863,688,472)	(1,863,688,472)	(1,863,688,472)	-	-
Other account payable	(3,154,569,035)	(3,154,569,035)	(3,154,569,035)	-	-
Total:	<u>(15,533,429,719)</u>	<u>(15,510,912,904)</u>	<u>(9,698,073,846)</u>	<u>(5,812,839,058)</u>	-

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 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.

66. Contingent issues

As of December 31 2008, the Company has provided guarantees for property mortgages to the banks totalled to RMB177,089,955 (December 31, 2007: RMB96,783,374). This issue makes no material influence on the financial situations of the report term and the period after the report term.

67. Commitments

(1) Capital commitments

<u>End of Term</u>	<u>Beginning of Term</u>
RMB Yuan	RMB Yuan

Signed but not yet recognized in the financial statements		
- Real estate development projects	3,061,514,027	993,273,443
- Investment commitment to the outside	-	150,000,000
- Commitment made for purchasing of fixed assets	3,613,318	-
	<u>3,065,127,344</u>	<u>1,143,273,443</u>

(2) . Commitment of operational lease

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

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Minimum lease payments of irrevocable operation lease:		
The first year since the balance sheet date.	34,918,208	14,965,478
The Second years since the balance sheet date.	25,158,847	12,662,654
The Third years since the balance sheet date.	22,869,126	7,501,727
The following years.	<u>177,107,023</u>	<u>44,656,406</u>
Total	<u>260,053,204</u>	<u>79,786,265</u>

68 . Commitments - continues

(2) Other commitment issues

In April 2008, Shenzhen China Merchants Property Co., Ltd. and Beijing Jiaming Property Development Co., Ltd. won the bidding for land using rights of five pieces of land titled CY-01, CY-02, CY-09, CY-07, and CY-10 located in Changping District Beijing (Chenyingxincun to the east, Qinghe to the south, green land and Beijing Military Production Base to the west, Jingyun Garden and Beijing Military Production Base to the north), the price was RMB1.65 billion.

After winning of the above land, the above two company entered the “Supplementary Agreement on Land Development and Construction” with Ronghe Property Co., Ltd. – the primary developer. According to the agreement, Shenzhen China Merchants Property Co., Ltd. and Beijing Jiaming Property Development Co., Ltd. are responsible to provide the Council of Chenying Village 20,000 square meter of commercial building and 6,000 square meter of resident building at price of RMB6,000 per square meter upon completion of construction. Location of these properties shall to the consent and acceptance of the Council of Chenying Village.

In April 2008, China Merchants Jiaming (Beijing) Property Development Co., Ltd. – the subsidiary of the Company, Beijing Construction Committee, and Beijing National Land Resource Administration entered the “Agreement on construction of ‘low-price mid-small suite’ property product”, by which all of the parties agreed to construct 200 thousand square meter of ‘low-price mid-small suite’ houses in Chenying Village, Dongxiaokou Town, Changping District, along with auxiliary facilities and commercial facilities. The sales price of such ‘low-price small-suite’ will be limited to RMB6500 per construction square meter, and only allowed to sell these properties to the objects decided by Beijing Construction Committee, and Beijing National Land Resource Administration.

In April 2008, China Merchants Jiaming (Beijing) Property Development Co., Ltd. entered the “Agreement on construction of low-rental properties” with Beijing Construction Committee, by which the company will construct 20 thousand square meter of low-rental properties in Chenying Village, Dongxiaokou Town, Changping along with living facilities and commercial facilities. These properties will be purchased one off by Beijing Construction Committee or other department assigned by the Government at price of RMB4400 per square meter. The low-rental properties will under the possession of the government.

68. None adjustment items in the post balance sheet items

In January 2009, Beijing Kanglade Property Development Co., Ltd. – the subsidiary of the Company, and Beijing Hengshihuarong Property Development Co., Ltd. – the affiliate of the Company, entered the “Land and project transferring contract for the land piece to the south of Jiaming Center, Baijiazhuang Xili, Chaoyang District, Beijing”, by which Kanglade acquired the land using right and project development right of Baijiazhuang Hotel project. The said property was transferred with price of RMB377.76 million.

69. Notes to major items in financial statements of the parent company

(1) Other account receivable

(a) Age analysis of other receivable accounts

	<u>End of Term</u>			<u>Beginning of Term</u>				
	<u>Amount</u>	<u>Proportion</u>	<u>Bad debt provision</u>	<u>Amount</u>	<u>Proportion</u>	<u>Bad debt provision</u>	<u>Book value</u>	<u>Book value</u>
	RMB Yuan	%	RMB Yuan	RMB Yuan	%	RMB Yuan	RMB Yuan	RMB Yuan
within 1 yr	14,588,369,018	100	-	14,588,369,018	100	-	9,790,070,734	9,790,070,734
1-2 yrs	-	-	-	514,500	-	-	514,500	514,500
Total	<u>14,588,369,018</u>	<u>100</u>	<u>-</u>	<u>14,588,369,018</u>	<u>100</u>	<u>-</u>	<u>9,790,585,234</u>	<u>9,790,585,234</u>

(b) Other receivable accounts are classified as the following

	<u>End of Term</u>			<u>Beginning of Term</u>			<u>Basis of categorizing</u>
	<u>Amount</u>	<u>Bad debt provision</u>	<u>Book value</u>	<u>Amount</u>	<u>Bad debt provision</u>	<u>Book value</u>	
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	
Single account with large amount	14,581,472,247	-	14,581,472,247	9,781,885,244	-	9,781,885,244	Single sum over RMB10 mil.
Single account without large amount but with greater risks after combined with credit features	-	-	-	-	-	-	aged over 3 yrs
Other minor accounts	6,896,771	-	6,896,771	8,699,990	-	8,699,990	Others
Total	<u>14,588,369,018</u>	<u>-</u>	<u>14,588,369,018</u>	<u>9,790,585,234</u>	<u>-</u>	<u>9,790,585,234</u>	

70. Notes to major items in financial statements of the parent company - continues

(2) Long-term share equity investment

(a) Details of long-term equity investments

Name of invested companies	Initial investment	Beginning of Term	New investment this year	Equity adjusted this year	Cash dividend this year	Other decrease in this year	End of Term
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
<u>On equity basis</u>							
Shenzhen CM Guangming Technologies Garden Co., Ltd.	98,000,000	94,369,571	-	(3,945,297)	-	-	90,424,274
<u>On cost basis</u>							
Shanghai China Merchants Properties Co., Ltd.	3,000,000	996,065	-	-	-	2,003,935	3,000,000
Shenzhen CM Property Consultancy Ltd.	400,000	3,914,922	-	-	-	(3,514,922)	400,000
Shenzhen City Main Plaza Investment Co., Ltd.	-	1,310,651	-	-	-	(1,310,651)	-
Shanghai China Merchants Real-estates Co., Ltd.	3,000,000	3,000,000	-	-	-	-	3,000,000
CMRE	106,000,000	692,841,461	-	-	-	-	692,841,461
Shenzhen CM Power Supply Co., Ltd.	57,000,000	119,791,233	-	-	-	-	119,791,233
Shenzhen CM Water Supply Co., Ltd.	43,000,000	127,209,610	-	-	-	-	127,209,610
Shenzhen China Merchants Xin'an Properties Co., Ltd.	25,000,000	20,822,211	-	-	-	-	20,822,211
CM Port Service (Singapore) Ltd. (Note)	Singapore Dollar 15,000,000	88,784,955	-	-	-	(88,784,955)	-
Eureka Investment Ltd.	HKD20,000,000	20,180,700	-	-	-	(261,400)	19,919,300
China Merchants Garden City (Beijing) Real Estate Development Co., Ltd.	20,000,000	18,000,000	-	-	-	-	18,000,000
CM Property (Beijing) Ltd.	20,000,000	18,000,000	-	-	-	-	18,000,000
China Merchants (Suzhou) Co., Ltd.	30,000,000	27,000,000	-	-	-	-	27,000,000
CM (Chongqing) Ltd.	30,000,000	27,000,000	-	-	-	-	27,000,000
China Merchants Property Management Co., Ltd.	22,500,000	36,460,597	-	-	-	-	36,460,597
CM (Nanjing) Ltd.	30,000,000	14,700,000	-	-	-	-	14,700,000
Zhangzhou China Merchants Properties Co., Ltd.	25,000,000	25,500,000	-	-	-	-	25,500,000
Tianjing Zhaosheng Property Co., Ltd.	18,000,000	18,000,000	-	-	-	-	18,000,000
Suzhou CM Nanshan Property Co., Ltd.	60,000,000	60,000,000	60,000,000	-	-	-	120,000,000
Chengdu CM Property Ltd.	30,000,000	30,000,000	-	-	-	-	30,000,000
China Merchants Properties (Chongqing) Co., Ltd.	30,000,000	-	30,000,000	-	-	-	30,000,000
		1,447,881,976	90,000,000	(3,945,297)	-	(91,867,993)	1,442,068,686
Less: Impairment provision		26,643,851					-
Long-term investment, net		1,421,238,125					1,442,068,686

Change of long-term equity investment impairment provision:

Name of invested companies	Beginning of Term	Increased this year	Transferred this year	End of Term
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
China Merchants Port Service (Singapore) Ltd. (Note)	26,643,851	-	(26,643,851)	-

Note: China Merchants Port Service (Singapore) Co., Ltd. was closed in 2008. The long-term impairment provisions of RMB26,643,851 provided in previous years was transferred off.

70. Notes to major items in financial statements of the parent company - continues

(2) Long-term share equity investment - continues

(b) List of joint enterprises and major financial data

<u>Name of invested companies</u>	<u>Reg. Add.</u>	<u>Business property</u>	<u>Registered capital</u>	<u>Portion in the registered capital</u>	<u>Portion in voting rights</u>	<u>Gross asset of the invested business</u>	<u>Gross liability of the invested business at end of year</u>	<u>Turnover of the invested business of the year</u>	<u>Net profit of the invested companies of the year</u>
			RMB Yuan	%	%	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
Affiliated company									
Shenzhen China Merchants Technologies Zone Ltd.	Guangming Shenzhen	Property development and management	200,000,000	49	49	202,060,646	17,521,312	1,800,000	(8,051,627)

(c) The Company's long-term equity investment receivers as of December 31, 2008 were not limited in ability to transfer capital to the Company.

70. Notes to major items in financial statements of the parent company - continues

(4) Short-term loans

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
Credit loan	2,406,081,100	3,585,866,600
Guarantee loan	400,000,000	150,000,000
Total	<u>2,806,081,100</u>	<u>3,735,866,600</u>

(5) Long-term borrowings

<u>Categories</u>	<u>Original</u> <u>currency</u>	<u>End of Term</u> <u>Exchange</u> <u>rate</u>	<u>RMB Yuan</u>	<u>Original</u> <u>currency</u>	<u>Beginning of Term</u> <u>Exchange</u> <u>rate</u>	<u>RMB Yuan</u>
Credit loan - RMB	2,700,000,000	1.00	2,700,000,000	450,000,000	1.00	450,000,000
Guaranteed loan - RMB	1,860,000,000	1.00	1,860,000,000	1,210,000,000	1.00	1,210,000,000
Entrusted loan - RMB	600,000,000	1.00	600,000,000	800,000,000	1.00	800,000,000
			<u>5,160,000,000</u>			<u>2,460,000,000</u>
Less: Long-term borrowings due in 1 year	1,550,000,000	1.00	1,550,000,000	300,000,000	1.00	300,000,000
Incl. Borrowings on credit	450,000,000	1.00	450,000,000	300,000,000	1.00	300,000,000
Guarantee loan	1,100,000,000	1.00	1,100,000,000			
Cooling fee			<u>3,610,000,000</u>			<u>2,160,000,000</u>

(6) Investment income

<u>Items</u>	<u>Accumulated</u> <u>this year</u> RMB Yuan	<u>Accumulated</u> <u>last year</u> RMB Yuan
Long-term equity investment income	594,263,908	2,458,387,669
Incl. Profit distribution announced by the investment receiver on cost basis	607,301,667	2,458,494,332
Gain/loss recognized on equity basis	(6,766,935)	(2,764,486)
Gain/loss from disposal of long-term equity investment	(6,270,824)	2,657,823
Gain/loss of transactional financial assets	-	-
Gain/loss of sellable financial assets	-	34,761,271
Total	<u>594,263,908</u>	<u>2,493,148,940</u>

70. Notes to major items in financial statements of the parent company - continues

(7) RELATED PARTIES TRANSACTIONS

(a) Guarantee and assurance

	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u> RMB Yuan
China Merchants Shekou Industrial Zone Co., Ltd. (Note1)	610,000,000	700,000,000
Shenzhen China Merchants Power Supply Co., Ltd. (Note2)	205,038,000	-
Total:	<u>815,038,000</u>	<u>700,000,000</u>

Note1: Please see Note 65(4)(e).

Note2: Please see Note 24.

(b) Entrusted loan

<u>Name of the parties</u>	<u>End of Term</u> RMB Yuan	<u>Loan terms</u>	<u>Annual interest rate</u>	<u>Interest paid in this year</u> RMB Yuan
China Merchants Shekou Industrial Zone Co., Ltd.	300,000,000	June 2 2008 – June 1 2010	7.560%	13,356,000
China Merchants Shekou Industrial Zone Co., Ltd.	300,000,000	Sept. 25 2008 to Sept. 24 2010	7.290%	5,892,750

Note: Please see Note 65(4)(j).

70. Notes to major items in financial statements of the parent company - continues

(7) (7) Related Party Transactions -continues

(e) Balance of debts and credits

Details of credits and debts with related parties:

<u>Accounts</u>	<u>Name of the parties</u> RMB Yuan	<u>End of Term</u> RMB Yuan	<u>Beginning of Term</u>
Dividend receivable	China Merchants Property Co., Ltd. (Note)	3,030,848,071	2,447,054,932
Other account receivable	Shenzhen China Merchants Property Co., Ltd.	4,516,341,620	2,230,556,937
	Guangzhou China Merchants Real-estate Co., Ltd.	1,435,307,998	1,243,918,163
	Tianjing Zhaosheng Property Co., Ltd.	1,412,479,200	1,215,082,605
	CM Property (Beijing) Ltd.	1,004,249,678	1,374,658,479
	China Merchants Jiaming (Beijing) Property Development Co., Ltd.	818,769,538	-
	China Merchants Properties (Chongqing) Co., Ltd.	732,000,000	-
	Suzhou CM Nanshan Property Co., Ltd.	718,384,807	683,353,490
	Shanghai CM Minsheng Property Ltd.	646,184,735	541,842,037
	CM (Chongqing) Ltd.	624,777,184	466,490,284
	Shanghai CM Fengsheng Property Ltd.	442,991,746	355,561,746
	Shanghai CM Fengrui Property Ltd.	440,099,694	-
	CM (Nanjing) Ltd.	432,170,000	418,500,383
	Zhuhai Huifeng Property Co., Ltd.	324,262,128	288,617,996
	Zhangzhou China Merchants Properties Co., Ltd.	275,002,533	192,706,200
	Shanghai Fengyang Property Ltd.	220,643,596	-
	Beijing Hengshihuarong Real-estate Development Co., Ltd.	202,649,674	-
	China Merchants (Suzhou) Co., Ltd.	149,368,200	-
	Eureka Investment Ltd.	80,044,013	26,400,599
	Shenzhen China Merchants Xin'an Properties Co., Ltd.	39,883,897	47,333,903
	Suzhou Shuanghu Property Co., Ltd.	27,087,661	21,000,000
	Foshan Xinjie Property Ltd.	16,777,640	-
	Chengdu CM Property Ltd.	3,138,750	101,296,000
	Zhuhai Yuanfeng Property Co., Ltd.	104,349	104,349
	Shenzhen Meiyue Property Development Co., Ltd.	40,110	-
	Guangzhou Qidi Tech & Science Investment Co., Ltd.	3,000	-
	Guangzhou Wende Property Management Co., Ltd.	3,000	-
	Nanjing Fucheng Real-estate Development Co., Ltd.	-	434,740,257
	Tianjin China Merchants Properties Co., Ltd.	-	99,124,021
	Huipeng Property Co., Ltd.	-	7,525,000
	China Merchants Port Service (Singapore) Co., Ltd.	-	473,388
		14,562,764,751	9,749,285,837

70. Notes to major items in financial statements of the parent company - continues

(7) Related parties and transactions - continues

(e) Balance of debts and credits - continues

<u>Accounts</u>	<u>Name of the parties</u>	<u>End of Term</u>	<u>Beginning of Term</u>
	RMB Yuan	RMB Yuan	
Other account payable	Shenzhen CM Power Supply Co., Ltd.	1,306,145,715	1,399,400,004
	Shanghai China Merchants Properties Co., Ltd.	281,316,354	98,664,658
	Shenzhen China Merchants Property Management Co., Ltd.	108,606,766	103,731,591
	Beijing CM Property Management Co., Ltd.	100,257,959	74,922,141
	CM (Nanjing) Ltd.	99,544,488	12,871,819
	Shekou Xinghua Industrial Holdings Co., Ltd.	87,253,387	86,216,872
	Shenzhen Taige Apartment Management Co., Ltd.	83,977,078	49,094,132
	Shenzhen CM Water Supply Co., Ltd.	74,857,464	70,626,857
	Shenzhen City Main Plaza Investment Co., Ltd.	61,390,279	59,942,954
	Tianjin China Merchants Properties Co., Ltd.	60,770,482	-
	Shenzhen CM Commercial Development Co., Ltd.	49,971,617	-
	Shenzhen CM Construction Co., Ltd.	49,745,930	49,768,590
	China Merchants (Suzhou) Co., Ltd.	46,788,908	30,045,818
	CM Property (Beijing) Ltd.	43,206,046	-
	Shanghai Fengyang Property Ltd.	36,698,843	-
	Shanghai CM Property Management Co., Ltd.	36,516,030	40,152,333
	Shanghai China Merchants Real-estates Co., Ltd.	30,500,688	30,510,688
	Guangzhou China Merchants Real-estate Co., Ltd.	18,198,541	-
	CM Garden City (Beijing) Property Development Co., Ltd.	15,266,268	15,266,268
	Tianjing Zhaosheng Property Co., Ltd.	13,898,466	-
	Zhangzhou CM Honglong Property Ltd.	11,563,410	18,279,747
	Shenzhen CM Qile Property Management Ltd.	10,730,161	7,125,481
	Wuhan CM Property Management Co., Ltd.	10,312,204	9,025,494
	China Merchants Property Management Co., Ltd. Beijing Branch	7,047,077	-
	Nanjing CM Property Management Co., Ltd.	6,864,460	4,667,778
	Shenzhen China Merchants Guangming Technologies Zone Ltd.	6,563,954	22,895,913
	China Merchants Property Management Co., Ltd.	6,048,249	17,357,942
	CM (Chongqing) Ltd.	4,404,977	-
	China Merchants Properties (Chongqing) Co., Ltd.	3,814,153	-
	Eureka Investment Ltd.	3,435,905	2,993,961
	Chengdu CM Property Ltd.	3,138,750	-
	China Merchants Securities Co., Ltd.	2,000,000	-
	Shanghai CM Fengsheng Property Ltd.	1,086,344	16,716,867
	China Merchants Hanghua Technologies and Trade Center Co., Ltd.	200,000	-
	Shenzhen CM Property Consultancy Ltd.	12,692	10,248,249
	China Merchants Port Service (Singapore) Co., Ltd.	-	58,632,883
	Zhangzhou China Merchants Properties Co., Ltd.	-	24,972,778
	China Merchants Shekou Industrial Zone Co., Ltd.	-	4,852,099
	Nanjing Fucheng Real-estate Development Co., Ltd.	-	1,413,211
	Xi'an CM Property Management Co., Ltd.	-	1,917,874
	Shenzhen China Merchants Property Co., Ltd.	-	76,145
Total		2,682,133,645	2,322,391,147

70. Notes to major items in financial statements of the parent company - continues

(7) Related parties and transactions - continues

(e) Balance of debts and credits - continues

Note: According to the “Resolutions of the Board of Shenzhen China Merchants Property Co., Ltd. on distribution of profit for year 2008” passed on December 31, 2008, it was the profit retrieved by Shenzhen China Merchants Property Co., Ltd.

(f) Capital dispatch of fund clearance center

The Company has established an internal capital clearance center to collectively manage and coordinate the capital inside the Company. All of the subsidiaries save their money in the center, and apply for fund when needed for project development. The Company charge the fund applied at practical financial cost.

70. **Approval of the financial statements**

The Financial Statements of the Company and Consolidated have been approved by the Board of Directors on
*** *****.

Year 2008

Supplementary information provided by the management

1. Net income on asset and earnings per share after fully diluted and weighted average

This formula of net income on asset and earnings per share was prepared by China Merchants Property Development Co., Ltd. (CMPD) according to “Information Disclosure Rules of PLC No.09 – calculating and disclosing of net income on asset and earnings per share” (Revised 2007) issued by China Securities Regulatory Commission.

Profit of the report period		Calculated according to net profit attributable to common shareholders of the Company	Calculated according to net profit attributable to common shareholders after deducting of non-recurring gain/loss
Net earnings / asset	On full amortizing basis	8.26%	8.44%
	weighted average	13.75%	14.06%
Earnings per share (RMB)	Basic gains per share	0.9408	0.9616
	Diluted gains per share	0.9408	0.9616

2. Analysis on change of items in the financial statements

This analysis on change of items in the financial statements was prepared by CMPD according to “Information Disclosure Rules of PLC No.09 – calculating and disclosing of net income on asset and earnings per share” (Revised 2007) issued by China Securities Regulatory Commission.

In RMB				
Items	Year 2008	Year 2007	Scale of change	Causation of differences
Monetary capital	7,389,133,547	3,588,095,863	106%	Increased by borrowings and proceeds from issuing of shares
Inventories	23,840,551,125	17,167,330,873	39%	Development cost and increase of land reserves
Long-term share equity investment	771,232,269	568,290,424	36%	Increase of external investment projects
Investment real estate	2,632,975,770	2,377,676,137	11%	New investment properties such as Marine Center
Account payable	1,863,688,472	2,916,864,090	(36%)	Balance payment for land won in previous year
Other account payable	3,132,711,650	2,139,591,897	46%	Increasing of project payment received by subsidiaries from minor shareholders
Long-term borrowings	6,807,315,907	3,654,235,019	86%	Borrowings from outside increased for need of project development
Share capital	1,717,300,503	844,867,002	103%	Increased due to issuing of shares, bonus shares, and capitalizing of capital reserves
Capital reserves	8,548,544,784	3,413,857,995	150%	Share capital premium caused by issuing of shares
Turnover	3,573,184,200	4,111,644,668	(13%)	Decline of property sales due to negative market situation
Operation cost	2,097,773,113	2,179,150,950	(4%)	Decreasing of property sales lead to creasing of costs in the year
Asset impairment loss	407,654,635	(4,678,993)	(8812%)	Caused by market decline, some of the projects are suffering from losses, need to provide inventory impairment provision and receivable account impairment provision
Gain/loss from change of fair value	145,469,305	(50,589,723)	(388%)	Gains from fair value fluctuation of NDF business
Investment income	802,815,289	201,064,535	299%	Disposal of some subsidiaries brought great gains in the year

Note: NDF means future foreign currency trade contract without handover of principal.

3. Asset Impairment Statement

Unit : RMB 0,000

Items	Book balance at beginning of year	Provided the term	Written back this term	Balance on book at end of term
I. Bad debt provision	5,421,244	111,584,093	1,796,598	115,208,739
II. Inventory impairment provision	162,982	296,210,000		296,372,982
III. Disposable financial asset impairment provision				
IV. Investment equity hold till expiring impairment provision				
V. Long-term equity investment impairment provision	100,000			100,000
VI. Property investment impairment provision				
VII. Fixed asset impairment provision				
VIII. Project material impairment provision				
IX. Construction in process impairment provision				
X. Production biological material asset impairment provision				
Incl. Mature production biological material asset impairment provision				
XI. Gas & oil asset impairment provision				
XII. Intangible asset impairment provision				
XIII. Goodwill impairment provision				
XIV. Other				
Total	5,684,226	407,794,093	1,796,598	411,681,721

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 2008;
4. English version of Annual Report 2008 of the Company.

China Merchants Property Development Co., Ltd.
March 27, 2009