

Stock Code: 000024, 200024

Stock Short Names: China Merchants Property., China Merchants B

Announcement No.: 【CMPD】2015-010

Summary of 2014 Annual Report of China Merchants Property Development Co., Ltd.

I. Important Notice

The Summary of Annual Report 2013 is originated from the full Annual Report 2013, so that investors who want to know the details should carefully read the full Annual Report 2013 simultaneously published in the websites such as Shenzhen stock exchange website and the like which are specified by China Securities Regulatory Commission (CSRC).

Company Profile

Stock Short Name	China Merchants Property, China Merchants B	Stock Code	000024, 200024
Listed Stock Exchange	Shenzhen Stock Exchange		
Contact Person and Contact Way	Secretary of the Board	Securities Affair Representative	
Name	Liu Ning	Cheng Jiang	
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II. Main accounting data and

(I) Main accounting data

Unit: RMB Yuan

Main Accounting Data	2014	2013		Increase or decrease of current year against previous year After adjustment	2012
		After adjustment	Before adjustment		
Operating incomes	43,385,058,201.09	32,567,813,857.52	32,567,813,857.52	33.21 %	25,296,762,154.46
Net profits attributable to the listed company shareholders	4,263,636,555.36	4,190,374,825.04	4,202,152,074.18	1.75 %	3,318,266,875.59
Net profit attributable to shareholders of listed company after deducting non-recurring profits and losses	4,416,726,428.34	3,911,400,979.51	3,923,178,228.65	12.92 %	3,347,473,177.02
Net cash flows from operating activities	-6,447,055,480.12	495,923,554.51	495,923,554.51	-1400.01 %	5,098,777,753.73

Basic earning per share (Yuan/share)	1.66	1.63	2.45	1.75 %	1.29
Diluted earning per share (Yuan/share)	1.66	1.63	2.45	1.75 %	1.29
Rate of return of net assets (%)	14.68	16.68	16.73	Decrease of 2 percentage points	15.19
	End of 2014	End of 2013		Increase or decrease compared with the end of previous year	2012
		After adjustment	Before adjustment		
Total assets	151,692,365,118.58	134,040,446,989.65	134,040,446,989.65	13.17 %	109,197,242,683.06
Net assets attributable to the listed company shareholders	31,094,416,110.82	26,725,501,967.24	26,725,501,967.24	16.35 %	23,393,515,534.13

1. The Company restated the previous annual accounting data due to changes in accounting policies. In this year, according to new requirements of accounting standard 2014, the Company has conducted retroactive adjustment to the 2013 annual financial statement; in 2013 balance sheet, undistributed profit of RMB 11,777,249.14 was reduced and capital reserve of RMB 11,777,249.14 was increased without impact on total assets; in 2013 profit statement, investment income and net profit of RMB 11,777,249.14 was reduced.

During the reporting period, the Company has implemented the capitalization from capital public reserve plan. In accordance with *Information Disclosure Memorandum No. 21 - Matters Related to the Disclosure of Periodic Reports* by Shenzhen Stock Exchange, the Company has recalculated the earnings per share of 2012 and 2013 based on the increased stock after transfer.

3. During reporting period, the Company paid a lot of land price and infrastructure cost to strengthen land expansion due to development need. As the operating cash outflow during the reporting period outweighed the annual operating cash inflow, the net amount of cash flow generated from the operation is negative.

4. The YOY growth rate of basic earning per share and diluted earning per share is calculated based on the figures retaining all decimal.

(II) Effect adjustment for net profit and net assets based on International Accounting Standards (unaudited)

Unit: RMB Yuan

	Net profits attributable to the listed company shareholders		Net assets attributable to the listed company shareholders	
	2014	2013	End of 2014	End of 2013
By International Financial Reporting Standards	4,263,636,555.36	4,190,374,825.04	32,434,245,339.82	28,065,331,196.24
By Chinese accounting standard	4,263,636,555.36	4,190,374,825.04	31,094,416,110.82	26,725,501,967.24
Difference between domestic and foreign accounting standards	-	-	1,339,829,229.00	1,339,829,229.00
Including: adjustment of goodwill value	-	-	1,339,829,229.00	1,339,829,229.00
Description of Deviation between Domestic and Foreign Accounting Standards	There is no deviation of net profit of listing Company's shareholders calculated as per International Financial Reporting Standards and Chinese Accounting Standards. Main reasons for the adjustment of the net profit of listing Company's shareholders subject to International Financial Reporting Standards are: in accordance with Chinese Accounting Standards and relevant regulations, for equity investment difference caused by business merger of the same control, the capital reserve shall be adjusted, while the goodwill against merger caused by International Financial Reporting Standards shall be separately listed as assets.			

(III) Items and amount of extraordinary profit or loss

Unit: RMB Yuan

Items of extraordinary profit or loss	2014	2013	2012
Losses and profits on disposal of non-current assets	-3,997,255.04	256,255,563.72	-1,407,797.62
Government subsidies	43,659,552.98	33,800,048.66	16,352,111.12
Profit generated when the investment cost for acquisition subsidiary is smaller than the deserved fair value of identifiable net asset of the invested company.		11,630,003.67	
Other profit or loss items recognized by CSRC	-156,839,259.39		
Other net non-operating revenue and expenditure	-25,635,708.61	-3,883,513.02	-49,804,571.52
Influence of income tax	-10,134,034.67	-7,253,985.40	2,766,668.96
Influence of minority shareholders' profit or loss	-143,168.25	-11,574,272.10	2,887,287.63
Total	-153,089,872.98	278,973,845.53	-29,206,301.43

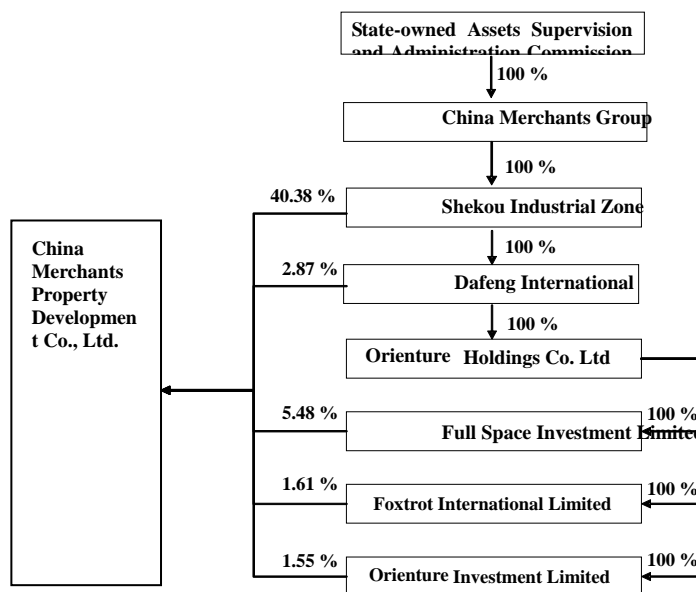
Note: the long-term equity investment after change in control of Shenzhen Overseas Chinese Town Co., Ltd. (OCT) by the Company is measured by fair value. The equity fair value is mainly inventory evaluation added value. In the year, based on the ratio of actual carry-forward inventory area in the total salable area of inventory to be carried forward on the date of control right change of OCT, the added value of long-term equity investment acknowledged by assessment added value subject to corresponding written off is RMB 156,839,259.39.

(IV) Top ten shareholders

Total number of shareholders at the end of the reporting period	56,318 (A-shares: 45,827, B-shares: 10,491)	Number of shareholders at the end of the fifth transaction date before disclosure of annual report	82,925 (A-shares: 72,797, B-shares: 10,128)					
Information of shares held by the top ten shareholders								
Name of shareholders	Nature of the shareholder	Shareholding ratio (%)	Quantity of shares held at the end of this reporting period (%)	Increase/decrease during this reporting period	Quantity of restricted shares held	Quantity of held un-restricted share	Pledged or frozen status	
							Shareholding status	Quantity
China Merchants Shekou Industrial Zone Co.,Ltd.	State-owned corporate	40.38	1,040,128,975	346,709,658	1,040,128,975	None	None	None
Full Space Investment Limited	Overseas corporate	5.48	141,216,075	47,072,025	141,216,075	None	None	None
China Merchants Securities (HK) Co., Ltd.	Overseas corporate	2.92	75,205,077	25,317,793	73,863,367	1,341,710	None	None
FOXTROT INTERNATIONAL LIMITED	Overseas corporate	1.61	41,580,000	13,860,000	41,580,000	None	None	None
ORIENTURE INVESTMENT LTD	Overseas corporate	1.55	39,904,717	13,301,572	39,904,717	None	None	None
GOLDEN CHINA MASTER FUND	Overseas institutions	1.03	26,487,893	13,614,702	None	26,487,893	None	None
Fullgoal Tianbo Innovative Theme Stock Fund	Domestic non-state-owned corporate	0.73	18,800,000	800,000	None	18,800,000	None	None
National Social Security Fund 118 Portfolio	Domestic non-state-owned corporate	0.67	17,136,388	7,192,570	None	17,136,388	None	None
National Social Security Fund 413 Portfolio	Domestic non-state-owned corporate	0.58	15,000,000	15,000,000	None	15,000,000	None	None
GREENWOODS CHINA ALPHA MASTER FUND	Overseas institutions	0.51	13,031,565	11,451,175	None	13,031,565	None	None
Shareholding status of top ten un-restricted shareholders								
Name of shareholders	Quantity of held un-restricted share at the end of this year		Class of shares					
GOLDEN CHINA MASTER FUND	26,487,893		B share					
Fullgoal Tianbo Innovative Theme Stock Fund	18,800,000		A share					
National Social Security Fund 118 Portfolio	17,136,388		A share					
National Social Security Fund 413 Portfolio	15,000,000		A share					
GREENWOODS CHINA ALPHA MASTER FUND	13,031,565		B share					
Invesco Great Wall Domestic Needs Growth No Two Shares Securities Investment Funds	12,567,625		A share					
China Life Insurance (Group) Ltd. – traditional general insurance products	12,033,180		A share					
NORGES BANK	11,641,091		B share					
Chongqing International Trust Co., Ltd. Yuxintong series single trust No. 2	10,531,565		A share					
Jianxin Optimal Configuration Hybrid Securities Investment Fund	10,226,163		A share					

Shekou Industrial Zone and its subsidiaries - FOXTROT INTERNATIONAL LIMITED and ORIENTURE INVESTMENT LTD are Persons Acting in Concert; GOLDEN CHINA MASTER FUND and GREENWOODS CHINA ALPHA MASTER FUND are Persons Acting in Concert. Dafeng International, a subsidiary of Shekou Industrial Zone, has entrusted 73,863,367 shares of the Company to China Merchants Securities (Hongkong) Co., Ltd.

(V) Block Diagram of Property Right and Control Relations between the Company and Actual Controller at the End of Reporting Period



III. Directors' Report

(I) Summary

1. Market review

In 2014, the global economy was still experiencing a revival, with differential performance of the developed economies and slow growth of emerging economies. Under “three major trends” of economic growth transition phase, structural adjustment hardship phase and pre-stimulus policy digestion phase, the overall Chinese economy shows a steady trend with a little decrease. Macroeconomic policy is seeking a balance among steady growth, reformation promotion, structure adjustment and benefaction to people while preventing risks.

In 2014, the Chinese real estate market showed a U-shaped carryover situation. Annual sales area of commercial housing is 1,206,490,000 m², with sales volume of RMB 7,629.2 billion, presenting the first negative growth since financial crisis in 2008 on year-on-year basis. Affected by such factors as economic downturn, credit squeeze, regulation continuation and housing overdraft, the real estate market of the first half of 2014 entered the adjustment period. In the second half, with gradually flexible regulatory policy, in respect to release of housing restriction policy, relaxation of credit restriction policy and asymmetrical reduction of interest, the real estate market gradually recovers. Leading housing enterprises have achieved a substantial growth in annual sales, but the overall market differentiation is obvious. "Differentiation" is mainly reflected in unbalanced sales, e.g., each housing enterprise has a better sales performance in the second half than the first half; also reflected in difference of various cities, e.g., the real estate market performance of the first and second-tier city with strong population adsorption capacity and stable demand is significantly better than the third and fourth-tier cities with excess supply and larger inventory digestion pressure; further reflected in difference of sale status against different products, e.g., differentiation elimination rate of the medium and small-sized housing type is significantly higher than that of large-sized housing type which benefits from strong demand and policy support. This is consistent

with the sales data performance of CMPD. "Differentiation" dominates now and it requires higher comprehensive ability of housing enterprises.

In case the real estate sales and stock are at a record high and the demand growth is not enough, the real estate industry will enter a relatively stable stage of development. More and more real estate developers begin to improve efficiency, enhance benefit, reform model and other multiple aspects, conduct positive and useful exploration along the whole value chain of the real estate industry, so as to respond to industry and market changes and seek for their own survival and development road.

2. Strategic objectives of the Company

Only by grasping the general trend and conducting innovation and development in the new round of industry change opportunities, can we ride the tide to race the top. During the reporting period, the Company follows the changes in the trend of market and industry, to actively promote the strategic transformation. Under the new normal conditions of national development mode transformation, the urban upgrading becomes the new opportunity for the development of real estate industry. Under this background, the Company will take use of its thirty-years' experience in city upgrading in Shekou and thirty-years' accumulated various professional ability, relying on China Merchants Group's strong development resources and powerful industrial background, to strive to create itself as "China's leading expert in urban upgrading." Under the guidance of this strategic objective, the Company will stick to one foundation, explore two new ways, develop three fields and forge comprehensive strength, to achieve rapid and balanced growth.

One foundation - the Company will continue to expand the advantages in middle and high-end residential market, and further extend high-quality residential services for the urban elites;

Two new ways - the Company will expand overseas business and build a light asset management platform. Conduct global allocation of resources through overseas platform, to prevent regional market risks; exploit the real estate business value, to form a variety of professional operating platforms of the whole industry chain.

Experiential complex of three fields - build experiential cultural recreation complex product line, promote "sea" series waterfront complex and create an "urban living room" at the level of city card.

Theme industrial park of three fields - seize the opportunity of urban upgrading and new city plot development, increase the depth of cooperation with the industry's best operators to achieve effective replication of "Shekou model".

Health real estate of three fields – established commercial mode of combination between high-end hospitals & high-end pension and health care and real estate development, to provide support for creating competitive differentiation of the real estate business. Strength capability of health management operations and provide guarantee for the value of healthy real estate.

In the future, the Company will focus on forging comprehensive operational capability, green technology ability, red service capacity and integration capacity of industry and finance, refining the core competitiveness; enhancing human capital, financial capital, institutional capital, brand capital and cultural capital to support the implementation of the strategic objectives of the Company.

3. Strategy implementation of the Company during the reporting period

Achievements in performance indicators – in 2014, the Company achieved a contracted sales area of 3,642,800 m², having a year-on-year growth of 32.92%, with contracted sales amount of RMB 51.049 billion, having a year-on-year growth of 18.18%. Faced with such adverse factors as market adjustment and late formation of their own value, the Company actively implements sales tactical requirement of "market-oriented, reasonable pricing and differentiation elimination", which promotes the realization of sales objectives.

Fruitful achievements from intelligent development – realize strategic layout of "thirty years, thirty cities" at the 30th anniversary of establishment of the Company, with successful distribution of 30 cities nationwide. The first and second-tier cities are significantly consolidated and strengthened. During the year, the new project resource is 6,107,400 m² via bid, auction and listing, acquisitions and other means in the core cities such as Shanghai, Guangzhou, Shenzhen and Nanjing, wherein the corporate interest area is 4,662,300 m².

Capital financing innovation - in order to further optimize the capital structure of the Company, quickly start the program of issuing RMB 8 billion A shares convertible bonds, the current program is still in the review stage of CSRC. For debt financing, actively explore new channels on the basis of conventional bank loans guarantee funds, create a new mode to revitalize the stock of commercial real estate to achieve development funds; obtain "investment real estate debt plan" issued by insurance agency for the first time; obtain registration approval of NAFMII for the medium-term notes of the Company for the first time, which opens access to debt financing of stable and long-term low-cost and flexible purpose. Annual comprehensive financial cost of the Company is 5.10%, having a year-on-year decrease of 0.13%.

Expansion of cooperation between industry and finance – in 2014, the Company entered into strategic cooperation agreements respectively with China Merchants Capital and China Merchants Bank. Conducting cooperation exploration with China Merchants Capital on project equity level and conducting attempt with China Merchants Bank on brand linkage, become the important practice of synergetic development and innovative business mode for the two core industries of China Merchants Group - "finance" and "real estate".

Incentive mechanism breakthrough - during the reporting period, the Company first introduced the stock option incentive plan, to award 143 employees 23,228,300 stock options on September 18, 2014, to make the interest of core team be closely tied to the overall interests of the Company, which was the beginning of the continued optimization of incentive and restraint mechanisms of the Company. With the implementation of stock options incentives, the Company will further improve the governance structure, and promote the establishment of 3D incentive mechanism combining short, medium and long-term incentives.

Expertise enhancement - during the reporting period, the Company adheres to the ideas of "cost-oriented support first", to control the cost by increasing the standardization rate of new projects, target rate of quota design, strategic sourcing rate, etc. In 2014, the mean cost of construction and installation of national projects under construction was RMB 127/m² lower than the year beginning; the product standardization was further enhanced, achieving innovative design achievements of "two children" series product, completing R & D of such products as I-Love3.0 demanding product, I-Hope first-changed house type and service-type apartments; application of green technology became available, forming a reproducible implementation path to create residential project green value; customer's satisfaction was enhanced steadily. The third-party survey data shows that, the evaluation results of the external overall customer satisfaction of the Company increases by 10% on year-on-year basis, furthermore, that of the property customer increases 19% on year-on-year basis.

Property management innovation – in 2014, China Merchants Property takes Shekou area as test field, to explore the development of large-scale and professional operation of community value-added services, and gradually establish a system of property value-added service products. Idea of "livable at home" is applied to partial new projects, customizing decoration, home furnishing purchase and other value-added services based on characteristics of the project, to provide comfortable and personalized service experience to owners. The first community offline experience pavilion – "party at home" is introduced after "network at home", designed to create an intelligent community and pursue quality life of "gathering life, intelligent community, harmonious neighborhood, luxuriant street and economic enjoyment".

During the reporting period, the management results of the Company are widely accepted. In consecutive 12 years, the Company has won the "2014 TOP 10 Shanghai and Shenzhen Listed Real Estate Companies with Comprehensive Strength" which was evaluated and selected by the Enterprise Institute of Development Research Center of the State Council, Real Estate Institute of Tsinghua University and China Index Academy, the "2014 TOP 10 Shanghai and Shenzhen Listed Real Estate Companies with Wealth Creation Ability", "2014 TOP 10 Shanghai and Shenzhen Listed Real Estate Companies with Investment Value" and "2014 TOP 10 Chinese Real Estate Companies with Brand Value"; it has won the "China Blue Chip Enterprise Award in Real Estate" that is the evaluated and selected by The Economic Observer in combination with Sina Leju for consecutive 10 years; it has won "The Annual Comprehensive Award of Best Real Estate Enterprise Citizenship" granted by 21st Century Business Review, 21st Century Business Herald and 21st Century Enterprise Citizenship Research Center; it has won the "Top 100 Chinese Valuable Main-board Listed Companies" evaluated and selected by Securities Times and China Fund News; it has won the title of "The Best Main-board Blue Chip Company" evaluated and selected by Sina Finance; it has won the "Building Energy Conservation Star – Organization with Outstanding Contribution" evaluated and selected by China Association of Building Energy Efficiency and other awards.

(II) Analysis of Core Competitive Advantages

1. Strong China Merchants and more collaboration

China Merchants Group owns a number of outstanding companies, including China Merchants Holdings (International) Co., Ltd., China Merchants Ships Co., Ltd., China Merchants Roads Co., Ltd., China Merchants Bank Co., Ltd., China Merchants Securities Co., Ltd., Shekou Industrial Zone, and China Merchants Capital for Direct Investment Fund Management Platform. CMPD is a flagship enterprise and the only listed company in real estate of China Merchants Group. In recent years, China Merchants Group, specialized in industrial and financial field, vigorously promotes the combination of industry and finance. Through the effective interaction between capital and industry, it gives play to synergy benefits so as to develop by leaps and bounds. In addition, the China Merchants Group with powerful comprehensive strength has greater influence and appeal on the country and the world, and its own external collaboration resources will also bring tremendous business opportunity to the

Company.

In 2014, on the base that China Merchants Group vigorously practiced the strategy of synergetic development and innovative development, the Company and counterparts strived to exploit the opportunity of synergetic cooperation. So far, a solid strategic cooperation alliance has been built in project cooperation, financial innovation, combination of industry and finance, brand linkage, etc.

2. Abundant capital and sound finance

The Company continues to adopt the operation style of sound finance from China Merchants Group, and it always puts the financial risk control in the first place. Through years of effective fund management and operation, the overall fund costs and debt ratio of the Company are remained at a low level, which provides abundant leverage space for the continuous expansion in the future. In addition, the company insists diversified financing and continues to optimize the capital structure to lay a solid capital foundation to the expansion.

3. Promote simultaneously development and investment; pay equal attention to marketing and operation

The Company pursues moderate growth of marketing scale, and elaborately lay out accumulation of high quality assets, continuously accumulating treasure to make sure the sustainable development. Commercial real estate preserved by the Company covers polytypes such as office building, shopping mall, apartment and factory building, which can not only bring about steady cash flow, but also enjoy appreciation in asset value brought by urban development. 90% commercial real estate built by the Company concentrates upon Shekou Industrial Zone; with the development and construction of former Haishekou free trade area, this commercial real estate will produce giant commercial value.

During the past 30 years, Shekou had created many legends. On December 26, 2014, the former Haishekou Free Trade Area of Shenzhen City was approved. China Merchants Group will cooperate with its all subsidiaries, hold on to this historic opportunity, comply with national strategy, receive the concept of “let business successfully push forward the progress of the time”, give full play to unique advantage of central enterprises stayed in Hong Kong; around the “institutional innovation” and “deepening the cooperation of Guangdong-Hong Kong-Macao”, the Company will do good jobs of all kinds of specific tasks for implementing the free trade area, fighting for playing greater important role in carrying out the national strategy of “one area, one way”, and facilitating that Guangdong Province become bridge tower of Maritime Silk Road in the 21st century and Shenzhen City builds the bay area economy, making bellwether in the beginning of the reform and opening-up policy become the new model of deepening reform and opening-up. As the only subsidiary listed platform of real estate of the Group, China Merchants (Shenzhen) Property will continuously promote its operation ability, and actively participate in the development and construction of free trade area.

IV. Events related to Financial Report

(I) Explanation of changes in accounting policy, estimations and accounting methods compared with the financial reports of previous year

1. Changes in accounting policies

In 2014, Ministry of Finance newly issued or revised a series of accounting standards including Accounting Standards for Enterprises No. 2 – Long-term Equity Investments, the Company has executed relevant accounting standards in compiling annual financial statement and conducted retroactive adjustment to 2013 annual financial statement. Besides, the Company has disposed the issues according to relevant convergence provisions.

Details are shown as follows:

Before 2014, the dilution income incurred by decreased proportion of shareholding in the invested company was included in investment income, and such declining proportion was resulted from capital increase and share expansion in the invested company. Then such dilution income was included in the rights and interests in accordance with the revised Accounting Standards for Enterprise No. 2 - Long-term Equity Investments. The Group adopted the retroactive adjustment approach for such accounting policy change and the comparative statement 2014 was restated. The decreased undistributed profit in balance sheet 2013 was RMB 11,777,249.14, increased capital reserve RMB 117,772,491,400, and gross value of assets had no influence. 2013 profit statement reduced investment income and net profit of RMB 11,777,249.14.

According to the Accounting Standards for Enterprise No. 30 - Presentation of Financial Statement, the deferred income items are added in the financial statement. Therefore, the Group adopted the retroactive adjustment approach and restated the comparative statement 2014. The decreased other non-current liabilities in balance sheet 2013 was RMB 11,236,760.00, decreased other payables RMB 4,710,020.00, increased deferred income RMB 9,736,760.00, increased other current liabilities RMB 6,210,020.00 and total liabilities had no influence.

According to the revised Accounting Standards for Enterprises No.30 – Reporting Financial Statement, other comprehensive income items have been added in balance sheet of financial statement; the Company has adopted retroactive adjustment method to revise the 2014 comparative statement by expressing the translation reserve as other new comprehensive income items.

The changes mentioned above have been submitted to the BOD for approval.

2. Changes in accounting estimates

During this year, reviewed and approved by the 11th meeting of the 7th BOD and recognized by the 15th meeting Resolution of the 7th BOS, the Company has altered the accounting estimate of depreciation of fixed assets and amortization of investment real estate.

The BOD deemed this alteration of accounting estimate as necessary for the provisions of relevant laws and regulations and the actual situation of the Company, the alteration has intensified the relationship of asset depreciation disposal and actual use of asset. After the alteration, the depreciation of fixed assets and amortization of the Company accounting of investment real estate tend to be more standard.

This alteration of accounting estimate shall be effective from March 14, 2014 when it is approved by the BOD, resulting in depreciation amortization accrual during the reporting period increased by approximately RMB 9,850,000 than that before alteration.

(II) Explanation on the track and restatement of major accounting errors during the reporting period

Not applicable

(III) Explanation of changes in the scope of consolidated statements compared with the financial reports of previous year

33 companies in total are newly included by the consolidation during this year, of which 16 are project companies with main operation of real estate development and sales, 6 are companies mainly operating operation management of commercial property and 11 are newly established overseas investment companies.

China Merchants (Zhangzhou) Honglong Real Estate Co., Ltd. is no longer included by the consolidation scope as its settlement has been done in this year.

See specific details of changes in the scope of consolidated statements in Note 7 to the financial report.

(IV) Explanations on the ‘nonstandard auditing report’ of the certified accountant in the report period by the Board of Directors and the Board of Supervisors

Not applicable