**Longfor Properties Co. Ltd.**

**龍 湖 地 產 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 960**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2013

## FINANCIAL SUMMARY

- Contracted sales increased by 20.0% to RMB48.12 billion as compared with that of last year.
- Revenue increased by 48.8% to RMB41.51 billion as compared with that of last year, of which the rental income from the property investment business increased by 31.3% to RMB630 million.
- Profit attributable to shareholders was RMB8.04 billion. Excluding minority interest and revaluation gains, core profit was RMB6.21 billion. Core net profit margin attributable to shareholders was 15.0%.
- The net debt to equity ratio (net debt divided by total equity) was 57.9%. Cash on hand was RMB14.68 billion.
- Total consolidated borrowings amounted to RMB37.70 billion. Average cost of borrowing decreased from 6.72% to 6.58% per annum. Average maturity period of loan was extended from 4.1 years to 4.6 years.
- Fully diluted earnings per share were RMB1.46. The Board recommends a final dividend of RMB0.228 per share.

## ANNUAL RESULTS

The Board of Directors (the "Board') of Longfor Properties Co., Ltd. ("Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2013 with comparative figures for the preceding financial year, are follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

| | *NOTES* | **2013** *RMB'000* | **2012** *RMB'000* |
|---|---|---|---|
| Revenue | 2 | 41,510,167 | 27,892,830 |
| Cost of sales | | (29,971,959) | (16,709,740) |
| Gross profit | | 11,538,208 | 11,183,090 |
| Other income | 3 | 453,586 | 182,839 |
| Other gains (losses) | 4 | 324,719 | (11,814) |
| Fair value gain upon transfer to investment properties | | 71,362 | 293,107 |
| Change in fair value of investment properties | | 2,521,127 | 1,015,475 |
| Selling and marketing expenses | | (887,256) | (688,560) |
| Administrative expenses | | (1,084,336) | (872,743) |
| Finance costs | 5 | (39,434) | (47,612) |
| Share of results of joint ventures | | 320,678 | 247,760 |
| Profit before taxation | | 13,218,654 | 11,301,542 |
| Income tax expense | 6 | (4,582,788) | (4,436,068) |
| Profit for the year | 7 | 8,635,866 | 6,865,474 |
| Profit attributable to: | | | |
| Owners of the Company | | 8,037,222 | 6,301,060 |
| Non-controlling interests | | 598,644 | 564,414 |
| | | 8,635,866 | 6,865,474 |

| | *NOTES* | **2013** | **2012** |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| Earnings per share, in RMB | | | |
| Basic | 9 | 1.48 | 1.20 |
| Diluted | 9 | 1.46 | 1.19 |
| Profit for the year | | 8,635,866 | 6,865,474 |
| Other comprehensive expense: | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Fair value loss on hedging instruments | | (100,664) | (114,152) |
| Loss on hedging instruments reclassified to profit or loss | | 85,205 | — |
| Total comprehensive income for the year | | 8,620,407 | 6,751,322 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 8,021,763 | 6,186,908 |
| Non-controlling interests | | 598,644 | 564,414 |
| | | 8,620,407 | 6,751,322 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AT DECEMBER 31, 2013

| | *NOTES* | **2013** | **2012** |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| NON-CURRENT ASSETS | | | |
| Investment properties | | 23,813,400 | 18,383,300 |
| Property, plant and equipment | | 184,831 | 186,188 |
| Prepaid lease payments | | 11,602,243 | 8,996,739 |
| Interests in associates | | 1 | 1 |
| Interests in joint ventures | | 3,100,559 | 2,068,488 |
| Available-for-sale investments | | 8,600 | 8,600 |
| Deposits paid for acquisition of land use rights | | 5,653,024 | 6,949,391 |
| Deferred taxation assets | | 1,063,481 | 1,012,836 |
| | | 45,426,139 | 37,605,543 |
| CURRENT ASSETS | | | |
| Inventories | | 760,649 | 657,209 |
| Properties under development for sales | | 65,368,224 | 57,727,061 |
| Properties held for sales | | 10,963,251 | 4,477,039 |
| Accounts and other receivables, deposits and prepayments | 10 | 4,343,422 | 4,098,246 |
| Amounts due from joint ventures | | 7,431 | 28,572 |
| Taxation recoverable | | 2,626,762 | 2,222,095 |
| Pledged bank deposits | | 276,914 | 227,212 |
| Bank balances and cash | | 14,399,175 | 18,383,520 |
| | | 98,745,828 | 87,820,954 |

| | NOTES | 2013 | 2012 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| CURRENT LIABILITIES | | | |
| Accounts payable, deposits received and accrued charges | 11 | 53,664,636 | 48,515,001 |
| Amounts due to joint ventures | | 1,343,571 | 1,051,697 |
| Taxation payable | | 8,511,214 | 7,899,467 |
| Bank and other borrowings - due within one year | | 9,067,212 | 5,108,752 |
| | | 72,586,633 | 62,574,917 |
| NET CURRENT ASSETS | | 26,159,195 | 25,246,037 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 71,585,334 | 62,851,580 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 476,822 | 475,802 |
| Reserves | | 36,506,823 | 29,433,446 |
| Equity attributable to owners of the Company | | 36,983,645 | 29,909,248 |
| Non-controlling interests | | 2,791,774 | 2,668,164 |
| TOTAL EQUITY | | 39,775,419 | 32,577,412 |
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings - due after one year | | 18,460,950 | 20,475,034 |
| Senior notes | | 10,174,918 | 7,252,980 |
| Derivative financial instruments | | 214,816 | 114,152 |
| Deferred taxation liabilities | | 2,959,231 | 2,432,002 |
| | | 31,809,915 | 30,274,168 |
| | | 71,585,334 | 62,851,580 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB").

| | |
|---|---|
| Amendments to IFRSs | Annual Improvements to IFRSs 2009-2011 Cycle |
| Amendments to IFRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IFRS 13 | Fair Value Measurement |
| Amendments to IAS 1 | Presentation of Items of Other Comprehensive Income |
| IAS 19 (Revised 2011) | Employee Benefits |
| IAS 27 (Revised 2011) | Separate Financial Statements |
| IAS 28 (Revised 2011) | Investments in Associates and Joint Ventures |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |

***New and revised Standards on consolidation, joint arrangements, associates and disclosures***

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance.

The impact of the application of these standards is set out below.

***Impact of the application of IFRS 10***

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC Int-12 *Consolidation - Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of IFRS 10 as to whether or not the Group has control over other group companies in accordance with the new definition of control and the related guidance set out in IFRS 10. The directors of the Company concluded that it has had control over other group companies since the acquisition or establishment on the basis of the Group's absolute size of holding in other group companies and the relative size and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of IFRS 10, other group companies have been subsidiaries of the Company since acquisition or establishment.

***Impact of the application of IFRS 11***

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC - Int13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed).

Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investment in joint arrangements, which were classified as a jointly controlled entity under IAS 31 and were accounted for using the equity method, were proper to continue the same classification and accounting treatments.

***Impact of the application of IFRS 12***

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

**IFRS 13 *Fair Value Measurement***

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

**Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income***

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRSs | Annual Improvements to IFRSs 2010-2012 Cycle[5] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2011-2013 Cycle[2] |
| IFRS 9 | Financial Instruments[4] |
| IFRS 14 | Regulatory Deferral Accounts[3] |
| Amendments to IFRS 9 and IFRS 7 | Mandatory Effective Date of IFRS 9 and Transition Disclosures[4] |
| Amendments to IFRS 10, IFRS 12 and IAS 27 | Investment Entities[1] |
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to IAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| IFRIC 21 | Levies[1] |

1 Effective for annual periods beginning on or after January 1, 2014

2 Effective for annual periods beginning on or after July 1, 2014

3 Effective for annual periods beginning on or after January 1, 2016

4 Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

5 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

**Annual Improvements to IFRSs 2010-2012 Cycle**

The *Annual Improvements to IFRSs 2010-2012 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of ’vesting condition’ and ’market condition’; and (ii) add definitions for ’performance condition’ and ’service condition’ which were previously included within the definition of ’vesting condition’. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company are in the process of ascertaining the financial impact on application of the amendments included in the *Annual Improvements to IFRSs 2010-2012 Cycle*.

**Annual Improvements to IFRSs 2011-2013 Cycle**

The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The directors of the Company are in the process of ascertaining the financial impact on application of the amendments included in the *Annual Improvements to IFRSs 2011-2013 Cycle*.

***IFRS 9 Financial Instruments***

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets. The directors of the Company are in the process of ascertaining the financial impact.

**Amendments to IAS 39** ***Novation of Derivatives and Continuation of Hedge Accounting***

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company are in the process of ascertaining the financial impact on application of these amendments to IAS39.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

## 2. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e., the executive directors of the Company) in order to allocate resources to the segment and to assess its performance.

The Group is organised into business units based on their types of activities, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 *Operating Segments* are identified as three main operations:

- Property development: this segment develops and sells office premises, commercial and residential properties. All of the Group's activities in this regard are carried out in the PRC.

- Property investment: this segment leases investment properties, which are developed by the Group to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio mainly comprises retail properties and are all located in the PRC.

- Property management and related services: this segment mainly represents the income generated from property management. Currently the Group's activities in this regard are carried out in the PRC.

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the revenue, results, assets and liabilities attributable to each operating segment on the following bases:

Segment assets include all tangible assets and current assets directly attributable to each segment with the exception of certain property, plant and equipment, prepaid lease payments, deposits paid for acquisition of land use rights, interests in associates and joint ventures, available-for-sale investments, deferred taxation assets, taxation recoverable and other corporate assets. Other corporate assets are not allocated to the operating segments because they are head office assets or assets which are managed centrally by the Group. The investment properties included in segment assets are stated at cost when assessed by the chief operating decision maker. Segment liabilities include trade payables and accrued expenditure on construction, bills payable, deposits received and receipt in advance from property sales, and other payables but exclude taxation payable, deferred taxation liabilities, bank and other borrowings, senior notes, derivative financial instruments and other corporate liabilities. Other corporate liabilities are not allocated to the operating segment because they are head office liabilities or liabilities which are managed on a group basis.

Revenue and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit does not include the Group's share of results arising from the activities of the Group's joint ventures.

The measure used for reporting segment profit is adjusted earnings before interest, taxes, depreciation, share of results of joint ventures, change in fair value of investment properties and upon transfer to investment properties, and finance costs ("Adjusted Earnings"), where "interest" is regarded as including investment income and "depreciation" is regarded as including impairment losses on non-current assets. To arrive at Adjusted Earnings the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment sales) and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar service.

Information regarding the Group's operating segments is set out below.

| | **Year ended December 31, 2013** | | | |
|---|---|---|---|---|
| | **Property development** | **Property investment** | **Property management and related services** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue from external customers | 40,223,854 | 634,599 | 651,714 | 41,510,167 |
| Inter-segment revenue | — | — | 106,032 | 106,032 |
| Segment revenue | 40,223,854 | 634,599 | 757,746 | 41,616,199 |
| Segment profit (Adjusted Earnings) | 9,891,021 | 503,109 | 256,823 | 10,650,953 |
| Segment assets | 81,571,233 | 10,983,516 | 24,274 | 92,579,023 |
| Segment liabilities | 50,058,624 | 189,262 | 16,646 | 50,264,532 |

| | Year ended December 31, 2012 | | | |
|---|---|---|---|---|
| | **Property development** | **Property investment** | **Property management and related services** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue from external customers | 26,946,129 | 483,373 | 463,328 | 27,892,830 |
| Inter-segment revenue | — | — | 81,607 | 81,607 |
| Segment revenue | 26,946,129 | 483,373 | 544,935 | 27,974,437 |
| Segment profit (Adjusted Earnings) | 9,941,407 | 380,066 | 173,057 | 10,494,530 |
| Segment assets | 67,084,344 | 9,491,397 | 22,553 | 76,598,294 |
| Segment liabilities | 44,819,990 | 202,010 | 6,352 | 45,028,352 |

**Other segment information**

| | **Property development** | **Property investment** | **Property management and related services** | **Total** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts included in the measure of segment assets: | | | | |
| **2013** | | | | |
| Additions to non-current assets *(Note)* | 34,462 | 2,227,658 | 5,420 | 2,267,540 |
| **2012** | | | | |
| Additions to non-current assets *(Note)* | 27,992 | 1,543,403 | 3,876 | 1,575,271 |

*Note:* Amounts comprise additions to investment properties and property, plant and equipment.

In addition to receiving segment information concerning segment profit, the chief operating decision maker is provided with information concerning the Group's consolidated amount of interests in associates and related share of results (if any), interests in joint ventures and related share of results, changes in fair value of investment properties and upon transfer to investment properties, other income, other gains, finance costs from borrowings, depreciation and impairment losses (if any) which are not allocated to operating segments.

(b) **Reconciliations of segment revenues, profit or loss, assets and liabilities**

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Revenue** | | |
| Segment revenue | 41,616,199 | 27,974,437 |
| Elimination of inter-segment revenue | (106,032) | (81,607) |
| Consolidated revenue | 41,510,167 | 27,892,830 |
| **Profit** | | |
| Segment profit | 10,650,953 | 10,494,530 |
| Other income | 453,586 | 182,839 |
| Other gains (losses) | 324,719 | (11,814) |
| Fair value gain upon transfer to investment properties | 71,362 | 293,107 |
| Change in fair value of investment properties | 2,521,127 | 1,015,475 |
| Finance costs | (39,434) | (47,612) |
| Share of results of joint ventures | 320,678 | 247,760 |
| Depreciation | (39,210) | (33,232) |
| Unallocated expenses | (1,045,127) | (839,511) |
| Consolidated profit before taxation | 13,218,654 | 11,301,542 |
| **Assets** | | |
| Segment assets | 92,579,023 | 76,598,294 |
| Cumulative change in fair value of investment properties | 12,854,650 | 8,930,669 |
| Prepaid lease payments | 11,602,243 | 8,996,739 |
| Interests in associates | 1 | 1 |
| Interests in joint ventures | 3,100,559 | 2,068,488 |
| Available-for-sale investments | 8,600 | 8,600 |
| Deposits paid for acquisition of land use rights | 5,653,024 | 6,949,391 |
| Deferred taxation assets | 1,063,481 | 1,012,836 |
| Taxation recoverable | 2,626,762 | 2,222,095 |
| Unallocated head office and other assets | 14,683,624 | 18,639,384 |
| Consolidated total assets | 144,171,967 | 125,426,497 |
| **Liabilities** | | |
| Segment liabilities | 50,264,532 | 45,028,352 |
| Taxation payable | 8,511,214 | 7,899,467 |
| Deferred taxation liabilities | 2,959,231 | 2,432,002 |
| Bank and other borrowings | 27,528,162 | 25,583,786 |
| Senior notes | 10,174,918 | 7,252,980 |
| Derivative financial instruments | 214,816 | 114,152 |
| Unallocated head office and other liabilities | 4,743,675 | 4,538,346 |
| Consolidated total liabilities | 104,396,548 | 92,849,085 |

(c) **Revenue from major product and services**

The following is an analysis of the Group's revenue from its properties sold, properties invested and services provided:

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Sales of properties | 40,223,854 | 26,946,129 |
| Leasing of properties | 634,599 | 483,373 |
| Provision of property management services | 651,714 | 463,328 |
| | 41,510,167 | 27,892,830 |

(d) **Geographic information**

The following table sets out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Chongqing | 10,454,706 | 8,918,384 | 15,100,732 | 16,065,609 |
| Beijing | 6,215,618 | 6,092,996 | 6,487,691 | 5,402,335 |
| Chengdu | 5,538,354 | 2,788,468 | 6,181,143 | 3,624,105 |
| Hangzhou | 4,502,021 | 1,366,055 | 2,489,639 | 2,110,067 |
| Sunan | 4,300,614 | 3,651,550 | 1,148,058 | 1,374,611 |
| Other cities in the PRC | 10,498,854 | 5,075,377 | 12,946,795 | 8,007,380 |
| | 41,510,167 | 27,892,830 | 44,354,058 | 36,584,107 |

*Note:* Non-current assets excluded financial instruments and deferred taxation assets.

No revenue from transaction with a single external customer amounts to 10% or more of the Group's revenue.

## 3. OTHER INCOME

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interest income | 116,039 | 139,813 |
| Dividend income from unlisted available-for-sale investments | 1,310 | 1,312 |
| Government subsidies | 252,594 | 16,040 |
| Penalty income *(Note)* | 32,552 | 16,400 |
| Sundry income | 51,091 | 9,274 |
| Total | 453,586 | 182,839 |

*Note:* It represents penalty received from property buyers who do not execute sales and purchase agreement on property sales.

## 4. OTHER GAINS (LOSSES)

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Gain on disposal of property, plant and equipment | 28,300 | 6,379 |
| Net exchange gain (loss) *(Note)* | 296,419 | (18,193) |
| | 324,719 | (11,814) |

*Note:* It represents exchange difference arising from bank balances, bank borrowings and senior notes, original currencies of which are either Hong Kong Dollar ("HKD") or United States Dollar ("USD").

## 5. FINANCE COSTS

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interest on bank and other borrowings | | |
| Wholly repayable within five years | (1,768,110) | (1,515,565) |
| Not wholly repayable within five years | (26,208) | (53,388) |
| Interest expense on senior notes | (833,871) | (501,708) |
| Less: Amount capitalised to properties under development | 2,588,755 | 2,023,049 |
| | (39,434) | (47,612) |

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 7.5% (2012: 6.9%) per annum for the year ended December 31, 2013, to expenditure on the qualifying assets.

## 6. INCOME TAX EXPENSE

| | **2013** | **2012** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current tax | | |
| PRC Enterprise Income Tax ("EIT") | (2,359,979) | (2,439,303) |
| PRC Land Appreciation Tax ("LAT") | (1,793,609) | (2,136,277) |
| | (4,153,588) | (4,575,580) |
| Overprovision in prior years: | | |
| LAT* | 47,384 | 31,154 |
| | (4,106,204) | (4,544,426) |
| Deferred taxation | | |
| Current year | (476,584) | 108,358 |
| | (4,582,788) | (4,436,068) |

* The actual appreciation value of a property project had been finalised during the year which differed from the management's estimated appreciation value made in prior years, resulting in an overprovision of LAT in respect of prior years.

No provision for Hong Kong Profits Tax has been made as the Group does not have income which arises in, or is derived from, Hong Kong.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from January 1, 2008 onwards.

Certain of the Company's subsidiaries operating in the PRC are eligible for exemption from PRC EIT for both years.

Pursuant to the relevant PRC corporate income tax rules and regulations, preferential corporate income tax rates have been granted to certain PRC subsidiaries of the Company which were established in western regions and engaged in the encouraged business. These companies are subject to a preferential rate of 15% in 2013 (2012: 15%), subject to approval of the tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Profit before taxation | 13,218,654 | 11,301,542 |
| PRC EIT at 25% | (3,304,664) | (2,825,386) |
| Tax effect of share of results of joint ventures | 80,170 | 61,940 |
| Tax effect of expenses not deductible for tax purposes *(Note)* | (105,782) | (131,093) |
| Tax effect of income not taxable for tax purposes | 3,149 | 4,931 |
| LAT | (1,793,609) | (2,136,277) |
| Tax effect of LAT | 448,402 | 534,069 |
| Overprovision in prior years | 47,384 | 31,154 |
| Tax effect of tax losses not recognised | (465) | (1,027) |
| Effect of tax exemption and preferential rates granted to certain PRC subsidiaries | 19,438 | 25,621 |
| Withholding tax levied on dividend paid | 23,189 | — |
| Tax charge for the year | (4,582,788) | (4,436,068) |

*Note:* The amount mainly comprises the tax effect of non-deductible corporate expenses of the Group and the expenses of certain subsidiaries in excess of the allowable deduction limits in accordance with the relevant tax regulations.

## 7. PROFIT FOR THE YEAR

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Profit for the year has been arrived at after charging (crediting): | | |
| Auditor's remuneration | 4,049 | 3,520 |
| Cost of property inventories included in cost of sales | 26,936,011 | 16,070,157 |
| Depreciation of property, plant and equipment | 39,210 | 33,232 |
| Gain on disposal of property, plant and equipment | (28,300) | (6,379) |
| Minimum lease payment of operating lease rentals | 34,947 | 19,623 |
| Staff costs | | |
| Directors' emoluments (including equity-settled share-based payments) | 88,698 | 95,165 |
| Other staff costs | | |
| Retirement benefit contributions | 162,809 | 108,425 |
| Equity-settled share-based payments | 72,575 | 85,859 |
| Other staff costs | 1,025,250 | 922,980 |
| Total staff costs | 1,349,332 | 1,212,429 |
| Less: Amount capitalised to properties under development | (623,878) | (524,222) |
| | 725,454 | 688,207 |
| Minimum lease income from investment properties | 509,203 | 405,692 |
| Contingent rental income | 125,396 | 77,681 |
| Less: direct expenses that generated rental income | (126,926) | (98,584) |
| | 507,673 | 384,789 |
| Share of tax of joint ventures (included in share of results of joint ventures) | 241,995 | 190,146 |

## 8. DIVIDEND

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Dividend recognised as distribution during the year: | | |
| Final dividend paid in respect of 2012 of RMB0.2 (2012: in respect of 2011 of RM0.175) per share | 1,082,568 | 902,980 |

A final dividend of RMB1,241,000,000, representing RMB0.228 per share, in respect of the year ended December 31, 2013 (2012: final dividend of RMB1,085,755,000, representing RMB0.2 per share, in respect of the year ended December 31, 2012) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share | 8,037,222 | 6,301,060 |

| | 2013 | 2012 |
|---|---|---|
| | *'000* | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share | 5,437,386 | 5,238,342 |
| Effect of dilutive potential ordinary shares in respect of - share options | 55,935 | 46,990 |
| Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share | 5,493,321 | 5,285,332 |

For the year ended December 31, 2012, the share options granted on January 17, 2011 under the Post-IPO share option scheme adopted on December 23, 2009 are not included in the calculation of diluted earnings per share as the adjusted exercise price was greater than the average market price of the Company's shares during the outstanding period in 2012.

## 10. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables are mainly arisen from sales of properties and properties investment. Considerations in respect of sales of properties are paid by purchasers in accordance with the terms of the related sales and purchase agreements. For properties investment, rental income are paid by tenants within two months in accordance with the terms in the tenancy agreement.

| | **2013** | **2012** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade receivables | 362,725 | 334,977 |
| Other receivables, net of allowance for doubtful debts | 860,994 | 922,613 |
| Advances to suppliers | 596,035 | 543,975 |
| Prepaid business tax and other taxes | 2,385,688 | 2,280,980 |
| Prepayments and utilities deposits | 137,980 | 15,701 |
| | 4,343,422 | 4,098,246 |

The following is an aged analysis of trade receivables at the end of the reporting period based on invoice date:

| | **2013** | **2012** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 60 days | 327,436 | 284,169 |
| 61 - 180 days | 31,025 | 26,501 |
| 181 - 365 days | 4,264 | 24,307 |
| | 362,725 | 334,977 |

At December 31, 2013, 17% (2012: 15%) of the trade receivables are neither past due nor impaired and with satisfactory credit quality.

Included in the Group's accounts receivable balance are trade receivables with a carrying amount of RMB300,905,000 (2012: RMB284,544,000) at December 31, 2013 which are past due at the end of the reporting period for which the Group has not provided for impairment as the Group has retained the legal titles of the properties sold to these customers and the estimated fair value of the relevant properties is expected to be higher than the outstanding receivable amount.

Ageing of trade receivables which are past due but not impaired:

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 60 days | 265,616 | 233,736 |
| 61 - 180 days | 31,025 | 26,501 |
| 181 - 365 days | 4,264 | 24,307 |
| Total | 300,905 | 284,544 |

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Before accepting any customers, the Group uses an internal credit assessment system to assess the potential customers' credit quality and considers adequate allowance has been made at the end of the reporting period. Balances which are neither past due nor impaired are all with good credit quality.

Other receivables mainly comprise rental deposits, receivable of refund of the deposit for land auction, deposits for construction work, temporary payments and miscellaneous projects related deposits paid which are refundable upon maturity, of which, RMB12,000,000 (2012: RMB12,000,000) was impaired as at December 31, 2013 because the counterparties are in severe financial difficulties and the Group does not hold any collateral over these balances. The remaining balance was not yet due for repayment.

Movements in the allowance for doubtful debts on other receivables:

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Balance at the beginning of the year and at the end of the year | 12,000 | 12,000 |

## 11. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables and accrued expenditure on construction | 7,078,610 | 4,197,276 |
| Deposits received and receipt in advance from property sales | 43,185,922 | 40,845,115 |
| Other payables and accrued charges *(Note)* | 3,400,104 | 3,472,610 |
| | 53,664,636 | 48,515,001 |

*Note:* Other payables and accrued charges comprise mainly tax received and payable to the government on behalf of customers, accrued salaries and accrued staff welfare.

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables and accrued expenditure on construction and bills payable at the end of the reporting period:

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 60 days | 5,239,214 | 3,146,952 |
| 61 - 180 days | 487,761 | 437,526 |
| 181 - 365 days | 731,610 | 199,552 |
| 1 - 2 years | 429,385 | 357,561 |
| 2 - 3 years | 181,539 | 40,114 |
| Over 3 years | 9,101 | 15,571 |
| | 7,078,610 | 4,197,276 |

## CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the business review and outlook of Longfor Properties Co. Ltd. (the "Company"), together with its subsidiaries (the "Group"), for the year ended December 31, 2013.

## RESULTS

In 2013, the Group achieved contracted sales of RMB48.12 billion, representing a 20% growth over the same period last year. Revenue was RMB41.51 billion, representing an increase of 49% YoY, of which rental income from investment properties amounted to around RMB630 million, representing an increase of 31.3%. Profit attributable to shareholders was RMB8.04 billion. Excluding minority interest and revaluation gains, core profit attributable to shareholders was RMB6.21 billion. Core net profit margin attributable to shareholders was 15%.

## REVIEW OF 2013

The PRC real estate industry saw steady growth in 2013, as strong core demand drove up both volume and prices in major cities. With a more concentrated focus in first- and second-tier cities, our Group surpassed our annual sales target and achieved sales of RMB48.1 billion. The 17 projects that our Group acquired in 2012 were all launched for pre-sales in 2013, and achieved decent results. Our Chongqing and Beijing subsidiary companies each contributed RMB8-10 billion in sales. Sales of the Hangzhou and Chengdu subsidiary companies rose to RMB6-8 billion levels. Each of our city subsidiary companies contributed approximately RMB3 billion on average to the Group's annual sales, and we will continue to nurture more high quality strategic locations to create a more balanced geographic exposure across the country.

A strong housing market has in turn led to more buoyant land market, causing land prices to surge sharply throughout the year. By replenishing our landbank during the relatively less competitive first and fourth quarters, the Group has acquired 15 new parcels of land at reasonable costs, and under 13% average premium paid relative to auction reserve prices. Land acquired was mainly located in the suburbs of first-tier cities like Hangzhou, Shanghai and Beijing, and city core districts of second-tier cities. During the period, the Group also successfully acquired in Changsha, Kunming, Suzhou and Jinan; four new strategic cities with robust economies and deep potentials in real estate markets. To date, the Group has expanded its footprint to 21 cities in five major regions, and shifted from our previous strategy of concentrating on large-scale suburban projects to a broader and deeper market penetration. We strongly believe that by rationalizing our landbank mix and maintaining discipline in land cost control, we have established a better foundation for long-term healthy and sustainable growth.

Since our IPO 5 years ago, the Group has built an enviable reputation in the credit and equity markets alike and the experience gained will further enhance the Group's ability to control its capital financing cost. In January 2013, the Group has successfully capitalized on a window of opportunity in the international capital market and issued a 10-year long term bond. The Group also raised a HK$7.7 billion of syndicated loan in July 2013. Even when faced with increasing challenges in the domestic capital market during the later half of the year, the Group was still able to obtain development loans at benchmark interest rates. With financing cost at only 6.58%, we have maintained our leading position as a private sector property developer on this front.

The Group has successfully maintained stable growth in a fiercely competitive commercial real estate market given our regional advantage and reputation. Chengdu North Paradise Walk, which commenced operation at the end of December 2013, marked the Group's first large scale shopping mall project outside of Chongqing, and has fast become the most popular large scale shopping mall in Chengdu North. Furthermore, Beijing Changying Paradise Walk, which is scheduled to commence operation in 2014, had successfully attracted 600 potential tenants during its first tenant promotion activity.

As the second member from The China property industry to formally join the United Nations Global Compact, a global corporate citizenship organization, the Group is truly committed to be a good corporate citizen. In addition to providing New Year Gifts worth RMB5 million to support the poor for five consecutive years, Longfor has also launched a poverty support program to help rural population to break the cycle of poverty through the development of tourism model villages. For instance, through reforestation, agricultural wastes management at source and rainwater diversion, the Group has successfully created a 9.5 kilometers eco-logical corridor at Fuxian Lake in Yunnan, gaining positive recognition from local residents, industry professionals and the Government.

## OUTLOOK FOR 2014

Amid liquidity concerns abroad and the slower pace of economic growth in China, we are taking a more cautious view on the property market in 2014 and believe there will be divergent performances for each regional market and among different companies in the industry. We do expect to see more market volatility and changing demand and supply dynamics in the future.

In 2014, the Group's key operating focus will be inventory clearance and cost control. The organizational restructuring of the Group is largely completed, which we believe has strengthened our sales execution, cost rationalization and investment management capabilities. For the coming 6-12 month period, we will strive to reduce the level of unsold inventory, thereby gradually improving our sale through rate. We will also aim to enhance the Group's return profile through refreshing our residential product lines, and in particular improve the cost control of our core demand focused apartment product.

In terms of capital management, the Group will continue to adhere to a balanced approach and capitalize on timing the market to undertake high quality investments. This is complemented by our proprietary customer value research program, which provides us a more thorough understanding of our customers' needs and preferences, which in turn serves as a guide towards more precise product positioning, and ultimately translates to enhanced profitability for the Group. The Group will be taking on a more open attitude towards cooperation and joint venture opportunities to expand investment potentials, which creates another flexible and efficient means to manage our assets.

Beijing Changying Paradise Walk is scheduled to be launched at the end of 2014, this will be Longfor's first full venture into the commercial property market in first-tier cities and will mark a new era in the Group's strategic expansion in commercial properties across the country. A series of prime properties located in major transportation hubs in first-tier cities will be launched in due course. These properties include Hangzhou Time Paradise Walk (Xiasha District), Beijing Time Paradise Walk (Daxing District) and Shanghai Hongqiao Paradise Walk. Faced with the challenges of rapid e-commerce development, we are taking the initiative to create value for our physical retail shops through active interaction with the customers online. Our asset positioning in prime locations in core cities today remains as the key to stable and sustainable income growth in the future.

Longfor has been in the property business for 20 years. We believe the path to sustainable growth in this competitive and cyclical business is not necessarily foresight, or unique resources, but the appreciation of market cycles. We will strive to deliver high quality growth in the future, not merely fixated on scale expansion and will not be deterred from industry volatility. The property development business in China continues to offer much scope for growth, as we believe large scale people movement will lead to more divergent growth among geographic regions and industry participants. This represents a risk for sure, but also opportunities.

## MANAGEMENT DISCUSSION AND ANALYSIS

## PROPERTY DEVELOPMENT

In 2013, revenue from property development business of the Group was RMB40.22 billion, representing an increase of 49.3% over last year. The Group delivered 4,403,376 square meters of property in GFA terms, of which 272,594 square meters were contributed from joint ventures. Gross profit margin of overall property development business decreased slightly to 27.0% in 2013 as compared with that of last year. The decrease was mainly attributable to the realization of the projects sold between the second half of 2011 and 2012 under the market fluctuation environment. Recognized average selling price was RMB9,738 per square meter in 2013.

*Table 1: Breakdown of property development revenue by projects of the Group in 2013*
** After deducting sales tax*

| | **City** | **Revenue** | | **Total GFA** | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2013** | **2012** |
| | | *RMB'000* | *RMB'000* | *Sqm* | *Sqm* |
| Beijing Changying Paradise Walk | Beijing | 5,191,518 | | 188,151 | |
| Hangzhou Rose & Gingko Town | Hangzhou | 2,716,612 | 1,364,258 | 192,639 | 77,312 |
| Chongqing Hometown | Chongqing | 2,490,340 | 1,944,486 | 329,683 | 251,584 |
| Chongqing Toschna Villa | Chongqing | 2,474,805 | 830,463 | 361,290 | 72,851 |
| Chengdu Time Paradise Walk | Chengdu | 1,986,851 | | 200,244 | |
| Chongqing Time Paradise Walk | Chongqing | 1,950,548 | 1,931,512 | 140,610 | 135,273 |
| Chongqing U2 | Chongqing | 1,789,499 | 2,160,977 | 272,319 | 327,085 |
| Chengdu North Paradise Walk | Chengdu | 1,704,542 | 1,234,370 | 198,397 | 117,947 |
| Xi'an Chianti | Xi'an | 1,691,272 | | 225,485 | |
| Changzhou Sunshine City | Changzhou | 1,664,293 | 2,163,631 | 273,852 | 196,413 |
| Qingdao Rose & Gingko Coast | Qingdao | 1,559,976 | 1,598,207 | 156,500 | 100,957 |
| Changzhou Dongjing 120 Project | Changzhou | 1,244,751 | | 119,853 | |
| Hangzhou Chianti Riverside | Hangzhou | 1,151,607 | | 118,830 | |
| Yantai Banyan Bay | Yantai | 1,099,855 | | 73,150 | |
| Shanghai Azure Chianti | Shanghai | 999,709 | | 66,822 | |
| Chengdu Peace Hill County | Chengdu | 784,494 | | 102,484 | |
| Chengdu Flamenco Spain | Chengdu | 767,971 | 889,462 | 154,177 | 144,972 |
| Ningbo Rose & Gingko Coast | Ningbo | 752,412 | | 92,658 | |
| Shanghai Sunshine City | Shanghai | 742,759 | 892,510 | 58,335 | 65,550 |
| Xi'an MOCO | Xi'an | 691,484 | | 104,145 | |
| Changzhou Hongzhuang Project | Changzhou | 683,456 | | 57,374 | |

| | City | Revenue | | Total GFA | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | | *RMB'000* | *RMB'000* | *Sqm* | *Sqm* |
| Hangzhou Shaoxing Hometown | Hangzhou | 626,271 | | 37,832 | |
| Qingdao F Plot | Qingdao | 609,995 | | 67,833 | |
| Shanghai Long Xing Lu | Shanghai | 593,531 | 1,042,252 | 36,671 | 66,227 |
| Chongqing Peace Hill County | Chongqing | 384,120 | 73,838 | 62,794 | 19,341 |
| Shenyang Chianti | Shenyang | 368,417 | 66,507 | 83,002 | 8,024 |
| Qingdao Original | Qingdao | 338,760 | | 19,314 | |
| Wuxi Nineth Villa | Wuxi | 291,539 | | 34,650 | |
| Chongqing Chunsen Land | Chongqing | 275,518 | 1,174,257 | 37,229 | 118,507 |
| Qingdao Peace Hill County | Qingdao | 272,956 | | 26,588 | |
| Beijing Azure Chianti | Beijing | 244,399 | 2,381,192 | 13,748 | 113,979 |
| Shanghai Rose and Ginkgo Villa | Shanghai | 221,957 | 140,996 | 10,336 | 6,170 |
| Beijing Chianti Riverside | Beijing | 221,727 | 2,879,190 | 17,735 | 229,264 |
| Wuxi Rose & Gingko Villa II | Wuxi | 217,665 | 531,988 | 23,044 | 58,252 |
| Beijing Time Paradise Walk | Beijing | 211,958 | | 7,789 | |
| Shenyang Rose and Ginkgo Villa | Shenyang | 208,796 | | 26,046 | |
| Beijing Summer Palace Splendor | Beijing | 189,716 | 303,992 | 2,561 | 8,635 |
| Ningbo Chianti | Ningbo | 155,665 | | 24,044 | |
| Wuxi Peace Hill County | Wuxi | 121,808 | | 14,619 | |
| Chengdu Bridge County | Chengdu | 91,314 | 464,308 | 10,407 | 44,601 |
| Xi'an Fairy Castle | Xi'an | 83,574 | 1,255,309 | 10,280 | 168,243 |
| Wuxi Rose and Ginkgo Villa | Wuxi | 56,611 | 949,776 | 7,783 | 101,035 |
| Beijing Elegance Loft | Beijing | 44,793 | 91,505 | 9,788 | 24,822 |
| Chongqing Sunshine Riverside | Chongqing | 44,423 | | 7,021 | |
| Shenyang Fairy Castle | Shenyang | 39,564 | | 2,690 | |
| Chengdu Jade Town | Chengdu | 24,234 | 78,973 | 1,359 | 4,016 |
| Others | | 145,789 | 502,170 | 48,621 | 50,971 |
| **Total** | | **40,223,854** | **26,946,129** | **4,130,782** | **2,512,031** |

The Group achieved contract sales of RMB48.12 billion (including RMB2.4 billion from joint ventures) in 2013, representing an increase of 20% as compared to last year. The Group sold 4,261,199 square meters in total GFA, representing an increase of 2.0% over last year. Average selling price of GFA sold was RMB11,293 per square meter, representing an increase of 17.6% as compared to last year. Contracted sales from regions of western China, Pan Bohai Rim, Yangtze River Delta, southern China and central China were RMB19.69 billion, RMB13.54 billion, RMB11.48 billion, RMB2.60 billion and RMB0.81 billion respectively, accounting for 40.9%, 28.1%, 23.9%, 5.4% and 1.7% of the contracted sales of the Group, respectively.

*Table 2: Details of contracted sales of the Group in 2013*
** Before deducting sales tax*

| Project | City | Contracted sales | Total GFA |
|---|---|---|---|
| | | *RMB mn* | *Sqm* |
| Hangzhou Chunjiang Land | Hangzhou | 3,898 | 181,675 |
| Beijing Changying Paradise Walk | Beijing | 2,400 | 79,558 |
| Beijing Time Paradise Walk | Beijing | 2,389 | 93,466 |
| Chengdu Jinnan Paradise Walk | Chengdu | 2,282 | 204,706 |
| Xiamen Island in the City | Xiamen | 2,000 | 198,315 |
| Chongqing Time Paradise Walk | Chongqing | 1,827 | 87,113 |
| Chongqing U2 | Chongqing | 1,783 | 291,676 |
| Chongqing Hometown | Chongqing | 1,769 | 175,971 |
| Chongqing Ideal City | Chongqing | 1,613 | 145,994 |
| Beijing Sunhe | Beijing | 1,599 | 35,922 |
| Chongqing Bamboo Grove | Chongqing | 1,562 | 162,481 |
| Hangzhou Rose & Gingko Town | Hangzhou | 1,548 | 93,401 |
| Beijing Hill of Good Hope | Beijing | 1,050 | 60,249 |
| Chongqing Hilltop’s Garden | Chongqing | 987 | 105,033 |
| Xi’an Chianti | Xi’an | 986 | 129,838 |
| Changzhou Sunshine City | Changzhou | 937 | 135,563 |
| Chengdu Time Paradise Walk | Chengdu | 935 | 101,088 |
| Hangzhou Ke Qiao | Shaoxing | 866 | 87,174 |
| Ningbo Rose & Gingko Coast | Ningbo | 837 | 89,701 |
| Chengdu Century Peak View | Chengdu | 836 | 77,112 |
| Changsha Wang Cheng | Changsha | 813 | 86,301 |
| Chengdu Flamenco Spain | Chengdu | 809 | 133,300 |
| Chongqing Toschna Villa | Chongqing | 735 | 122,187 |
| Xi’an Waft Yard | Xi’an | 725 | 50,007 |
| Chengdu North Paradise Walk | Chengdu | 714 | 72,995 |
| Yantai Banyan Bay | Yantai | 703 | 50,614 |
| Qingdao Original | Qingdao | 676 | 65,551 |
| Shanghai Fairy Castle | Shanghai | 661 | 32,291 |
| Shenyang Hua Qian Shu | Shenyang | 657 | 73,332 |
| Dalian Dong Gang | Dalian | 634 | 28,266 |
| Shenyang Fairy Castle | Shenyang | 629 | 75,116 |
| Xiamen Jinjiang | Xiamen | 601 | 61,084 |
| Changzhou Hongzhuang Project | Changzhou | 561 | 75,865 |
| Qingdao Peace Hill County | Qingdao | 510 | 54,333 |

| Project | City | Contracted sales | Total GFA |
|---|---|---|---|
| | | *RMB mn* | *Sqm* |
| Yixing Hilltop's Garden | Yixing | 482 | 39,800 |
| Qingdao Rose & Gingko Coast | Qingdao | 476 | 58,024 |
| Hangzhou Ding Qiao | Hangzhou | 457 | 29,328 |
| Wuxi Fragrance Chianti | Wuxi | 421 | 40,342 |
| Chengdu Peace Hill County | Chengdu | 412 | 50,937 |
| Xi'an Crystal Town | Xi'an | 404 | 44,038 |
| Dalian Rose & Gingko Hill | Dalian | 372 | 20,701 |
| Hangzhou Chianti Riverside | Hangzhou | 361 | 46,598 |
| Shanghai Long Xing Lu | Shanghai | 332 | 13,273 |
| Xi'an MOCO | Xi'an | 272 | 38,065 |
| Shanghai Azure Chianti (Bai Yin Lu) | Shanghai | 267 | 16,914 |
| Qingdao An Le | Qingdao | 264 | 24,006 |
| Qingdao F Plot | Qingdao | 255 | 34,590 |
| Chongqing La Defense | Chongqing | 242 | 35,048 |
| Beijing Chianti Riverside | Beijing | 214 | 16,466 |
| Shenyang Tangning ONE | Shenyang | 206 | 26,169 |
| Beijing Summer Palace Splendor | Beijing | 201 | 2,560 |
| Kunming Crystal Sunshine City | Kunming | 178 | 19,708 |
| Wuxi Rose & Gingko Villa II | Wuxi | 160 | 17,254 |
| Xi'an Starry Street | Xi'an | 146 | 9,619 |
| Chongqing Chunsen Land | Chongqing | 133 | 18,571 |
| Ningbo Chianti | Ningbo | 129 | 20,002 |
| Others | | 207 | 121,908 |
| | | **48,123** | **4,261,199** |

As of December 31, 2013, the Group had RMB57.5 billion (derived from 5.04 million square meters) sold but unrecognized contracted sales which formed a solid basis for the Group's future growth in revenue.

## PROPERTY INVESTMENT

The Group maintains a prudent property investment strategy. Currently, all investment properties of the Group are shopping malls under three major product series, namely Paradise Walk series, which are metropolitan shopping malls, Starry Street series, which are community shopping malls, and MOCO, which are mid to high-end household and lifestyle shopping centers. As of December 31, 2013, the

Group has investment properties of 763,349 square meters (921,977 square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 97.6%. Total rent reached about RMB670 million. Rental income, net of sales tax, was about RMB630 million, representing an increase of 31.3% as compared with last year. The series of Paradise Walk, Starry Street and MOCO accounted for 80.7%, 15.3% and 4.0% of the total rental respectively, and recorded increases of 34.5%, 19.7% and 18.8% respectively.

*Table 3: Breakdown of rental income of the Group in 2013*
** After deducting sales tax*

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | **GFA** | **Rental income** | **% of Rental** | **Occupancy rate** | **Rental income** | **% of Rental** | **Occupancy rate** | **Change of rental income** |
| | | *RMB'000* | | | *RMB'000* | | | |
| Chongqing North Paradise Walk | 120,778 | 308,557 | 48.6% | 100.0% | 271,296 | 56.1% | 99.5% | 13.7% |
| Chongqing West Paradise Walk | 76,031 | 108,907 | 17.2% | 99.6% | 108,628 | 22.5% | 99.5% | 0.3% |
| Chongqing Time Paradise Walk Phase I | 160,343 | 94,073 | 14.8% | 92.2% | 773 | 0.2% | 94.7% | 12069.9% |
| Chengdu North Paradise Walk | 215,536 | 329 | 0.1% | 74.8% | N/A | N/A | N/A | N/A |
| **Paradise Walk Subtotal** | **572,688** | **511,866** | **80.7%** | **98.5%** | **380,697** | **78.8%** | **99.3%** | **34.5%** |
| Chongqing Crystal Castle | 17,648 | 20,156 | 3.2% | 90.6% | 16,534 | 3.4% | 100.0% | 21.9% |
| Chengdu Three Thousand Mall | 38,043 | 21,100 | 3.3% | 83.4% | 22,955 | 4.7% | 96.8% | -8.1% |
| Chongqing Starry Street | 54,618 | 22,678 | 3.6% | 93.0% | 11,416 | 2.4% | 91.8% | 98.7% |
| Chongqing Fairy Castle | 29,413 | 11,064 | 1.7% | 100.0% | 10,830 | 2.2% | 100.0% | 2.2% |
| Beijing Starry Street | 6,320 | 11,537 | 1.8% | 97.9% | 10,633 | 2.2% | 88.6% | 8.5% |
| Chongqing University City | 15,515 | 4,518 | 0.7% | 93.9% | 792 | 0.2% | 87.7% | 470.5% |
| Others | | 6,135 | 1.0% | N/A | 8,022 | 1.7% | N/A | -23.5% |
| **Starry Street Subtotal** | **161,557** | **97,188** | **15.3%** | **92.3%** | **81,182** | **16.8%** | **95.5%** | **19.7%** |
| Chongqing MOCO | 29,104 | 25,545 | 4.0% | 100.0% | 21,494 | 4.4% | 97.3% | 18.8% |
| **MOCO Subtotal** | **29,104** | **25,545** | **4.0%** | **100.0%** | **21,494** | **4.4%** | **97.3%** | **18.8%** |
| **Total for projects that had commenced operation** | **763,349** | **634,599** | **100.0%** | **97.6%** | **483,373** | **100.0%** | **98.8%** | **31.3%** |

The Group has 6 shopping malls under construction with a total GFA of about 765,000 square meters. The total areas under construction of Paradise Walk series and Starry Street series are about 721,000 square meters and 44,000 square meters respectively.

*Table 4: Breakdown of investment properties under construction of the Group in 2014 to 2016*

| | Estimated Commencement of Operation | Planned GFA |
|---|---|---|
| | | *Sqm* |
| Chongqing Time Paradise Walk Phase II Section I | 2014 | 156,888 |
| Beijing Changying Paradise Walk | 2014 | 224,165 |
| Hangzhou Time Paradise Walk | 2015 | 148,831 |
| Chengdu Time Paradise Walk Phase I | 2014 | 63,145 |
| Changzhou Longcheng | 2016 | 128,033 |
| **Paradise Walk Subtotal** | | **721,062** |
| Xi'an Longfor Starry Street (Daxing Store) | 2014 | 44,263 |
| **Starry Street Subtotal** | | **44,263** |
| **Project under construction in total** | | **765,325** |

Attributable to the construction and commencement of operation of new investment properties, the valuation gain of investment properties of the Group amounted to RMB2.59 billion in 2013.

## COST CONTROL

During 2013, in order to support its business development, the Group established management teams and recruited key personnel for newly-entered cities, such as Changsha, Kunming, Suzhou and Jinan, the portion of the Group's general and administrative expenses to the total contract sales increased by 0.08% to 2.25% as compared with last year. With the sales team focusing on the effectiveness and preciseness of the sales strategy and their further efforts committed to the routine control of the efficiency of marketing costs, the portion of sales expenses to the total contract sales only increased by 0.13% to 1.84% as compared with last year.

## SHARE OF RESULTS OF JOINT VENTURES

Contribution of joint ventures (JVs) during 2013 mainly came from the Group's 49.6%-owned Bamboo Grove Project in Chongqing and 72.0%-owned Century Peak View Project in Chengdu. These two projects delivered 272,594 square meters. The attributable profit after tax of the Group in JVs was RMB320 million.

## INCOME TAX EXPENSE

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. The enterprise income tax and the land appreciation tax of the Group in 2013 were RMB2.84 billion and RMB1.74 billion, respectively. The total income tax expenses for the period amounted to RMB4.58 billion.

## PROFITABILITY

The core net profit margin of the Group (the ratio of profit attributable to equity shareholders excluding minority interest and revaluation gain to revenue) decreased from last year's 19.4% to 15.0%, which was mainly attributable to the fall in gross profit margin in the market fluctuation period.

## LAND BANK REPLENISHMENT

As of December 31, 2013, the Group's total land bank was 39.49 million square meters or 35.76 million square meters on an attributable basis. The average unit land cost was RMB2,050 per square meter, accounting for 18.2% of unit price of current contracted sales. In terms of regional breakdown, land bank in Pan Bohai Rim, western China, Yangtze River Delta, southern China and central China accounted for 39.5%, 34.8%, 17.5%, 5.3% and 2.9% of the total land bank, respectively.

In 2013, the Group has acquired new land bank with total GFA of 5.59 million square meters, 31.0%, 26.3%, 22.2% and 20.5% of which are located in western China, Yangtze River Delta, Pan Bohai Rim, and central China respectively. The average acquisition unit cost was RMB3,120 per square meter.

In 2013, the Group acquired presence in four cities successively, namely Changsha, Kunming, Suzhou and Jinan, which increased the number of cities covered by the Group from 17 at the end of last year to 21. The Group also strategically penetrated into central China region. At the same time, moving the investment focus closer to city cores and controlling the project size laid a well foundation for improving the turnover cycle of the Group's properties available for sale.

Subsequent to the end of the reporting period, the Group successfully acquired a land parcel at Yinzhou Investment and Venture Centre at Ningbo with an expected gross floor area of approximately 61,000 square meter, a land parcel at the cultural and sports centre in Hangzhou with an expected gross floor area of approximately 411,000 square meter, a land parcel at Xiju in Beijing with an expected gross floor area of approximately 220,000 square meter (100,000 square meter in attributable expected gross floor area), a land parcel at Jinyang in Chengdu with an expected gross floor area of approximately 85,000 square meter and a land parcel at Simatai in Beijing with an expected gross floor area of approximately 220,000 square meter (121,000 square meter in attributable expected gross floor area).

The geographic spread of the land bank of the Group was as follows:

*Table 5: Breakdown of land bank of the Group*

| **Region** | **City** | **Total GFA** | **% of Total** | **Attributable GFA** | **% of Total** |
|---|---|---|---|---|---|
| | | *Sqm* | | *Sqm* | |
| PanBohaiRim | Beijing | 1,639,752 | 4.2% | 1,330,200 | 3.7% |
| | Shenyang | 3,680,204 | 9.3% | 3,543,394 | 9.9% |
| | Qingdao | 1,358,432 | 3.4% | 1,283,911 | 3.6% |
| | Yantai | 7,609,056 | 19.3% | 6,947,068 | 19.4% |
| | Jinan | 345,471 | 0.9% | 315,415 | 0.9% |
| | Dalian | 1,064,699 | 2.7% | 689,626 | 1.9% |
| | **Subtotal** | **15,697,614** | **39.8%** | **14,109,614** | **39.5%** |
| Central China | Changsha | 1,144,664 | 2.9% | 1,045,078 | 2.9% |
| | **Subtotal** | **1,144,664** | **2.9%** | **1,045,078** | **2.9%** |
| Western China | Chongqing | 8,308,496 | 21.0% | 7,342,521 | 20.5% |
| | Chengdu | 2,761,894 | 7.0% | 2,387,381 | 6.7% |
| | Xi'an | 1,955,433 | 5.0% | 1,790,550 | 5.0% |
| | Yuxi | 827,741 | 2.1% | 755,728 | 2.1% |
| | Kunming | 174,354 | 0.4% | 159,186 | 0.4% |
| | **Subtotal** | **14,027,918** | **35.5%** | **12,435,366** | **34.8%** |
| YangtzeRiverDelta | Shanghai | 910,644 | 2.3% | 871,362 | 2.4% |
| | Wuxi | 921,720 | 2.3% | 841,530 | 2.4% |
| | Changzhou | 1,521,992 | 3.9% | 1,488,467 | 4.2% |
| | Yixing | 308,237 | 0.8% | 281,420 | 0.8% |
| | Hangzhou | 1,231,792 | 3.1% | 1,178,358 | 3.3% |
| | Shaoxing | 241,387 | 0.6% | 220,387 | 0.6% |
| | Ningbo | 751,526 | 1.9% | 727,918 | 2.0% |
| | Suzhou | 645,250 | 1.6% | 645,250 | 1.8% |
| | **Subtotal** | **6,532,548** | **16.5%** | **6,254,692** | **17.5%** |
| Southern China | Xiamen | 585,266 | 1.5% | 546,404 | 1.5% |
| | Quanzhou | 1,501,373 | 3.8% | 1,370,754 | 3.8% |
| | **Subtotal** | **2,086,639** | **5.3%** | **1,917,158** | **5.3%** |
| **Total** | | **39,489,383** | **100.0%** | **35,761,908** | **100.0%** |

*Table 6: Breakdown of Land acquisition in 2013*

| Region | Project | City | Attributable Interest | Site Area | Total GFA |
|---|---|---|---|---|---|
| | | | *%* | *Sqm* | *Sqm* |
| Pan Bohai Rim | Wuchaying | Dalian | 91.30% | 196,000 | 171,663 |
| | Changbai Island | Shenyang | 100.00% | 117,009 | 414,875 |
| | West Passenger Terminal | Jinan | 91.30% | 136,298 | 345,471 |
| | Shahe | Beijing | 31.04% | 136,680 | 311,295 |
| | **Subtotal** | | | **585,987** | **1,243,304** |
| Central China | Gushan | Changsha | 91.30% | 306,955 | 520,373 |
| | Gushan Phase 2 | Changsha | 91.30% | 343,857 | 624,291 |
| | **Subtotal** | | | **650,812** | **1,144,664** |
| Western China | Weidianyuan | Chongqing | 100.00% | 234,024 | 1,066,762 |
| | Guanyinqiao | Chongqing | 100.00% | 60,359 | 313,671 |
| | Aviation City | Xi'an | 91.30% | 46,998 | 181,630 |
| | Minda | Kunming | 91.30% | 34,300 | 174,355 |
| | **Subtotal** | | | **375,681** | **1,736,418** |
| Yangtze River Delta | Dingqiao | Hangzhou | 91.30% | 99,300 | 272,872 |
| | Fairy Castle | Shanghai | 91.30% | 36,857 | 105,929 |
| | Liuhang | Shanghai | 100.00% | 81,637 | 402,491 |
| | Qingpu | Shanghai | 91.30% | 12,911 | 42,136 |
| | Chunlan | Suzhou | 100.00% | 114,193 | 645,251 |
| | **Subtotal** | | | **344,898** | **1,468,679** |
| **Total** | | | | **1,957,378** | **5,593,065** |

## FINANCIAL POSITION

As of December 31, 2013, the Group's consolidated borrowings amounted to RMB37.70 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 57.9%. Cash in hand reached RMB14.68 billion. The credit rating of the Group was BB+ by Standard & Poor and Ba1 by Moodys, with the outlook maintained as "stable".

Approximately 62.4% of the Group's total borrowings were denominated in RMB, while 37.6% were denominated in foreign currencies.

Approximately RMB15.9 billion of the Group's consolidated borrowings were quoted at fixed rates ranging from 4.3% per annum to 9.5% per annum depending on the tenors of the loans, and the rest were quoted at floating rates. Ratio of fixed interest debt to total debt increased from 35.8% at December 31, 2012 to 42.1%. As of December 31, 2013, the Group's average cost of borrowing was 6.58% per annum. The average term of loan was extended from 4.1 years to 4.6 years. The ratio of unsecured debt to total debt was 45.8%.

In 2013, the Group successfully completed two financing transactions in the international capital market, which effectively extended the term of indebtedness of the Group and reduced the cost of financing. In January 2013, the Group successfully issued 10-year bonds of US$500 million at a nominal interest rate of 6.75%. The interest rate was lower than the 7-year bond issued in October 2012 at a nominal interest rate of 6.875%. In July 2013, the Group entered into a lending agreement with a syndicate of 13 banks, and obtained 4-year transferrable fixed term loan financing of HK$6,385 million and US$165 million in a total of approximately HK$7,672 million at an interest rate of Hibor plus 3.10%.

## EMPLOYEES AND COMPENSATION POLICY

As of December 31, 2013, the Group had 12,012 full-time employees in China and Hong Kong. 3,099 of these employees worked in the property development division, 337 in the property investment division, and 8,576 in the property management division. Average age of our employees is 31.3 years old. In the property development and investment divisions, approximately 85.0% of the employees have bachelor degrees and 13.3% of the employees have master degrees or above.

The Group remunerates its employees based on their performance, work experience and the prevailing market wage level. The total compensation of the employees consisted of base salary, cash bonus and share-based rewards. Cash bonus is a major part of senior employees' cash compensation. The gross amount of such bonus is determined from, amongst other things, the ranking of the Group's budget fulfillment ratio and loyalties of customers, which is then assessed and allocated to individual subsidiaries according to the results of a balanced scorecard and profitability.

## PROSPECTS

During 2014, the real estate market in China will maintain its steady conditions. However, the development within the industry will become more diverse. In view of a sustainable growth in future, the Group will persist in further broadening the framework on regional basis, developing close to urban area, controlling over scale, and considering commercial feasibility in basic strategies. This will improve the turnover rate of saleable resources at a high level. The Group will continue to pro-actively drive our sales by maintaining launch momentum of our saleable resources and strengthening the disposal of unsold inventory. In the meantime, the Group will further consolidate and develop cost control measures, so that gross profit margin can achieve sound growth in future.

The Group now has 61 key projects for sale, among which 12 are brand new projects and 28 will launch new phases and new products in 2014. The products of the Group will cater for different groups of customers, including first-time home buyers, upgraders and business operators, while the proportion of different product types will be adjusted in response to market changes, thus enabling the Group to grasp the demand and opportunities in the complicated and volatile market.

The Group (including joint ventures) has completed the construction of about 5,620,000 square meters of properties in 2013. In 2014, the Group plans to complete construction of approximately 7,000,000 square meters of properties, most of which will be completed in the second half of the year. The construction and sales of projects maintain smooth progress.

For investment properties, the construction of Hangzhou Time Paradise Walk, Chengdu Time Paradise Walk Phase I and Changzhou Longcheng Paradise Walk had began during the year. Chengdu North Paradise Walk has commenced operation by the end of this year. Beijing Time Paradise Walk, Shanghai Hongqiao Paradise Walk and Chengdu Jinnan Paradise Walk are expected to begin construction in the coming year. Chongqing Time Paradise Walk Phase II Section I, Beijing Changying Paradise Walk and Chengdu Time Paradise Walk Phase I are expected to complete and commence operation in 2014. These projects lay a solid foundation for the future growth in rental income from investment properties of the Group.

Amid the ever-changing market environment, the Group will reasonably plan and arrange investment and operating expenses in accordance with its cash inflow, in order to persistently implement a prudent cost control strategy in respect of financial management. Whilst ensuring a sound financial position and healthy debt ratio for the Company, external cooperation will also be enhanced. It is expected that the Company can further capitalize on more opportunities in the market and achieve a win-win situation.

Lastly, on behalf of the Board, I would like to express my sincere appreciation to all of our employees for their diligence and all of our shareholders for their support over the past year.

## FINAL DIVIDEND

The Board proposed the payment of a final dividend of RMB0.228 per share for the year ended December 31, 2013 to shareholders whose names appear on the register of members of the Company on June 3, 2014. The proposed final dividend will be paid on or about June 17, 2014 after approval by shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM").

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from May 21, 2014 to May 23, 2014.

## ANNUAL GENERAL MEETING

The AGM is to be held on May 23, 2014 and the notice of AGM will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, May 19, 2014 to Friday, May 23, 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Friday, May 23, 2014, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, May 16, 2014.

The register of members of the Company will be closed from Friday, May 30, 2014 to Tuesday, June 3, 2014 (both days inclusive) during which period no transfer of shares will be effected. To qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, May 29, 2014.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises of three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls system and financial reporting matters including the review of the Group's audited consolidated results for the year ended December 31, 2013.

## CORPORATE GOVERNANCE

During the year, the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the following deviation:

During the year, the Company has not established Nomination Committee as required by the provision A.5 of the Code. Madam Wu Yajun, Chairman of the Board, is responsible for the nomination and appointment of directors. In accordance with the Company's corporate strategy, Madam Wu will review and discuss with other Board members the structure, size and composition (including the skills, knowledge and experience) of the Board from time to time and identify individuals suitably qualified to become directors and make recommendations to the Board on the nomination for directorship. The Board is of view that Chairman responsible for the nomination directorship is more effective than the establishment of Nomination Committee.

## COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions of directors (the "Securities Code") on no less exacting the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. All Directors confirmed that they have complied with the required standard set out in the Securities Code during the year ended December 31, 2013.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the year ended December 31, 2013.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.longfor.com). The annual report of the Company for the year ended December 31, 2013 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

## BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises ten members: Madam Wu Yajun, Mr. Shao Mingxiao, Mr. Zhou Dekang, Mr. Qin Lihong, Mr. Feng Jinyi, Mr. Wei Huaning who are executive Directors; and Mr. Frederick Peter Churchouse, Mr. Chan Chi On, Derek, Mr. Xiang Bing and Mr. Zeng Ming who are independent non-executive Directors.

By order of the Board
**Longfor Properties Co., Ltd.**
**Wu Yajun**
*Chairman*

Hong Kong, March 21, 2014

*As at the date of this announcement, the Board comprises ten members: Madam Wu Yajun, Mr. Shao Mingxiao, Mr. Zhou Dekang, Mr. Qin Lihong, Mr. Feng Jinyi and Mr. Wei Huaning who are executive Directors; and Mr. Frederick Peter Churchouse, Mr. Chan Chi On, Derek, Mr. Xiang Bing and Mr. Zeng Ming who are independent non-executive Directors.*