POWERLONG
宝 龙

POWERLONG REAL ESTATE HOLDINGS LIMITED
寶 龍 地 產 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1238)

2013 ANNUAL RESULTS ANNOUNCEMENT

SUMMARY OF RESULTS

- For the year ended 31 December 2013, the contracted sales of properties amounted to approximately RMB9,373 million, representing an increase of approximately 43.8% as compared with the corresponding period in 2012.

- For the year ended 31 December 2013, revenue amounted to approximately RMB7,257 million, representing an increase of approximately 23.6% as compared with the corresponding period in 2012.

- For the year ended 31 December 2013, rental income and income from property management services amounted to approximately RMB701 million, representing an increase of approximately 38.0% as compared with the corresponding period in 2012.

- For the year ended 31 December 2013, core earnings (being the profit for the year after excluding the profit attributable to fair value gains on investment properties) was approximately RMB1,002 million, representing an increase of approximately 3.5% as compared with the corresponding period in 2012.

- As at 31 December 2013, cash and cash equivalents and restricted cash increased approximately 139.5% to RMB4,813 million as compared to the end of 2012. Cash and cash equivalents and restricted cash over current borrowings rose from 0.6 to 1.1 since the end of 2012. Liquidity was optimized.

The board of directors (the "Board") of Powerlong Real Estate Holdings Limited (the "Company") is pleased to announce its annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013, together with comparative figures for the year ended 31 December 2012, which is set out below.

CONSOLIDATED BALANCE SHEET

		31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**1,694,201**	1,578,966
Land use rights		**569,862**	543,527
Investment properties	*3*	**19,590,330**	18,147,844
Investments accounted for using the equity method		**1,148,972**	1,012,423
Deferred income tax assets		**203,065**	167,094
Derivative financial instruments		**11,406**	–
Loans		**–**	270,000
		23,217,836	21,719,854
Current assets			
Properties under development		**11,371,010**	10,789,478
Completed properties held for sale		**3,521,049**	2,649,985
Trade and other receivables	*4*	**1,989,387**	1,452,635
Prepayments		**3,304,061**	1,371,281
Prepaid taxes		**241,216**	195,964
Available-for-sale financial assets		**30,801**	16,462
Financial assets at fair value through profit or loss		**14,600**	1,750
Restricted cash		**378,508**	557,979
Cash and cash equivalents		**4,434,449**	1,452,217
		25,285,081	18,487,751
Total assets		**48,502,917**	40,207,605
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		**3,035,471**	3,035,471
Reserves		**14,101,674**	13,003,593
		17,137,145	16,039,064
Non-controlling interests		**508,988**	460,376
Total equity		**17,646,133**	16,499,440

		31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*5*	**11,854,736**	7,731,776
Deferred income tax liabilities		**3,187,587**	3,009,963
		15,042,323	10,741,739
Current liabilities			
Trade and other payables	*6*	**4,869,464**	3,910,015
Advances from customers		**4,186,307**	3,633,826
Current income tax liabilities		**2,183,267**	2,100,335
Borrowings	*5*	**4,575,423**	3,322,250
		15,814,461	12,966,426
Total liabilities		**30,856,784**	23,708,165
Total equity and liabilities		**48,502,917**	40,207,605
Net current assets		**9,470,620**	5,521,325
Total assets less current liabilities		**32,688,456**	27,241,179

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**7,256,938**	5,871,763
Cost of sales	*7*	**(5,201,756)**	(3,540,058)
Gross profit		**2,055,182**	2,331,705
Fair value gains on investment properties – net	*3*	**530,672**	1,743,684
Selling and marketing costs	*7*	**(240,509)**	(208,258)
Administrative expenses	*7*	**(583,970)**	(505,331)
Other gains/(losses) – net	*8*	**95,370**	(56,440)
Exchange (losses)/gains – net		**(22,543)**	248
Operating profit		**1,834,202**	3,305,608
Finance income/(costs) – net	*9*	**121,023**	(29,389)
Share of profit of investments accounted for using the equity method		**108,365**	134,079
Profit before income tax		**2,063,590**	3,410,298
Income tax expense	*10*	**(663,414)**	(1,197,312)
Profit for the year		**1,400,176**	2,212,986
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation gains on property and equipment and land use rights transferred to investment properties		**–**	83,129
Items that may be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets		**344**	132
Other comprehensive income for the year, net of tax		**344**	83,261
Total comprehensive income for the year		**1,400,520**	2,296,247
Profit attributable to:			
Owners of the Company		**1,403,536**	2,193,852
Non-controlling interests		**(3,360)**	19,134
		1,400,176	2,212,986

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Total comprehensive income attributable to:			
Owners of the Company		**1,403,880**	2,272,133
Non-controlling interests		**(3,360)**	24,114
		1,400,520	2,296,247
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB cents per share)	*11*		
– Basic		**35.00**	54.71
– Diluted		**34.98**	54.71

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Dividends	*12*	**–**	320,773

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash (used in)/generated from operations	**(381,755)**	746,183
PRC corporate income tax paid	**(243,407)**	(258,552)
PRC land appreciation tax paid	**(240,675)**	(249,483)
Interest paid	**(1,272,896)**	(1,111,462)
Cash used in operating activities – net	**(2,138,733)**	(873,314)
Cash flows from investing activities		
Purchase of property and equipment	**(198,414)**	(96,335)
Payments of construction fee of investment properties	**(962,695)**	(664,312)
Purchase of land use rights	**–**	(41,655)
Net proceeds from disposals of property and equipment	**4,032**	9,117
Proceeds from disposal of investment properties	**132,206**	–
Collection of entrusted loans	**270,000**	270,000
Payment of entrusted loans	**–**	(270,000)
Capital contribution to an associate	**(37,000)**	–
Purchase of available-for-sale financial assets	**(13,995)**	(16,304)
Interest income from loans to third parties	**21,702**	19,894
Income distribution from available-for-sale financial assets	**3,418**	–
Collection of cash advances by related parties	**2,022**	40,317
Progressive proceeds from disposal of subsidiaries	**51,450**	61,494
Cash used in investing activities – net	**(727,274)**	(687,784)
Cash flows from financing activities		
Repurchase of shares of the Company	**–**	(2,508)
Acquisition of additional interests in a subsidiary	**(2,000)**	–
Capital contributions from non-controlling interests	**54,000**	31,371
Proceeds from borrowings	**12,347,895**	5,622,524
Repayments of borrowings	**(6,949,350)**	(3,946,414)
Repurchase of senior notes	**(11,856)**	–
Decrease/(increase) in guarantee deposits	**110,869**	(91,227)
Dividends paid to owners of the Company	**(320,773)**	(240,580)
Dividends paid to non-controlling interests	**(11,321)**	–
Cash advances from related parties	**774,951**	351,175
Repayments of cash advances to related parties	**(139,025)**	(122,456)
Cash generated from financing activities – net	**5,853,390**	1,601,885
Net increase in cash and cash equivalents	**2,987,383**	40,787
Cash and cash equivalents at beginning of the year	**1,452,217**	1,411,182
Effect of foreign exchange rate changes	**(5,151)**	248
Cash and cash equivalents at end of the year	**4,434,449**	1,452,217

1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

Amendment to HKAS 1	Financial statements presentation regarding other comprehensive income
Amendment to HKFRS10, 11 and 12	Transition guidance
Amendment to HKFRS	Annual improvements 2011
HKFRS 10	Consolidated financial statements
HKAS 27 (revised 2011)	Separate financial statements
HKFRS 11	Joint arrangements
HKAS 28 (revised 2011)	Associates and joint ventures
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
Amendment to HKFRS 7	Financial instruments: Disclosures' on asset and liability offsetting

(b) New and amended standards and interpretations not relevant to the Group

Amendment to HKFRS 1	First time adoption on government loans
Amendment to HKAS 19	Employee benefits
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

(c) New and amended standards and interpretation have been issued but were not yet effective.

The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities	1 January 2014
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of derivatives	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
Amendment to HKAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to HKFRS	Annual improvements 2012 and 2013	1 July 2014
HKFRS 9	Financial instruments	Effective date is not yet determined

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

2 SEGMENT INFORMATION

The executive directors, the chief operating decision-maker ("CODM") of the Group reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the People's Republic of China (the "PRC") and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income of property management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Sales of properties	**6,243,864**	4,975,660
Rental income of investment properties	**349,217**	320,760
Income of property management services	**351,903**	187,620
Income of other property development related services	**311,954**	387,723
	7,256,938	5,871,763

The segment results and other segment items included in the profit for the year ended 31 December 2013 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	**6,243,864**	**349,217**	**392,963**	**311,954**	**–**	**7,297,998**
Inter-segment revenue	**–**	**–**	**(41,060)**	**–**	**–**	**(41,060)**
Revenue	**6,243,864**	**349,217**	**351,903**	**311,954**	**–**	**7,256,938**
Segment results	**1,275,590**	**716,817**	**1,313**	**(60,644)**	**(2,633)**	**1,930,443**
Other gains – net						**95,370**
Share of profit of investments accounted for using the equity method						**108,365**
Unallocated operating costs						**(191,611)**
Finance income – net						**121,023**
Profit before income tax						**2,063,590**
Income tax expense						**(663,414)**
Profit for the year						**1,400,176**
Depreciation	**14,344**	**–**	**2,171**	**93,936**	**–**	**110,451**
Amortisation of land use rights recognised as expenses	**–**	**–**	**–**	**13,863**	**–**	**13,863**
Fair value gains on investment properties – net *(Note 3)*	**–**	**530,672**	**–**	**–**	**–**	**530,672**

The segment results and other segment items included in the profit for the year ended 31 December 2012 are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Gross segment revenue	4,975,660	320,760	254,624	387,723	–	5,938,767
Inter-segment revenue	–	–	(67,004)	–	–	(67,004)
Revenue	4,975,660	320,760	187,620	387,723	–	5,871,763
Segment results	1,603,003	1,924,737	(16,653)	(55,529)	(3,290)	3,452,268
Interest income on entrusted loans *(Note 8)*						19,894
Losses from disposal of subsidiaries *(Note 8)*						(38,451)
Share of profit of investments accounted for using the equity method						134,079
Unallocated operating costs						(128,103)
Finance costs – net						(29,389)
Profit before income tax						3,410,298
Income tax expense						(1,197,312)
Profit for the year						2,212,986
Depreciation	17,861	–	2,622	92,939	–	113,422
Amortisation of land use rights recognised as expenses	–	–	–	17,160	–	17,160
Fair value gains on investment properties – net *(Note 3)*	–	1,743,684	–	–	–	1,743,684

Segment assets and liabilities as at 31 December 2013 and capital expenditure, interest in a joint venture and an associate for the year then ended are as follows:

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management services** *RMB'000*	**Other property development related services** *RMB'000*	**Elimination** *RMB'000*	**Group** *RMB'000*
Segment assets	**26,338,637**	**20,587,250**	**398,482**	**2,990,797**	**(2,881,188)**	**47,433,978**
Other assets						**1,068,939**
Total assets						**48,502,917**
Segment liabilities	**7,815,385**	**389,283**	**366,803**	**2,092,924**	**(2,881,188)**	**7,783,207**
Other liabilities						**23,073,577**
Total liabilities						**30,856,784**
Capital expenditure	**25,539**	**983,888**	**52,982**	**191,395**	**–**	**1,253,804**
Interest in a joint venture	**1,112,150**	**–**	**–**	**–**	**–**	**1,112,150**
Interest in an associate	**36,822**	**–**	**–**	**–**	**–**	**36,822**

Segment assets and liabilities as at 31 December 2012 and capital expenditure and interest in a joint venture for the year then ended are as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management services *RMB'000*	Other property development related services *RMB'000*	Elimination *RMB'000*	Group *RMB'000*
Segment assets	21,534,492	18,087,065	232,470	2,325,537	(2,684,709)	39,494,855
Other assets						712,750
Total assets						40,207,605
Segment liabilities	5,676,278	1,424,920	217,595	2,307,631	(2,684,709)	6,941,715
Other liabilities						16,766,450
Total liabilities						23,708,165
Capital expenditure	4,118	1,166,402	2,027	195,795	–	1,368,342
Interest in a joint venture	1,012,423	–	–	–	–	1,012,423

Segment assets are reconciled to total assets as follows:

	31 December 2013 RMB'000	2012 RMB'000
Segment assets	**47,433,978**	39,494,855
Other assets		
– Prepaid taxes	**241,216**	195,964
– Deferred income tax assets	**203,065**	167,094
– Unallocated cash and cash equivalents and restricted cash	**570,208**	297,944
– Other receivables from related parties	**23,347**	25,369
– Unallocated property and equipment	**8,049**	9,232
– Other corporate assets	**23,054**	17,147
Total assets	**48,502,917**	40,207,605

Segment liabilities are reconciled to total liabilities as follows:

	31 December 2013 RMB'000	2012 RMB'000
Segment liabilities	**7,783,207**	6,941,715
Other liabilities		
– Current income tax liabilities	**2,183,267**	2,100,335
– Deferred income tax liabilities	**3,187,587**	3,009,963
– Current borrowings	**4,575,423**	3,322,250
– Non-current borrowings	**11,854,736**	7,731,776
– Other payables to related parties	**1,167,351**	531,425
– Other corporate liabilities	**105,213**	70,701
Total liabilities	**30,856,784**	23,708,165

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The amounts provided to the Board with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment, land use rights and investment properties.

3 INVESTMENT PROPERTIES

	Completed investment properties *RMB'000*	Investment properties under construction *RMB'000*	Total *RMB'000*
Year ended 31 December 2013			
At 1 January 2013	16,196,318	1,951,526	18,147,844
Additions	191,960	791,928	983,888
Transfers	1,607,930	(1,607,930)	–
Fair value gains – net	509,566	21,106	530,672
Disposals	(72,074)	–	(72,074)
At 31 December 2013	18,433,700	1,156,630	19,590,330
Total gains or losses for the year included in profit or loss, under 'fair value gains on investment properties – net'	509,566	21,106	530,672
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	505,558	21,106	526,664
Year ended 31 December 2012			
At 1 January 2012	14,017,695	1,007,664	15,025,359
Additions through the settlement of prepayments for acquisition of properties	582,000	–	582,000
Subsequent expenditure on investment properties	125,160	459,242	584,402
Transfers from property held for sale	104,237	–	104,237
Transfers from property and equipment and land use rights – net	108,162	–	108,162
Transfers	589,779	(589,779)	–
Fair value gains – net	669,285	1,074,399	1,743,684
At 31 December 2012	16,196,318	1,951,526	18,147,844

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Rental income *(Note 2)*	**349,217**	320,760
Direct operating expenses arising from investment properties that generate rental income	**(132,259)**	(89,525)
Direct operating expenses arising from investment properties that do not generate rental income	**(20,972)**	(67,074)

Investment properties as at 31 December 2013 are held in the PRC on leases between 10 to 50 years (2012: same).

Borrowing costs of RMB96,816,000 have been capitalised in investment properties under construction for the year ended 31 December 2013 (2012: RMB80,128,000). The capitalisation rate of borrowings for the year ended 31 December 2013 was 9.25% (2012: 10.22%).

As at 31 December 2013, investment properties of RMB16,753,735,000 (31 December 2012: RMB10,532,320,000) were pledged as collateral for the Group's borrowings.

Certain equipment affiliated with the investment properties of the Group of RMB132,538,000 (31 December 2012: RMB132,538,000) where the Group is a lessee under non-cancellable sale and lease back agreement. The lease terms are 3 years.

4 TRADE AND OTHER RECEIVABLES

	31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**1,113,914**	987,888
– Related parties	**53,116**	78,082
– Third parties	**1,060,798**	909,806
Less: provision for impairment of trade receivables	**(11,735)**	(19,192)
Trade receivables – net	**1,102,179**	968,696
Deposits for acquisition of land use rights	**376,518**	15,000
Other receivables from:	**510,690**	468,939
– Related parties	**23,347**	25,369
– Third parties	**487,343**	443,570
	1,989,387	1,452,635

(a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. As at 31 December 2013 and 2012, the ageing analysis of trade receivables of the Group based on billing date is as follows:

	31 December	
	2013	2012
	RMB'000	*RMB'000*
Not due	**342,009**	337,271
Within 90 days	**377,421**	407,688
Over 90 days	**394,484**	242,929
	1,113,914	987,888

As at 31 December 2013, trade receivables of RMB70,823,000 (2012: RMB73,904,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty. The overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales.

	31 December	
	2013	2012
	RMB'000	*RMB'000*
Over 90 days	**70,823**	73,904

As of 31 December 2013, trade receivables of RMB15,531,000 were impaired (2012: RMB55,190,000) and provision of RMB11,735,000 were provided (2012:RMB19,192,000). The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**19,192**	–
Provision for receivables impairment	**2,694**	19,192
Receivables written off during the period as uncollectible	**(10,151)**	–
At 31 December	**11,735**	19,192

(b) As at 31 December 2013 and 2012, the fair value of trade and other receivables approximated their carrying amounts.

(c) Trade and other receivables are interest free. The Group's trade and other receivables are denominated in RMB. Except for those disclosed in Note 4 (a), no material trade and other receivables were impaired or past due as at 31 December 2013 and 2012.

(d) The maximum exposure to credit risk at the reporting date was the net amount of carrying value of each class of receivables less the deposit received.

5 BORROWINGS

	31 December 2013 RMB'000	2012 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	**5,188,866**	2,882,764
– senior notes due January 2018 ("2018 Notes")	**1,561,245**	–
– senior notes due May 2016 ("2016 Notes")	**797,644**	–
– senior notes due September 2015 ("2015 Notes")	**1,242,366**	1,287,259
– senior notes due March 2014 ("2014 Notes (I)")	**773,200**	762,824
– senior notes due September 2014 ("2014 Notes (II)")	**814,411**	832,681
Bank borrowings	**9,511,021**	5,025,145
– secured	**9,511,021**	4,767,750
– unsecured	**–**	257,395
Other borrowings-secured	**455,000**	1,580,000
Borrowings under sale and lease back agreement – secured	**105,678**	169,743
Less: amounts due within one year	**(3,405,829)**	(1,925,876)
	11,854,736	7,731,776
Borrowings included in current liabilities:		
Bank borrowings	**1,094,221**	1,155,580
– secured	**1,043,721**	970,580
– unsecured	**50,500**	185,000
Other borrowings	**75,373**	240,794
– secured	**75,373**	185,127
– unsecured	**–**	55,667
Current portion of long-term borrowings	**3,405,829**	1,925,876
	4,575,423	3,322,250
Total borrowings	**16,430,159**	11,054,026

6 TRADE AND OTHER PAYABLES

	31 December 2013 RMB'000	2012 RMB'000
Trade payables	**2,100,340**	2,040,328
– Related parties	**18,969**	19,097
– Third parties	**1,874,378**	1,631,871
– Notes payable – third parties	**206,993**	389,360
Other payables and accruals	**2,342,782**	1,375,241
– Related parties	**1,167,351**	531,425
– Third parties	**1,175,431**	843,816
Payables for retention fee	**208,928**	169,959
Payables for acquisition of land use rights	**53,834**	166,834
Other taxes payables	**163,580**	157,653
	4,869,464	3,910,015

As at 31 December 2013 and 2012, the ageing analysis of trade payables of the Group based on invoice date is as follows:

	31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 90 days	**343,266**	827,822
Over 90 days and within 180 days	**160,408**	483,972
Over 180 days and within 365 days	**968,207**	226,616
Over 365 days and within 3 years	**628,459**	501,918
	2,100,340	2,040,328

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Cost of properties sold (excluding staff costs)	**4,200,275**	2,595,218
Staff costs (including directors' emoluments)	**472,040**	404,599
Business taxes and other levies	**427,800**	343,697
Cost of hotel operations	**149,585**	169,533
Advertising costs	**167,183**	118,433
Depreciation	**110,451**	113,422
Cost of property management service	**75,592**	58,776
Amortisation of land use rights	**13,863**	17,160
Office lease payments	**12,248**	13,227
Donations to governmental charity	**10,709**	7,806
Auditor's remuneration	**6,480**	4,280

8 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Interest income on entrusted loans	**21,702**	19,894
Gain on disposal of investment properties	**54,878**	–
Fair value gain on derivative financial instruments	**11,406**	–
Investment income from financial instruments	**7,384**	116
Loss from disposal of a subsidiary	**–**	(38,451)
Revaluation loss recognised on transfer of property and equipment and land use rights to investment properties	**–**	(37,999)
	95,370	(56,440)

9 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Interest expenses:		
– Bank borrowings, other borrowings and borrowings under sale and lease back agreement	**(768,625)**	(731,532)
– Senior notes	**(627,626)**	(406,563)
Less: interest capitalised	**1,361,369**	1,104,134
	(34,882)	(33,961)
Net foreign exchange gains on financing activities	**155,905**	4,572
	121,023	(29,389)

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current tax:		
– PRC corporate income tax	**343,281**	266,763
– PRC land appreciation tax	**192,891**	355,660
– (Reversal of)/provision of withholding income tax for profits to be distributed from the group companies in the PRC	**(14,411)**	35,982
Deferred income tax:		
– PRC corporate income tax	**141,653**	538,907
	663,414	1,197,312

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**2,063,590**	3,410,298
Calculated at applicable corporate income tax rate	**506,524**	796,355
Effect of expenses not deductible for income tax	**12,264**	78,626
Effect of income not subject to income tax	**(4,469)**	(1,143)
Share of profit of investments accounted for using the equity method	**(27,091)**	(33,520)
Tax losses for which no deferred income tax asset was recognised	**45,929**	54,267
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(48,223)**	(88,915)
	484,934	805,670
(Reversal of)/provision of withholding income tax for profits to be distributed by certain group companies in the PRC	**(14,411)**	35,982
PRC land appreciation tax	**192,891**	355,660
	663,414	1,197,312

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law, the corporate income tax rate applicable to the group entities located in Mainland China is 25%.

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held for Share Award Scheme.

	Year ended 31 December	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	**1,403,536**	2,193,852
Weighted average number of ordinary shares in issue (thousand shares)	**4,009,660**	4,009,786
Basic earnings per share (RMB cents per share)	**35.00**	54.71

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Pre-IPO Share Option Scheme and Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the two schemes. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the two schemes.

	Year ended 31 December	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	**1,403,536**	2,193,852
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**4,012,102**	4,009,786
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**4,009,660**	4,009,786
– Adjustment for share options and awarded shares (thousand shares)	**2,442**	–
Diluted earnings per share (RMB cents per share)	**34.98**	54.71

12 DIVIDENDS

No final dividend in respect of the year ended 31 December 2013 was proposed by the Board. 2012 final cash dividend amounting to RMB323,841,000 (2011: RMB242,881,000) has been approved by Annual General Meeting on 20 May 2013 subsequently paid in July 2013. The net dividends of RMB320,773,000, after deducting dividend of RMB3,068,000 payable to the Share Award Scheme Trust (2012: dividend of RMB2,301,000), is treated as transaction with owners in the consolidated statement of changes in equity for the year ended 31 December 2013 (2012: same).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

Looking back to 2013, the Chinese economy managed to achieve a “soft landing” with a GDP growth of 7.7%. The overall economy remained stable and the economic growth made progress through stability, further eliminating the anticipation of an economic downturn. The Third Plenary Session of the Eighteenth Communist Party of China Central Committee has made plans for comprehensively deepening reforms and clearly stated the intention to facilitate stable and healthy development of the real estate market. Higher development quality should be pursued and development stability should be maintained from now on. In 2013, both the sales area and amount of commodity properties in China reached a record high, contributing significantly to the stable national economic growth and increase in fiscal income of the government. The real estate market of over 600 cities across the nation was generally stable. Investment in real estate development also achieved growth through stability. On the basis of consistent long-term operation principle of “Sound Operations, Strive for Excellence”, the Group better implemented the operation principle of “Enhancing Efficiency, Establishing Brand Name, Team Building” and was able to strengthen its business dynamics and promote growth in results in such a market with intense competition and rapidly increased concentration.

BUSINESS REVIEW

For the year ended 31 December 2013, the Group conducted its business activities in the following major business segments, namely (i) property development, (ii) property investment, (iii) property management services, and (iv) other property development related services. During the year under review, property development remained the key revenue driver of the Group.

Property Development

As at 31 December 2013, the contracted sales of the Group reached approximately RMB9,373.1 million (2012: RMB6,519 million), representing an increase of approximately 43.8% as compared with the corresponding period in 2012. For the year 2013, the contracted sales area of the Company amounted to approximately 988,384 square meters (2012: 843,383 square meters), representing a year-on-year increase of approximately 17% over 2012.

During the year under review, the key contributing projects located in Tianjin, Shanghai, Jinjiang, Xiamen, Luoyang, Jimo, Hechuan and Xinxiang etc..

Set forth below is the distribution of contracted sales during the year under review:

	FY 2013		
Distribution	**Sales area**	**Sales amount**	**Average selling price**
	sq.m.	*RMB'000*	*RMB/sq.m.*
Commercial	330,076	4,293,759	13,008
Residential	658,308	5,079,333	7,716
Total	988,384	9,373,092	9,483

Investment Properties and Property Management Services

To generate a stable and recurring income, the Group also retained and operated certain commercial properties, mainly shopping malls, for leasing. As at 31 December 2013, the Group had an aggregate GFA of approximately 1,790,566 square meters (2012: 1,678,511 square meters) held as investment properties, which increased by approximately 6.7% as compared with the areas in 2012.

Currently, the Group adopts a precise positioning and focusing approach for the malls developed by the Group and typically based on the location and targeted customers to satisfy the needs of various consumers. The projects can be divided into three types, namely, community commercial complex, regional commercial complex and urban commercial complex. Community commercial complex, located at the first- and second-tier satellite cities, is positioned as an ancillary centre for community life and targeting at residents of the community. Regional commercial complex, located at regional commercial circles or new town centre in the second- and third-tier cities, is positioned as a fashionable shopping mall and targeting at young and trendy consumers in the region. Urban commercial complex, located at the core commercial circle in the third- and fourth-tier cities, is positioned as a one-stop centre for living, entertainment and shopping and targeting at people from all walks of life.

During the year under review, Shanghai Caolu Powerlong City Plaza and Jinjiang Powerlong City Plaza in Fujian commenced operation in December and the respective leasing rates exceeded 95%. In particular, Jinjiang project had its first cooperation with international brands to become the Group's most fashionable project targeting at the highest end of the market so far. Customer flow volume of these two projects exceeded 150,000 on their respective opening dates. Shanghai Caolu Powerlong City Plaza is the first community commercial complex of the Group.

During the year under review, the Group achieved the following improvements in terms of commercial operation and property management:

1. Operation was improved steadily. Projects such as Suqian Powerlong City Plaza, Xinxiang Powerlong City Plaza, Luoyang Powerlong City Plaza, Anxi Powerlong City Plaza have become well-known commercial centres in the region.

2. Innovative capability was further enhanced. The Group has created a brand-new commercial model of "community e-commerce" – "Powerlong Plazas Online" (www.ipowerlong.com). "Powerlong Plazas Online" was launched for Fuzhou Powerlong City Plaza and Jinjiang Powerlong City Plaza successively. With the shopping malls held by the Group as its centre, "Powerlong Plazas Online" draws a region with a radius of about six kilometers and an area of more than 100 square kilometers (hereinafter "the coverage area"), which is the target service area of offline malls and online e-commerce platform. "Powerlong Plazas Online" also provides rapid logistics delivery service, by which the fastest home delivery service could be done in 30 minutes within the serviced area. Consumers may enjoy online shopping experience and rapid logistics delivery service. Consumers at the Powerlong City Plaza may also use free WIFI service. The e-commerce platform will focus on catering the preferences and demand

of tens of thousands of consumers within the coverage area by positioning accurately and conducting massive data analysis in order to push a variety of consumption contents available in the shopping malls and provide quality and customized services. The platform is to create an online community and a virtual consumption system. "Powerlong Plazas Online" is the first cross-platform that realized the online-to-offline integration. It opens up physical and electronic commerce as well as a broader space for the future development of business operation.

3. Asset management was optimized gradually. By drawing on international experience, it has built a platform for asset management and realized preservation and appreciation of assets held through asset planning and overseeing leasing processes and operation to enhance commercial operating capability.

4. Property services such as those at sales office and image of security guards were enhanced considerably. It has established a head office for residential properties to raise residential properties to a strategic height. Commercial properties of Tai'an Powerlong were awarded Qualification Certificate for Property Management Enterprise in the PRC (First Class) by the Ministry of Housing and Urban-Rural Development of the PRC.

Hotel Development

The Group continued to develop its hotel business as its long-term recurring income stream. In December 2013, Aloft Yancheng Hotel, under the management of Starwood Asia Pacific Hotels & Resorts, commenced operation. As at 31 December 2013, the Group operated three star-rated hotels and three mid-end hotels, namely, Four Points by Sheraton Qingdao, Four Points by Sheraton Tai'an, Four Points by Sheraton Taicang, Aloft Haiyang, Days Inn Powerlong Qingdao and Aloft Yancheng Hotel.

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for the forthcoming three to five years. The Group positioned Shanghai as a core development region. It is actively seeking opportunities for land acquisition in Jiangsu, Zhejiang, Fujian and Shandong.

As at 31 December 2013, the Group had a quality land bank amounting to a total GFA of approximately 11.0 million square meters, of which approximately 4.1 million square meters were properties under development and construction, approximately 5.4 million square meters were properties held for future development and approximately 1.5 million square meters were malls in operation. The land bank will be used for the development of large-scale commercial and residential properties with supermarkets, department stores, cinema complexes, food courts, leisure facilities, quality residential properties, furnished apartments and hotels.

During the year under review, the Group upheld cautious and stringent standards on land investment decision, and the following prime land parcels were added to the Group's land bank in 2013:

Name of project	**Usage**	**Site area** *'000 sq.m.*	**Total GFA*** *'000 sq.m.*	**Land premium** *RMB million*
Shanghai Qibao Powerlong City Plaza	Commercial and office	84	395	1,791
Shanghai Fengxian Powerlong City Plaza	Commercial	41	180	460
Shanghai Jiading Powerlong City Plaza	Commercial	41	199	271
Huai'an Powerlong City Plaza	Commercial	107	153	216
Hangzhou Binjiang International Center	Commercial	77	414	1,785
Hangzhou Xiaoshan Powerlong City Plaza	Commercial	46	226	421
Hangzhou Fuyang Powerlong City Plaza	Commercial, residential	59	344	450
Yantai Penglai Powerlong Marine Immortal Street	Commercial, residential	164	112	182
Jiaozhou Powerlong City Plaza	Commercial, residential	79	337	139
Jiaozhou Powerlong City	Commercial, residential	128	116	129
Xiamen Powerlong Lakeside Reservoir Project	Commercial	74	419	685
Total		900	2,894	6,530

* Total GFA includes underground car parking spaces

Outlook

The policies regarding real estate in the report of the Third Plenary Session of the Eighteenth Communist Party of China Central Committee were shifted to in-depth issues of the industry. With a series of initiatives to be commenced, the acceleration of formulation or improvement of these systems will be beneficial for stabilizing market expectations and facilitating market development in the long run. In 2014, the Group recognized the operation principle of "Seizing Opportunities, Producing Refined Products, Releasing Dynamics and Realizing Improvement" to further enhance its integrated operation capability, strengthen its core business competitive edge, establish an elite team, continuously improve operation efficiency, and maintain and promote its status in the industry so as to strive for the best and long-term return for its shareholders.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly comprises property sales, rental income from investment properties, income from property management services and other income from property development related services. As at 31 December 2013, the Group recorded a total revenue of RMB7,257 million (2012: RMB5,872 million), representing an increase of approximately 23.6% when compared to 2012. This was mainly attributable to increase in both of area delivered and unit price of sales of properties.

Property Sales

During the year under review, the Group strictly complied with its original completion and delivery schedule for the delivery of the corresponding projects. The revenue from projects sold and delivered for the year ended 31 December 2013 amounted to approximately RMB6,244 million (2012: RMB4,976 million), representing an increase of approximately 25.5% when compared with the corresponding period in 2012.

Set forth below are the details regarding the properties sold and delivered during the year under review:

			FY 2013	
		GFA sold & delivered	**Amount sold & delivered**	**Average selling price**
		sq.m.	*RMB'000*	*RMB/sq.m.*
Suzhou Taicang Powerlong City Plaza	Commercial	5,763	37,794	6,558
	Residential	27,877	188,933	6,777
Tai'an Powerlong City Plaza	Commercial	1,834	17,419	9,498
	Residential	513	7,200	14,022
Bengbu Powerlong City Plaza	Commercial	279	3,056	10,965
	Residential	1,929	401	208
Luoyang Powerlong City Plaza	Commercial	9,258	119,265	12,882
	Residential	115,919	598,039	5,159
Qingdao Chengyang Powerlong City Plaza	Residential	38	231	6,082
Wuxi Powerlong City Plaza	Commercial	1,042	5,996	5,757
Wuxi Yuqi Powerlong Riverside Garden	Commercial	1,149	4,193	3,651
	Residential	11,070	47,585	4,298
Suqian Powerlong City Plaza	Commercial	27,599	140,404	5,087
	Residential	62,777	321,596	5,123
Qingdao Licang Powerlong City Plaza	Commercial	487	4,937	10,144
	Residential	800	4,299	5,370
Yantai Haiyang Powerlong City	Commercial	667	4,729	7,091
	Residential	885	11,871	13,417
Xinxiang Powerlong City Plaza	Commercial	7,083	87,986	12,423
	Residential	47,498	194,225	4,089

		FY 2013		
		GFA sold & delivered	**Amount sold & delivered**	**Average selling price**
		sq.m.	*RMB'000*	*RMB/sq.m.*
Yancheng Powerlong City Plaza	Commercial	867	7,605	8,776
	Residential	298	1,934	6,484
Changzhou Powerlong City Plaza	Commercial	789	12,965	16,437
	Residential	5,969	34,042	5,703
Qingdao Jimo Powerlong City Plaza	Commercial	11,061	131,978	11,932
	Residential	102,054	492,924	4,830
Quanzhou Anxi Powerlong City Plaza	Commercial	6,788	65,965	9,718
	Residential	15,568	73,055	4,693
Chongqing Hechuan Powerlong City Plaza	Commercial	14,802	211,172	14,267
	Residential	126,000	533,069	4,231
Xiamen Powerlong Lakeside Mansions	Commercial	293	11,000	37,536
	Residential	27,312	542,613	19,867
Jinjiang Powerlong City Plaza	Commercial	12,290	262,565	21,365
	Residential	164,979	1,037,151	6,287
Hangzhou Powerlong City Plaza	Commercial	1,248	33,874	27,138
	Residential	26,207	313,839	11,975
Shanghai Caolu Powerlong City Plaza	Commercial	22,785	601,461	26,398
Zhenjiang Powerlong City Plaza	Commercial	6,129	76,493	12,480
Total		869,905	6,243,864	7,178
	Commercial	132,210	1,840,858	13,924
	Residential	737,694	4,403,006	5,969

Rental Income from Investment Properties and Income from Property Management Services

For the year ended 31 December 2013, the Group recorded a rental income from investment properties of approximately RMB349 million (2012: RMB321 million), representing an increase of approximately 8.7% when compared to the amount in 2012.

For the year ended 31 December 2013, the income of property management services fee generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB352 million (2012: RMB187 million), representing an increase of approximately 88.2% as compared to the amount in 2012.

For the year ended 31 December 2013, the rental income and income from property management services amounted to RMB701 million (2012: RMB508 million), representing an increase of approximately 38.0% as compared to the amount in 2012. In addition to the increasing areas of properties held and commercial and residential properties managed by the Group, rental generated from malls operated by the Company increased as the continuous enhancement of quality in commercial operation, thereby attracting a number of new tenants.

Other Property Development Related Services

Other income mainly comprises income from hotel operation, income from department stores retail sales and revenue from amusement businesses, construction and decoration services. For the year ended 31 December 2013, the Group's other income amounted to RMB312 million (2012: RMB388 million), representing a decrease of 19.6% as compared to the amount in 2012. The reason was mainly due to a result of the adjustment of operating model in certain department stores we operated, among which, hotel income amounted to approximately RMB176 million (2012: RMB175 million), representing in increase of 0.6% as compared to the amount in 2012.

Cost of Sales

Cost of sales mainly represents the cost directly generated from the development of the Group's properties. It comprises cost of land use rights, construction costs, decoration costs, capitalized interest expenses and business taxes. Cost of sales for the year ended 31 December 2013 increased by approximately 46.9% to approximately RMB5,202 million (2012: RMB3,540 million) as compared with 2012, which mainly due to the increase in costs arising from the increase in area delivered and change of location of projects delivered.

Gross Profit and Margin

For the year ended 31 December 2013, gross profit slightly decreased to RMB2,055 million (2012: RMB2,332 million) as compared with 2012. Gross profit margin dropped from 39.7% in 2012 to 28.3% in 2013, mainly attributable to an increase in cost of sales of properties delivered during the year.

Fair Value Gains of Investment Properties

For the year ended 31 December 2013, the Group recorded revaluation gains of approximately RMB531 million (2012: RMB1,744 million), representing a decrease of 69.6% over the amount in 2012, primarily due to property values of the commercial plazas of the Group which commenced operations and have gradually become stable and there were only two commercial plazas commenced operations during the year.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2013 amounted to approximately RMB824 million (2012: RMB714 million), representing an increase of approximately 15.4% over 2012, which was mainly attributable to business expansion. However, the Group will still exercise stringent control over all expenses.

Share of Post-tax Profit of a Jointly Controlled Entity

Share of post-tax profit of a jointly controlled entity amounted to RMB108 million, representing a decrease of approximately 19.4% as compared to RMB134 million in 2012. The increase was mainly due to a decrease in fair value gains on investment properties of Tianjin Yujiabao Powerlong International Center.

Income Tax Expenses

Income tax expenses amounted to RMB663 million (2012: RMB1,197 million) for the year ended 31 December 2013, dropped by approximately 44.6% as compared with 2012, primarily due to a decrease in revaluation gains on property and equipment and land use rights transferred to investment properties during the year.

Profit Attributable to Owners of the Company

For the year ended 31 December 2013, the Group recorded a profit attributable to owners of the Company of RMB1,404 million (2012: RMB2,194 million), representing a decrease of 36.0% over 2012.

Basic earnings per share was RMB35 cents (2012: RMB55 cents), representing a decrease of approximately 36.4% over 2012. The decrease in the profit attributable to owners of the Company and basic earnings per share was mainly attributed to a decrease of fair value in investment properties during the current period.

Core profits (excluding the profit attributable to fair value gains on investment properties) for the year ended 31 December 2013 reached approximately RMB1,002 million (2012: RMB968 million), representing an increase of approximately 3.5% as compared with the amount in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issue of senior notes, which were used as working capital and investment in development projects.

The Group's cash and cash equivalents and restricted cash amounted to RMB4,813 million in total as at 31 December 2013 (2012: RMB2,010 million). Cash and cash equivalents and restricted cash over current borrowings rose from 0.6 to 1.1 since 2012.

Borrowings

Total borrowings as at 31 December 2013 was RMB16,430 million. It comprises bank and other borrowings and borrowings under sale and lease back agreement of approximately RMB11,241 million and senior notes of approximately RMB5,189 million.

Out of the total borrowings, RMB4,575 million was repayable within one year, while approximately RMB11,855 million was repayable later than one year.

Two senior notes were issued during the period under review. On 25 January 2013, the Company issued senior notes denominated in US dollar at 98.608% discount in an aggregate amount of USD250,000,000, with a nominal interest rate of 11.25% per annum and maturity date of 25 January 2018. Further, the Company has an option to redeem the senior notes prior to the maturity date in accordance with underlying terms of the senior notes indenture. For further details on the issuance of these senior notes, please refer to the Company's announcement dated 21 January 2013. On 27 May 2013, the Company issued senior notes denominated in RMB in an aggregate amount of RMB800,000,000, with a nominal interest rate of 9.5% per annum and maturity date of 27 May 2016. Further, the Company has an option to redeem the senior notes prior to the maturity date in accordance with underlying terms of the senior notes indenture. For further details on the issuance of these senior notes, please refer to the Company's announcement dated 21 May 2013.

As at 31 December 2013, the Group had net gearing ratio (which is total borrowings less cash and cash equivalents and restricted cash over total equity) of 65.8% (31 December 2012: 54.8%).

Total interest charges for the year amounted to RMB1,396 million, representing an increase of approximately 22.7% as compared to RMB1,138 million in 2012. The increase was mainly due to increase in total loans. The effective interest rate decreased from 10.0% for 2012 to 9.0% for 2013, which was mainly due to the control over finance costs by the management.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements or lease agreements.

Pledge of Assets

As at 31 December 2013, the Group pledged its property and equipment, land use rights, investment properties, properties under construction, completed properties held for sale and restricted cash with carrying amount of RMB23,695 million to secure borrowings of the Group. The total secured borrowings as at 31 December 2013 amounted to RMB11,191 million.

Financial Guarantees

The face value of the financial guarantees issued by the Group is analysed as below:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**4,711,027**	3,723,131

Capital Commitment

(1) Commitments for property development expenditures

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property development activities	**4,471,549**	2,291,304
– Acquisition of land use rights	**3,031,035**	407,211
	7,502,584	2,698,515

(2) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Not later than one year	**11,957**	11,227
Later than one year and not later than two years	**10,719**	11,227
Later than two years and not later than three years	**–**	10,719
	22,676	33,173

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence in the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. The Company's directors (the "Directors") are of the view that the Company has complied with the code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 June 2014 to Monday, 16 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 16 June 2014, all 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 Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Specific confirmation has been obtained from all Directors to confirm compliance with the required standard set out in the Model Code for the year ended 31 December 2013. No incident of non-compliance was noted by the Company to date. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code for the year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2013 with the Company's management and it considered that such results have been prepared in accordance with applicable accounting standards and requirements with that sufficient disclosure.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2013 and up to the date of this announcement, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers as the auditor of the Company.

MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2013, the Group did not have any material acquisition or disposal.

EMPLOYEES AND EMOLUMENT POLICY

For the year ended 31 December 2013, the Group employed a total of 4,783 employees (2012: 5,087 employees). The total staff costs of the Group for the year under review was RMB472.0 million. The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the pay level in the industry. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

PUBLICATION OF THE 2013 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The annual report of the Company for the year ended 31 December 2013 is to be despatched to shareholders of the Company and made available on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.powerlong.com in due course.

By Order of the Board
Powerlong Real Estate Holdings Limited
Hoi Kin Hong
Chairman

Hong Kong, 12 March 2014

As at the date of this announcement, the executive Directors are Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Mr. Xiao Qing Ping and Ms. Shih Sze Ni; the non-executive Directors are Ms. Hoi Wa Fan and Ms. Liu Xiao Lan; and the independent non-executive Directors are Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.