

Stock Code: 000024, 200024

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

Announcement No.: 【CMPD】2014—013

Summary of Annual Report 2013 of China Merchants Property Development Co., Ltd.

1 Important Notice

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

Company Profile

Stock Short Name	China Merchants Property, China Merchants B	Stock Code	000024, 200024
Listed Stock Exchange	Shenzhen Stock Exchange		
Contact Person and Contact Way	Secretary of the Board	Securities Affair Representative	
Name	Liu Ning	Huang Rui	
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2 Main financial data and shareholder change

The Company does not make retroactive adjustment or restatement for the previous year accounting data due to accounting policy alternative, correction of accounting error, etc. (Unit: RMB)

Main accounting data	2013	2012	Year-on-year Change	2011
Operating income (RMB)	32,567,813,857.52	25,296,762,154.46	28.74%	15,111,366,642.00
Net profit attributable to shareholders	4,202,152,074.18	3,318,266,875.59	26.64%	2,591,781,031.00
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	3,923,178,228.65	3,347,473,177.02	17.20%	2,490,234,506.00

Net cash flow from operating activities (RMB)	495,923,554.51	5,098,777,753.73	-90.27%	-2,112,339,698.00
Basic earnings per share	2.45	1.93	26.94%	1.51
Diluted earnings per share	2.45	1.93	26.94%	1.51
Return on equity (%)	16.73%	15.19%	Up by 1.54 percentage points	13.39%
	End of 2013	End of 2012	Year-on-year Change	End of 2011
Total assets (RMB)	134,040,446,989.65	109,197,242,683.06	22.75%	79,666,494,368.00
Net asset value attributable to shareholders of the listed company (RMB)	26,725,501,967.24	23,393,515,534.13	14.24%	20,418,214,797.00

(2) Influence of IAS Adjustment on Net Profit and Net Asset (unaudited) (Unit: RMB)

	Net profit attributable to the shareholders of the listed company		Net assets attributable to the shareholders of the listed company	
	2013	2012	End of 2013	End of 2012
By IAS	4,202,152,074.18	3,318,266,875.59	28,065,331,196.24	24,733,344,762.12
By Chinese Accounting Standard	4,202,152,074.18	3,318,266,875.59	26,725,501,967.24	23,393,515,534.13
Difference between home& abroad	-	-	1,339,829,229.00	1,339,829,229.00
Of which: Adjustment of goodwill	-	-	1,339,829,229.00	1,339,829,229.00
Notes	<p>For the current year, the net profit attributable to the shareholders of listed company is the same under both Chinese Accounting Standard and International Accounting Standard. The main reason of the adjustment on the net asset attributable to shareholders of listed company according to International Accounting Standard was that according to the Chinese Accounting Standard and relative regulations, the differences generated by consolidation of entities under same control shall be adjusted into capital reserves, whereas the goodwill generated by consolidation shall be recorded individually as assets according to the IAS.</p>			

(3) Non-recurring gain and loss items and amount

(Unit: RMB)

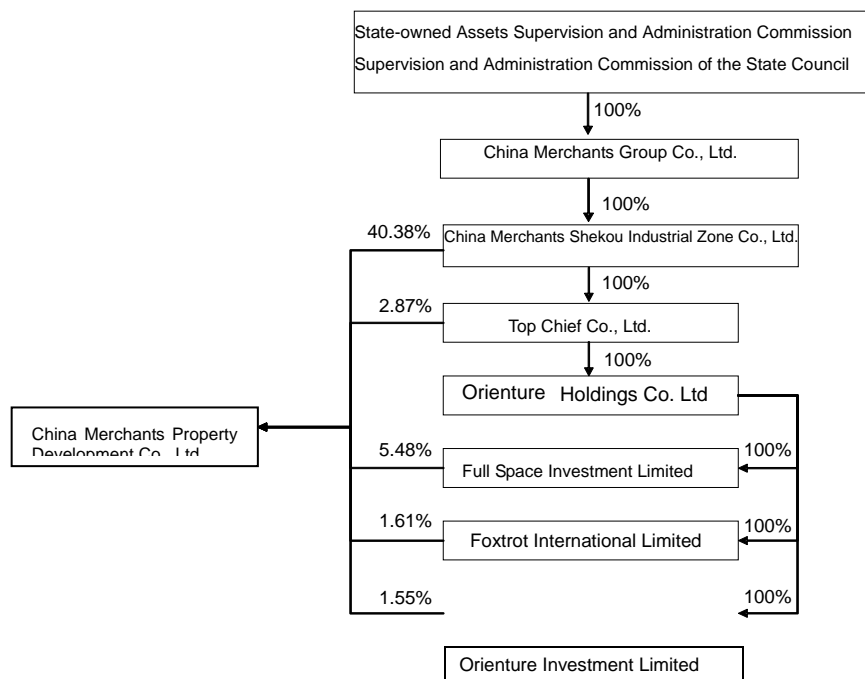
Non-recurring gain and loss items	2013	2012	2011
Gains/losses from the disposal of non-current assets	256,255,563.72	-1,407,797.62	-256,439.00
Government subsidies	33,800,048.66	16,352,111.12	1,876,900.00
Other non-operating income/expenditure net amount	11,630,003.67		
Influences on minority shareholders' gains/losses	-3,883,513.02	-49,804,571.52	100,717,124.00
Impact on income tax	-7,253,985.40	2,766,668.96	-192,214.00
Reversal of any provisions for asset impairment which has been made in prior years	-11,574,272.10	2,887,287.63	-598,846.00
Total	278,973,845.53	-29,206,301.43	101,546,525.00

(4) Shareholding of top 10 shareholders

Total amount of shareholders at the end of the report period	59,052 (including 49,776 A share holders and 9,276 B share holders)		Total amount of shareholders at the fifth trading day before the annual report disclosed	69,317 (including 59,549 A share holders and 9,768 B share holders)				
Shareholding of top 10 shareholders								
Name of shareholder	Class of shareholder	Share proportion (%)	Amount of shares at the end of the report period	Year-on-year Change	Restricted shares	Unrestricted shares	Pledged or freeze shares	
							Share state	Amount
China Merchants Shekou Industrial Zone Co., Ltd.	State-owned legal person	40.38	693,419,317	No	693,419,317	No	No	No
Full Space Investment	Overseas legal person	5.48	94,144,050	No	94,144,050	No	No	No
China Merchants Securities Hong Kong Co., Ltd.	Overseas legal person	2.90	49,887,284	152,378	49,242,245	645,039	No	No
FOXTROT INTERNATIONAL LIMITED	Overseas legal person	1.61	27,720,000	No	27,720,000	No	No	No
ORIENTURE INVESTMENT LTD	Overseas legal person	1.55	26,603,145	No	26,603,145	No	No	No
Full Goal Tianbo Innovative Theme Equity Securities Investment Fund	Domestic state-owned legal person	1.05	18,000,000	7,988,882	No	18,000,000	No	No
GF Small-capitalization Growth Equity Securities Investment Fund	Domestic state-owned legal person	0.82	14,152,047	3,152,047	No	14,152,047	No	No

New China Life Insurance Co.,Ltd	Domestic none state-owned legal person	0.81	13,865,592	13,865,592	No	13,865,592	No	No
GOLDEN CHINA MASTER FUND	Overseas institution	0.75	12,873,191	386,431	No	12,873,191	No	No
GF Wealth Gathering Open Securities Investment Fund	Domestic none state-owned legal person	0.70	12,000,000	12,000,000	无	12,000,000	无	无
Top 10 holders of unrestricted shares								
Name of shareholder		Unrestricted shares at the end of year			Class of Share			
Full Goal Tianbo Innovative Theme Equity Securities Investment Fund		18,000,000			A share			
GF Small-capitalization Growth Equity Securities Investment Fund		14,152,047			A share			
New China Life Insurance Co., Ltd.		13,865,592			A share			
GOLDEN CHINA MASTER FUND		12,873,191			B share			
GF Wealth Gathering Open Securities Investment Fund		12,000,000			A share			
Norges Bank		11,394,794			A share			
National Social Insurance Fund 118 Combination		9,943,818			A share			
BOCI SECURITIES LIMITED		9,756,100			B share			
Yinhua ShenZheng 100 Index Rating Securities Investment Fund		8,745,733			A share			
VALUE PARTNERS CLASSIC FUND		7,557,460			B share			
Shekou Industrial Zone and its subsidiary companies Full Space Investment, Top Chief International, FOXTROT INTERNATIONAL LIMITED and ORIENTURE INVESTMENT LTD are persons acting in concert. In the Company shares held by China Merchants Securities Hong Kong Co., Ltd., 49,242,245 shares were bought in by Top Chief in the previous year through entrustment. GF Small-capitalization Growth Equity Securities Investment Fund and GF Wealth Gathering Open Securities Investment Fund belong to the same fund management company.								

(3) The following chart shows the equity and the control relationship between the Company and the Actual Controller at the end of report period:



3 Managerial discussion and analysis

Overview

(A) Market Review

In 2013, the global economy gradually got rid of the haze of financial crisis and took a turn for the better while maintaining stability. After 30 years of rapid growth that reform and opening up has brought about, China's economy entered a period of stable development. While preventing economic downside risks, the central government put more emphasis on promoting economic structural adjustment and improving the quality and efficiency of economic development to seek balance in "steady growth, structural adjustment and reform promotion".

In 2013, China's real estate market generally saw a steady and positive development, with key indicators picking up. National real estate sales area reached 1305.51 million square meters, and sales reached 8142.8 billion Yuan, a record high, up 17.3% and 26.3% respectively. Along with the trend of sales recovery, there came a strong rebound in newly started construction area throughout the year, an increase in land acquisition area and gradual rise in land cost. With changes in the market spawning a transformation of the industry, real estate companies have started looking for a new growth engine under the new industry background.

(B) The Company's strategic objectives

During the reporting period, the Company further defined the "new-period strategic objectives to create a competitive advantage in the process of urbanization and form a unique business operating model and core competence" on the basis of realizing the strategic target "100 billion revenue and 10 billion profit" in the next five years, and strived to become a sustainable real estate company which devotes itself into "As a century developer, Home is where the heart is". Accordingly, the Company's principal business segments revised and adjusted their strategic missions.

Overseas listing platform - China Merchants Land, the subsidiary company which is listing in Hong Kong, will pursue residential development and turnover acceleration as key strategies in the short term, in order to consolidate the scale basis. It will give full play to its function as financing platform to provide strong support for the development of the Company.

Commercial real estate operating platform - China Merchants Commercial Property will actively promote commercial real estate to go together with residential business expansion and quality improvement. It will enhance operating efficiency of commercial assets, innovate business models and create commercial real estate management brand to cultivate new profit growth points when the Company's scale of development is tending towards stability.

Intelligent services platform - China Merchants Property will complete transformation from traditional property service model into community life service model. Through the "intelligent community" construction, it will realize community financial services, community asset management and specialized operation of services for community life, therefore, to shape the Company's new business model.

Under the guiding ideology of being driven by twin engines onshore and offshore, developing residential and commercial real estate simultaneously and achieving joint development of real estate and finance, China Merchants Property Development will pursue quality, balanced and risk-controlled growth by improving resources access, building customer base and other strategic capabilities and strengthening "green technology, red service" and other creative abilities.

(C) Implementation of the Company's strategies during the reporting period

During the reporting period, the Company via reverse takeovers injected 11 real estate projects located in Guangzhou, Foshan, Chongqing and Nanjing into the overseas listing platform, completing its transformation into a listed real estate company and renamed as China Merchants Land. Soon after that, China Merchants Land started and successfully completed the issuance of \$500 million five-year credit enhanced bonds, with a coupon rate of only 4.021%.

China Merchants Commercial Property's operation became increasingly materialized and its development model increasingly clear. During the reporting period, the traditional leasing business grew steadily; hotel management companies were formally established, with Beijing Conrad, Zhangzhou Maillen Health Resort and Shenzhen Shekou Hilton Nanhai Hotel successively put into operation; it is worth mentioning that the highly anticipated Shenzhen Shekou Sea World city complex, which integrated business office, entertainment, dining and shopping, hotel, resort, inhabitancy, culture and art in to one and became a model for urban renewal of Shenzhen, was opened in December and ushered in a super large flow of people at the beginning of the trial operation, successfully establishing the Company's commercial brand of new coastal city.

China Merchants Property Service broke through the traditional property service model under the guidance of Internet thinking and introduced digital, integrated and intelligent service application - "cmpmc.com" to create a modern property service model featuring online and offline "digital life & digital service", and achieved friendly information interaction with customers by telephone, computer, mobile APPs and other terminals. In the pilot operation currently conducted in Shenzhen's 12 housing estates, cmpmc.com integrated more than 60 well-known institutions such as China Merchants Bank and Suning to provide community service and explore innovation of community O2O life service model.

Adhering to diversified financing and safe and sound financial management is the advantage of the Company's capital management. Remaining highly sensitive to the capital market, the Company had quickly started A-share asset restructuring soon after signals of policy loosening occurred, so as to buy quality assets of major shareholders through the issuance of shares and further optimize the capital structure of the Company. Benefiting from forward-looking arrangement and management of capital, as well as series of capital operation by China Merchants Land, the Company's annual synthetic capital cost recorded 5.23%, down 0.76 percentage points.

The Company controlled costs through various means. In addition to increasing the Group's strategic sourcing proportion and enhancing the application of quota design, the Company focused on carrying out the landing and promotion of standardized products, and improved standardized coverage with the requirement of "standard first with rigid implementation". With the application of "I-Love" (practical residence for first home purchase and first home change) standardization at Suzhou Yishan Jun as an example, the project achieved sales in the seven months after obtaining the land, with an opening sales rate of nearly 70%. Standardized application not only accelerated the project's turnover speed, but also is an important measure to effectively control costs. In 2013, the Company's average construction and installation cost dropped by nearly 100 Yuan year on year.

The Company successfully held the Tenth International Green Habitat Forum with the theme of "Green Habitat • Eco Urbanism", which deepened the industry's thinking and exploration on the development of new green urbanism with Shenzhen Shekou's 30 years of comprehensive development experience as a starting point. To enhance green technology research and development capabilities, the Company established Green R&D and Application Center. In 2013, Shenzhen Shekou's Eco Innovation Park, the place where the Company's headquarters is located, won "National Green Building Innovation First Prize" and "Green Building Three-Star", the China's highest award in green building, and became one of the masterpieces of green buildings nationwide. In the future, the Company will build all the residential products to meet China's green building standard requirements.

During the reporting period, the Company comprehensively upgraded the brand system, and spared no effort to enhance the Company's popularity and reputation through brand standardization output, brand promotion platform and brand activities, etc. The Company's official website, micro-blog and micro-letter have become important platforms to display the Company's brand and corporate culture.

The Company's management achievements gained wide recognition during the reporting period. Named as the 2013 top 20 Chinese real estate development companies, the 2013 top 10 Chinese real estate development companies with best business performance, and the 2013 top 10 Chinese real estate development companies with best comprehensive development, respectively by China Real Estate Research Association, China Real Estate Association and China Real Estate Assessment Center; named as the "2013 top 10 Shanghai and Shenzhen listed real estate companies with best comprehensive strength" for ten consecutive years by the Enterprise Research Institute under the Development Research Center of the State Council, Real Estate Institute of Tsinghua University and China Index Research Institute, and named as the "2013 top 10 Shanghai and Shenzhen listed real estate companies with best

ability to create wealth" and the "2013 top 10 Shanghai and Shenzhen listed real estate companies with best investment value"; Granted the title of the "Chinese blue-chip real estate enterprise" for nine consecutive years by Economic Observer and Sina LEJU granted "China Corporate Citizen Award" by 21st Century Business Herald, and the "2013 China Best Practice Case Award for Happy Community" by 21st Century Business Herald and 21st Century GNH Research Center.

Prospect of the future development of the Company

(A) Industry trends and competitive landscape

The year of 2014 will be a year full of variables, with slow recovery of the world economy and continued weak cycle of domestic economy; and the first year to comprehensively deepen reform, with seeking progress in stability, reform and innovation as the focus of economic work. For the real estate market, the new government has stressed the need to bring into play the regulatory role of the market and combine "market allocation" and "government guarantee" to meet the housing needs of different classes, properly address supply and demand balance. By means of control of regional classification and two-way control on supply and demand, the housing prices will return to a reasonable level, eventually to achieve the healthy development of both real estate market and social economy. Under the background that policy factors are becoming clear, real housing demand remains strong, urbanization has not peaked and new diversified demands for real estate are emerging in an endless stream, the Company believes that the long-term prospects for the real estate industry are still worth the wait.

Differentiation will become a keyword for the industry's development in 2014. Regulatory policies will be implemented according to local conditions; speculators will be gradually reduced, and rigid demand customers will be segmented; scarcity of land in first-tier cities will result in highlighting of location value, and imbalanced demands in second and third-tier cities will result in risks of oversupply in some places; and the widening echelon gap among real estate enterprises will intensify the competitive landscape. To cope with industry risks, brand real estate enterprises have embarked on transformation, explored new models and sought new positioning. Mobile Internet, Internet of Things, big data and other new economic elements will break the traditional routine of real estate operation, and reshape the development model of the real estate industry.

Facing the competitive landscape of pacesetters coming in from the front and pursuers behind, the Company has a strong sense of crisis, but more pressure and motivation to seek progress and change. The Company will adhere to the basic strategy of long-term sustainable development, shape and deepen unique business model to create value for our shareholders.

(B) Business plan

With "people-oriented, customer first, execution focused and bold innovation" as the core, in 2014 the Company will have a clear understanding of industry development and thoroughly implement the long-term strategic objectives, to achieve sustained steady growth. The Company will expand operating management focused on customer needs in order to transform into a customer-centric enterprise. The Company will comprehensively strengthen the team's executive ability, and break the bottleneck for growth through innovative practice in full service.

Under the guidance of the ideas mentioned above, the Company has sorted out and adjusted product structure and regional distribution, etc., reasonably judged supply and demand in the cities where the projects are located, and developed a cash flow management-based dynamic business plan by combining with the adequate estimation on the Company's operating management ability. Such plan includes positive arrangement in a good market situation and defense strategy when big industry risks appear, in order to seek a possible opportunity for progress under the premise of steadiness. The Company plans annual contracted sales of real estate to exceed 50 billion Yuan, newly started construction area this year to reach 5.48 million square meters, floor space of building completed to reach 2.94 million square meters and area under construction at the end of the year to reach 9.90 million square meters.

(C) Possible risks

Record high volume and price of the real estate market after a rebound in 2013 have increased downside risks; fierce competition in land market has caused land prices to remain high; huge amounts of inventory in some cities may result in risk of oversupply. In addition, since the Federal Reserve Board announced its withdrawal from the quantitative easing policy, the market has been faced with the challenge from tight liquidity, so interest rates will remain high or continue upward; in such business environment, real estate enterprises will face increasing pressure

from funds, costs, sales and other aspects.

(D) Coping strategies and priorities of the Company

While China's economy has started entering the period of transformation development, and the real estate market faces new chance and challenge, the Company must always keep a clear mind, as well as prospective judgement and decision. In terms of management system and operational mechanism, the Company will look for further optimization; achieve a balance between development acceleration and risk control; and probe deeply into the business model innovation and intelligence application.

Although the industry has experienced a period of differentiation and adjustment, there still exists different market opportunities for different regions and different product portfolios. The Company will develop a series of positive coping strategies, to further explore and capture such opportunities.

In 2014, the Company's focus of resource expansion will shift to deep cultivation in the cities which have been entered, and push on with exploration and innovation of new business area. The Company will intensively study the possible opportunities in each city under the background of differentiation, and adopt appropriate development strategies based on the characteristics of different cities, such as focusing on seeking transformation development in the first-tier cities which has fierce competition but good prospect; conducting modest cultivation and development in the second-tier cities with large population base, strong industrial base and high development potential; and studying to explore potential areas in third and fourth-tier cities, to wait for an opportunity to expand its land bank. China Merchants Land will continue to increase market share in Guangzhou, Foshan, Nanjing and Chongqing, keep a watchful eye on "Rising Star" cities, and actively makes the attempt in overseas business, to explore new markets of the real estate business in the international market in which China Merchants Group's businesses are involved.

The Company will give full play to the financing platform advantages of A shares and H share - China Merchants Land and adhere to the financing strategy of developing both capital market and currency market to build a comprehensive financing system. It will on the one hand maintain the financing cost advantage, optimize capital structure and reasonably adjust the scale of debt financing; and on the other hand deepen cooperation with domestic and foreign banks, insurance and other financial institutions, actively research and innovate financial products. The Company will also explore a new path to integration of industry and finance, and strive to achieve greater breakthroughs.

Under the premise of full and comprehensive product line, the Company will further adjust product structure and increase the supply of medium and small-sized products. Under the effective support of product standardization, it will comprehensively promote the application of rigid-demand series product "I-Love" and the improved type "I-Hope" standardized products, and increase the number of projects with standardized decoration, and require the application rate of standardized products in the first phase of all the major projects and the newly acquired "short, adaptable and fast" residential projects to reach more than 80%. In addition, the Company will continue to enhance execution of strategic procurement, improve the strategic procurement rate, strengthen cost ceiling management and expand cost competitive advantage.

China Merchants Commercial Property continues to consolidate the operating management of Sea World and enhance its brand influence, as well as expand investment in China's coastal cities as opportunities arise and realize possible replication; and seek opportunities to cooperate with relative parties to develop influential industrial towns based on the 30 years of operation and management experience in industrial parks; will enhance the research on health-care real estate, and actively put such research into practice to yield positive results; and will improve the operating management abilities of Hotel Management Company, comprehensively establish Commercial Operation Management Company, and shape quality commercial management brand.

China Merchants Property Service will rely on China Merchants Group's advantages of resources such as real estate, finance, logistics, hotel and park service, build community "intelligence service integration platform" together with social well-known institutions and expand the scope of application, realize specialized operation of comprehensive community services, and further enhance the commercial value of property service in the real estate development chain.

With "promoting value realization of employees and enhancing organization effect" as the main direction for the Company to implement "people-oriented", in 2014 the Company will vigorously promote humanistic care and employee capacity building, strengthen performance evaluation, stimulate value creation and build a "Wolf" team. It will strengthen quality talent supply by strengthening talent planning and inventory and improving internal talent market operation; will improve organization and employee competence by establishing China Merchants Property Development Training Institute and promoting the "wolf plan" and other training programs; will enhance organization viability and effectiveness by establishing accountability mechanism, promoting individual performance management and improving the incentive system of emphatic coverage, long-term and short-term combination and complementation; and will enhance employee dedication by enriching non-monetary incentive measures, carrying out care activities for employees and creating a "simple, sunshine and efficient" organizational climate.

In 2014, which is the 30th anniversary of the establishment of China Merchants Property Development, the Company will use this as the theme, steadily promote the implementation of China Merchants Property Development's brand strategy that carries forward the century-old culture of China Merchants Group, and comprehensively upgrade the brand value system. The Company will inject fresh vitality through measures such as diversified brand promotion, brand innovation and maintenance, to raise the overall value of the Company.

4. Events related to Financial Report

(1) Explanations on the changes of the accounting policy, accounting estimation and calculation method compared to the financial report of the last year

In this year, with the approval of the third Temporary Board Meeting in 2013 of the 7th Board of Directors of the Company, and with the approval of the resolution of the 8th Meeting of the 7th Supervisory Committee of the Company, the Company changed the accounting estimation on the bad debt provision of the receivables.

The Board of Directors of the Company thinks that the changes of the accounting estimation comply with the provisions of the related laws and regulations and the demand of the actual condition of the Company. And the changes of the accounting estimation make the calculated method of bad debt provision of the receivables more reasonable, manifesting the prudence principle, and more objectively reflecting the actual condition of the receivables of the Company.

The changes of the calculated method of bad debt provision of the receivables are implemented since June 30, 2013, which causes the bad debt provision of the reporting period increasing about RMB 4.02 million than before.

(2) Explanations on the major accounting error corrections which need tracing back and restatement arising in the report period

None

(3) Explanations on the changes of the scope of the consolidated statement compared to the financial report of the last year

During this year, 34 companies were newly brought into the scope of the consolidated statement, 20 of which are property development companies, and the remaining 14 are newly established oversea investment companies.

Shenzhen China Merchants Overseas Chinese Investment Co., Ltd. and China Merchants Property Development (Zhenjiang) Co., Ltd are no longer brought into the scope of the consolidated statement during current year.

For the details of the changes of the scope of the consolidated statement, please see the financial report part V (II).

(4) Explanations on the 'nonstandard auditing report' of the certified accountant in the report period by the Board of Directors and the Board of Supervisors

None