眾安房產有限公司*

ZHONG AN REAL ESTATE LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2007	2006	Percentage of increase/ (decrease)
Sales (RMB million)	**330.0**	672.7	(50.9)
Profit attributable to equity holders of the Company (RMB million)	**391.3**	82.0	377.2
Basic earnings per share (RMB)	**0.26**	0.06	333.3

The board of directors (the "Directors") of Zhong An Real Estate Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 together with the comparative figures for the previous year. The annual results have been reviewed by the audit committee of the Company:

		Audited for the year ended 31 December	
		2007	2006
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**330,043**	672,733
Cost of sales		**(165,701)**	(401,536)
Gross profit		**164,342**	271,197
Other income	*5*	**60,661**	2,676
Selling and distribution costs		**(26,309)**	(18,894)
Administrative expenses		**(77,709)**	(36,504)
Other expenses		**(4,469)**	(5,259)
Increase in fair value of investment properties		**405,776**	32,974
Finance costs	*6*	**(37,224)**	(43,114)
Profit before tax	*7*	**485,068**	203,076
Income tax	*8*	**(51,596)**	(112,501)
Profit for the year		**433,472**	90,575
Attributable to:			
Equity holders of the Company		**391,306**	81,966
Minority interests		**42,166**	8,609
		433,472	90,575
Earnings per share attributable to ordinary equity holders of the Company (RMB)	*9*		
Basic		**0.26**	0.06
Dividends	*10*	**–**	–

	Notes	**Audited 31 December 2007** *RMB'000*	Audited 31December 2006 *RMB'000*
Non-current assets			
Property and equipment		**37,151**	21,037
Investment properties		**958,913**	149,900
Properties under development		**997,961**	1,175,003
Goodwill		**63,928**	63,928
Deferred tax assets		**21,738**	9,025
		2,079,691	1,418,893
Current assets			
Completed properties held for sale		**212,820**	303,745
Properties under development		**1,433,404**	–
Prepayments, deposits and other receivables		**920,746**	288,612
Pledged deposits		**196**	38,000
Cash and cash equivalents		**3,038,517**	130,073
		5,605,683	760,430
Total assets		**7,685,374**	2,179,323
Equity			
Equity attributable to equity holders of the Company			
Issued capital		**190,808**	–
Reserves		**3,663,485**	201,427
		3,854,293	201,427
Minority interests		**81,681**	46,155
Total equity		**3,935,974**	247,582
Non-current liabilities			
Interest-bearing bank and other borrowings		**854,716**	385,500
Deferred tax liabilities		**71,864**	57,927
		926,580	443,427
Current liabilities			
Trade payables	*11*	**406,155**	330,211
Bills payable		**196**	–
Other payables and accruals		**283,268**	66,194
Advances from customers		**1,301,721**	677,686
Interest-bearing bank and other borrowings		**438,197**	297,780
Tax payable		**393,283**	116,443
		2,822,820	1,488,314
Total liabilities		**3,749,400**	1,931,741
Total equity and liabilities		**7,685,374**	2,179,323
Net current assets/(liabilities)		**2,782,863**	(727,884)
Total assets less current liabilities		**4,862,554**	691,009

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND REORGANISATION

Zhong An Real Estate Limited (the "Company") is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 under the Companies Law (revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

In preparation for the listing of the Company on the Main Board of the Hong Kong Stock Exchange, the Company and its subsidiaries (the "Group") underwent a reorganisation (the "Reorganisation"), as a result of which the Company became a holding company of the subsidiaries comprising the Group.

– Prior to the commencement of the Reorganisation, Mr. Shi Kancheng (alias Shi Zhongan) ("Mr. Shi") directly held a 90% equity interest of Zhejiang Zhong'an Property Development Co., Ltd. ("Zhejiang Zhong'an") and Anhui Zhong'an Real Estate Co., Ltd. ("Anhui Zhong'an"), companies established in the People's Republic of China (the "PRC"). In addition, Mr. Shi wholly owned two overseas entities, namely, Ideal World Investments Limited ("Ideal World") and Zhong'an (Canada) Ltd. ("Canada Zhong'an").

– On 23 June 2006, pursuant to an agreement entered into between Mr. Shi and Qirui Enterprise Management (Hangzhou) Co., Ltd. ("Qirui"), a wholly-owned subsidiary of Ideal World, Mr. Shi transferred his 90% equity interest in Zhejiang Zhong'an to Qirui. As a result, Ideal World held a 90% equity interest of Zhejiang Zhong'an, and hence indirectly owned Zhejiang Zhong'an's subsidiaries.

– On 15 August 2006, Zhejiang Zhong'an acquired from Mr. Shi his 58.4% equity interest in Anhui Zhong'an. Thereafter, Anhui Zhong'an became a subsidiary of Zhejiang Zhong'an.

– On 12 March 2007, Ideal World acquired a 95% equity interest in Anhui Zhong'an Real Estate Development Co., Ltd. ("Anhui Zhong'an Property Development") from Canada Zhong'an. Afterwards, Ideal World became the immediate holding company of all other subsidiaries in the Group.

– Mr. Shi transferred 1,000,000 nil-paid shares of the Company to Whole Good Management Limited ("Whole Good"), an investment company wholly owned by Mr. Shi, at nil consideration on 17 October 2007.

– On 17 October 2007, the Company acquired the entire issued share capital of Ideal World from Mr. Shi in consideration of the allotment and issue of 1,000,000 new shares of HK$0.10 each of the Company, credited as fully paid, to Whole Good, and crediting as fully paid the existing 1,000,000 nil-paid shares held by Whole Good. Following this transfer, the Company became the ultimate holding company of the Group.

The Group is principally engaged in property development, leasing and hotel management. The Group's property development projects during the year are all located in Zhejiang and Anhui provinces, the People's Republic of China (the "PRC"). There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007. Whole Good Management Limited is wholly owned by Mr. Shi, Chairman and Chief Executive Officer of the Company.

2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a continuing basis as if the Reorganisation had been completed as at the beginning of the financial years presented. The acquisition of Ideal World and other subsidiaries pursuant to the Reorganisation were regarded as a business combination under common control, because the Company, Ideal World and other subsidiaries are ultimately controlled by the same party, Mr. Shi before and after the Reorganisation. The combined income statements, balance sheets, cash flow statements and statements of changes in equity of the companies now comprising the Group have been prepared as if the Reorganisation had been completed as at the beginning of the financial years presented, or from the respective dates of establishment/incorporation of the companies (where this is a shorter period), to the extent of interests held by the Company's shareholders.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which include standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards and Standing Interpretations Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Comparative amounts have not been presented for the Company's balance sheet and the notes thereto because the Company was not in existence on 31 December 2006.

Except as described in note 2 above, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Except as described in note 2 above, the acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Impact of new and revised International Financial Reporting Standards

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

- IFRS 7 — Financial Instruments: Disclosures
- IAS 1 — Amendment-Presentation of Financial Statements
- IFRIC 8 — Scope of IFRS 2
- IFRIC 9 — Reassessment of Embedded Derivatives
- IFRIC 10 — Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised IFRSs are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 34 to the consolidated financial statements.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued equity instruments to its employees, the interpretation has had no effect on these financial statements.

IFRIC 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation has had no impact on the financial position or performance of the Group.

Impact of issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs and IFRIC Interpretations, that have been issued but are not yet effective, in these financial statements.

• IAS 23 (revised)	Borrowing Costs[1]
• IFRS 8	Operating Segments [1]
• IFRS 2	Share-based Payments–Vesting Conditions and Cancellations[1]
• IFRS 3R	Business Combinations and IAS 27R Consolidated and Separate Financial Statements[5]
• IAS 1	Revised Presentation of Financial Statements[1]
• Amendments to IAS 32 and IAS 1	Puttable Financial Instruments[1]
• IFRIC 11	IFRS 2-Group and Treasury Share Transactions[2]
• IFRIC 12	Service Concession Arrangements[4]
• IFRIC 13	Customer Loyalty Programmes[3]
• IFRIC 14	IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2009

IAS 23(revised) Borrowing Costs

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group currently capitalises the borrowing costs which are directly attributable to the construction of the Group's projects, the revised standard is unlikely to have any financial impact on the Group.

IFRS 8 Operating Segments

IFRS 8, which will replace IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt IFRS 8 from 1 January 2009, should its adoption is applicable to the Group.

IFRIC 11 IFRS 2-Group and Treasury Share Transactions

IFRIC 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

IFRIC 12 Service Concession Arrangements

IFRIC 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. IFRIC 12 also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 addresses how to assess the limit under IAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, IFRIC 13 and IFRIC 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

IFRS 2 Share-based Payments–Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements.

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 1 Revised Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 may result in new or amended disclosures, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

The Group's turnover and profit for the financial year ended 31 December 2007 were mainly derived from the property development business. The principal assets employed by the Group and the Group's property development projects are both located in Mainland China. Accordingly, no analysis by business and geographical segments is presented.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents income from the sale of properties, leasing, management fee income and hotel operation income during the year, net of business tax and other sales related taxes and discounts allowed.

An analysis of revenue and other income is as follows:

	2007 *RMB'000*	2006 *RMB'000*
Revenue		
Sale of properties	**318,662**	704,141
Leasing income	**11,002**	5,186
Management fee income	**4,077**	3,213
Revenue from hotel operations	**14,502**	–
Less: Business tax and surcharges	**(18,200)**	(39,807)
	330,043	672,733
Other income		
Interest income	**27,262**	2,595
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition	**19,689**	–
Dividend income from short-term investments	**6,481**	–
Government grants	**3,794**	–
Gain on foreign exchange differences	**3,080**	–
Gain on disposal of items of property and equipment	**62**	–
Others	**293**	81
	60,661	2,676

6. FINANCE COSTS

	2007 *RMB'000*	2006 *RMB'000*
Interest on bank loans	**72,869**	38,067
Interest on other loans	**21,661**	37,978
Total interest	**94,530**	76,045
Less: Interest capitalised in properties under development *	**(57,306)**	(32,931)
	37,224	43,114
* Average interest rate of borrowing costs capitalised	**7.33%**	6.02%

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007	2006
	RMB'000	*RMB'000*
Cost of properties sold	**165,701**	401,536
Depreciation	**5,627**	3,404
Amortisation of land use rights	**2,087**	2,087
Minimum lease payments under operating leases		
– Office premises	**3,094**	233
Auditors' remuneration	**1,972**	207
Staff costs including		
Directors' remuneration:		
– Salaries and other staff costs	**21,332**	13,508
– Retirement benefits scheme contributions	**1,330**	726
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**1,032**	1,025
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition arising from acquisition of a subsidiary	**(19,689)**	–
Gain on disposal of a subsidiary	**(4)**	–
Changes in fair value of investment properties	**(405,776)**	(32,974)

8. INCOME TAX

Provision for the PRC income tax has been provided at the applicable income tax rate of 33% on the assessable profits of the Group's subsidiaries in Mainland China except for Anhui Zhong'an Real Estate Development Co., Ltd.

Pursuant to the approval of the local tax bureau, a subsidiary of the Company, Anhui Zhong'an Real Estate Development Co., Ltd., enjoys a preferential rate of 30%. All other subsidiaries located in Mainland China are subject to income tax at the rate of 33%.

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at 31 December 2007 that are expected to be utilised in year 2008 and onwards have been provided at an enacted corporate tax rate of 25%.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the financial year.

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

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	2007	2006
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax for the year	**29,434**	58,571
PRC land appreciation tax for the year	**36,198**	48,806
Deferred tax:		
Relating to origination and reversal of temporary differences	**(14,036)**	5,124
Total tax charge for the year	**51,596**	112,501

9. EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of RMB391,306,000 (2006: RMB81,966,000) and the weighted average ordinary shares of 1,528,408,000 (2006: 1,457,000,000) in issue during the year.

The Company's weighted average number of 1,457,000,000 ordinary shares in issue used in the basic earnings per share calculation for the year ended 31 December 2006 is determined on the assumption that these ordinary shares had been issued throughout the year, comprising:

(i) the one and 999,999 shares of the Company allotted and issued at nil paid upon incorporation on 13 March 2007;

(ii) the 1,000,000 shares issued as consideration for the acquisition of a subsidiary on 17 October 2007; and

(iii) the 1,455,000,000 shares allotted and issued on 17 October 2007 in connection with the Company's initial public offering.

Based on this assumption, the weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2007 is adjusted to add the 543,000,000 ordinary shares issued upon the listing of the Company's shares on the Stock Exchange on 13 November 2007.

Diluted earnings per share amounts have not been presented as there were no diluting events during the financial years.

10. DIVIDENDS

No dividends have been paid or declared by the Company and its subsidiaries during the financial year (2006: Nil).

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the balance sheet date, based on the payment due date, is as follows:

	2007	2006
	RMB'000	*RMB'000*
Within six months	**394,101**	263,518
Over six months but within one year	**7,170**	19,466
Over one year	**4,884**	47,227
	406,155	330,211

The above balances are unsecured and interest-free. The fair values of the trade payables at the end of the financial years approximated to their corresponding carrying amounts.

12. COMMITMENTS

The Group had the following commitments for property development expenditure at the balance sheet date:

	2007	2006
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**437,493**	418,978

13. OPERATING LEASE COMMITMENTS

As lessor

The Group leases out its investment properties and certain completed properties for sale under operating lease arrangements, on terms ranging from one to fifteen years and with an option for renewal after that date, at which time all terms will be renegotiated.

At the balance sheet dates, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2007	2006
	RMB'000	*RMB'000*
Within one year	**32,854**	6,349
In the second to fifth years, inclusive	**113,230**	17,842
After five years	**29,843**	6,487
	175,927	30,678

As lessee

The Group leases certain of its office premises under operating lease arrangements, negotiated for terms of five years with an option for renewal after that date, at which time all terms will be renegotiated.

At the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007	2006
	RMB'000	*RMB'000*
Within one year	**2,396**	125
In the second to fifth years, inclusive	**4,399**	156
	6,795	281

14. CONTINGENT LIABILITIES

	2007	2006
	RMB'000	*RMB'000*
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**523,015**	281,404

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the financial years in respect of the guarantee provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

15. POST BALANCE SHEET EVENT

Pursuant to the Board's resolution and the sale and purchase agreement (the "SPA") dated 15 January 2008, Hangzhou Danube Real Estate Co., Ltd. ("Hangzhou Danube"), a subsidiary of the Company, the Group acquired the entire equity interest of Hangzhou Zheng Jiang Real Estate Development Co., Ltd. ("Hangzhou Zheng Jiang") from a third party, Shanghai Ren Hao Gong Yi Pin Co., Ltd., at a consideration of RMB370,360,000, satisfied by cash. Thereafter, Hangzhou Zheng Jiang became the subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The audited consolidated revenue of the Group was RMB330,043,000 in 2007, a decrease of 50.9% from that in 2006. The audited profit attributable to equity holders of the Company was RMB391,306,000 in 2007, an increase of 377.4% from that in 2006, which was also 13.8% more than the forecasted profit as set out in the prospectus of the Company. The audited earnings per share was RMB0.26 in 2007, an increase of 333.3% from 2006.

BUSINESS REVIEW

Sales and earnings

The area of property sold and delivered by the Group in 2007 was 102,897 sq. m. (2006: 215,417 sq. m), a decrease of 52.2%. The reason for the decrease was as stated in the prospectus of the Company, the Group has held the completed portion of the shopping centre of Highlong Plaza (a total of 47,076 square meter) for long term investment purpose, so as to facilitate the target of enhancing the source of profit of the Group. In addition, the sales income in 2007 was mainly derived from the sales of remaining units from Landscape Garden Phase 2 and Vancouver City, Phase 2 – South Section at Huaibei, Anhui Province that were completed in December 2006 as well as the remaining units of other projects, whilst the projects completed in 2006 also included Guotai Garden and Yipeng Building Material Market, apart from the two projects above.

The average sales price per sq. m achieved by the Group in 2007 was RMB3,097 a decrease of 5.3% from the average sales price per sq. m of RMB3,269 in 2006. The reason was that, for the sales revenue in 2007, the sales revenue attributable to Vancouver City, Phase 1 and Phase 2 – South Section to total sales revenue represented a relatively higher proportion. However, the property price of Vancouver City at Huaibei, Anhui Province was lower than the projects in Hangzhou.

The total sales area for major property projects of the Group in 2007 and the average sales price per sq. m. were as follows:

	Sales area in 2007	**Sales revenue in 2007**	**Average sales price per sq. m. in 2007**	**Average sales price per sq. m. in 2006**
	sq. m.	*RMB million*	*RMB*	*RMB*
Vancouver City, Phase 2 – South Section	62,197	111.9	1,799	1,604
Guotai Garden	11,061	83.5	7,546	3,547
Landscape Garden Phase 2	11,236	68.5	6,096	5,680

The average sales cost per sq. m. was RMB1,560 in 2007, a decrease of 16.3% from RMB1,864 in 2006. The main reason was that the sales cost of Vancouver City Phase 1 and Phase 2 – South Section, being of lower sales cost per sq. m, represented a relatively higher proportion in total sales cost.

Gross profit was RMB164,342,000 in 2007, a decrease of 39.4% from RMB271,197,000 in 2006. The main reason is that the sales area in 2007 decreased by 52.2% from that in 2006.

The audited profit attributable to the equity holders of the Company was RMB391,306,000 in 2007, an increase of RMB309,340,000 or 377.4% from that in 2006. The main reason was the increase in fair value of investment property in 2007 was RMB405,776,000, an increase of RMB372,802,000 from that in 2006.

Progress of development on Highlong Plaza project

Highlong Plaza is a large-scale integrated commercial development in Xiaoshan district, Hangzhou, which has a total site area of 30,933 sq. m, and a total planned GFA of 172,569 sq. m. The development project includes a Holiday Inn hotel built to five-star standards, one building for offices and two serviced apartment buildings, a shopping center and underground car parking spaces.

Holiday Inn Xiaoshan Hangzhou (杭州蕭山眾安假日酒店) is a hotel built to five-star standards, which has 25 levels with 417 guest rooms and an aggregate GFA of 35,834 sq.m. The hotel was soft opened in August 2007, and formally commenced operation in December 2007. As at the end of 2007, the average occupancy rate reached 85%. The hotel is managed by Holiday Inns (China) Limited.

As of 31 December 2007, 47,076 sq. m. of the shopping center with an aggregate GFA of 60,337 sq.m. were completed. The construction works for the remaining 13,261 sq. m. were also completed. It is expected to complete inspection in May 2008. As of 31 December 2007, 92.0% in the shopping mall by total GFA had been leased. The shopping center as completed was held by the Group as an investment property.

One office building with GFA available for sale/leasing of 25,642 sq. m was completed. In addition, it is expected that two serviced apartment buildings with GFA available for sale/leasing of 22,593 sq.m. will complete for inspection in May 2008.

Area for pre-sale and status of projects to be completed in 2008

As of 31 December 2007, the area for pre-sale by the Group was approximately 203,874 sq. m. Set out below is the details on the area for pre-sale from the major projects:

	sq. m.
New White Horse Apartment, Hangzhou, Zhejiang Province	152,767
Green Harbour, Phase 1A, Hefei City, Anhui Province	11,005
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	26,874

It is expected that the expected GFA available for sale/leasing from the projects to be completed in 2008 was approximately 339,907 sq. m. Details of which are as follows:

	Expected completion date	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group	Usage
New White Horse Apartment, Hangzhou, Zhejiang Province	May 2008		90%	For sale
– High rise residential apartment		157,257		
– Retail spaces		4,680		
Highlong Plaza, Hangzhou, Zhejiang Province	May 2008		90%	
– Shopping mall at Level 1 to 5 uncompleted		13,261		For leasing
– Serviced apartments		22,593		For leasing and sale
Phase A of a piece of land for Huijun, Xihu District, Hangzhou City, Zhejiang Province	December 2008	14,610	99.7%	For sale purposes
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	October 2008		95%	For sale
– Low-rise apartment units		59,100		
– Villas		3,000		
– Retail spaces		9,000		
Green Harbour, Phase 1A, Anhui Province	October 2008		84.15%	For sale
– Townhouse units		56,406		
Total		339,907		

New White Horse Apartments is a residential development in the commercial center of Xiaoshan district of Hangzhou. The development includes high-rise residential blocks, retail space and car parking spaces. As of 31 December 2007, approximately 94.3% of GFA available for sale were pre-sold. In 2007, New White Horse Apartments was awarded Classic Residence Award (人居經典綜合大獎) by the Ministry of Construction and Ministry of Culture. In the same year, New White Horse Apartments was awarded Top Ten Citizens' Favorite Residence Award (市民最喜愛的十大樓盤) by the Construction Bureau of Xiaoshan district of Hangzhou (蕭山區建設局).

Green Harbour is a low-density residential properties development project at Hefei City, Anhui Province. Townhouses in Phase 1A were launched for pre-sale in December 2007, and were sold out within two days.

Vancouver City, Huaibei City, Anhui Province is a major municipal development project at Huaibei, Anhui Province. 170 units in Phase 2 – North Section were launched for pre-sale in October 2007, and were sold out within half day.

LAND RESERVE

As of 31 December 2007, the total GFA of the Group's land bank in Hangzhou, Zhejiang and Anhui Province was approximately 2,940,137 sq. m. and 2,361,786 sq. m., which was 5,301,923 sq. m. in total. Such land bank is sufficient for development by the Group in the coming five years.

Details of land bank as of 31 December 2007:

	Type of property	Total GFA (sq.m.)	GFA available for sale/leasing (sq. m)	Percentage of interest in the project attributable to the Group
New White Horse Apartments, Hangzhou, Zhejiang	Residential/retail spaces	221,947	161,937	90%
Highlong Plaza, Hangzhou City, Zhejiang Province	Shopping center/serviced apartments	64,017	35,854	90%
A piece of land at Landscape Bay, Ning Wei Town, Hangzhou City, Zhejiang Province	Residential/retail spaces	307,600	273,320	90%
A piece of land for Huijun, Xihu District, Hangzhou City, Zhejiang Province	Residential/retail spaces	168,657	127,910	99.7%
A piece of land at Huifeng Plaza, Hangzhou City, Zhejiang Province	Residential	37,316	28,991	90%
A piece of land reserved for International Office Centre, Phase A, Hangzhou City, Zhejiang Province	Residential/offices/hotels	696,600	603,600	100%
A piece of land reserved for Phase B & C, International Office Center, Hangzhou City, Zhejiang Province	Residential/offices/hotels/retail spaces	1,444,000	1,018,400	100%

	Type of property	Total GFA (sq.m.)	GFA available for sale/leasing (sq. m)	Percentage of interest in the project attributable to the Group
Sub-total for land bank in Hangzhou City, Zhejiang Province		2,940,137	2,250,012	
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	Residential/retail spaces	73,600	71,100	95%
Vancouver City, Phase 3A-3D, Huaibei City, Anhui Province	Residential/retail spaces	534,036	491,300	95%
Vancouver City, Phase 4 – 6, Huaibei City, Anhui Province	Residential/retail spaces/hotels	921,050	890,000	95%
Green Harbour, Phase 1A, Anhui Province	Residential	57,600	56,406	84.15%
Green Harbour, Phase 1B & C, Anhui Province	Residential	92,000	84,000	84.15%
Green Harbour, Phase 2, Anhui Province	Residential/retail spaces	128,200	87,300	84.15%
Green Harbour, Phase 3 – 6, Anhui Province	Residential/retail spaces/hotels	555,300	542,500	84.15%
Sub-total for land bank in Anhui Province		2,361,786	2,222,606	
Total land bank		5,301,923	4,472,618	

On 15 January 2008, the Group acquired the entire interests in Hangzhou Zheng Jiang Real Estate Development Co. Ltd. at a consideration of RMB370,360,000, for which the principal asset is a piece of land adjacent to Sheunghu, Xiaoshan District, Zhejiang Province with an area of 89,173 sq.m. and an aggregate GFA of 222,932 sq.m.. It is expected that Sheunghu District will be developed into the core tourism and leisure development zone of Hangzhou. The design of the project is still planning. It is expected that it will include SOHO office buildings and commercial properties.

USE OF PROCEEDS FROM GLOBAL OFFERING

In November 2007, the Company issued 543,000,000 shares at HK$6.67 per share by way of the global offering. The net proceeds after deducting the relevant expenses were approximately HK$3,439.8 million. During the period from 13 November 2007 to 31 December 2007, the use of net proceeds from the listing as stated in the Prospectus was as follows:

		RMBin million
1.	Utilized for the project of Landscape Bay	40.5
2.	Utilized for the project of Section A of International Office Center	51.9
3.	Utilized for acquisition of land for the project of Green Harbor	3.7
4.	Utilized for financing the acquisition of land site with a planned gross floor area of 480,000 square meter in Hangzhou	163.6
5.	Working capital and other general corporate purposes	361.4
		621.1

As at 31 December 2007, the listing proceeds not yet utilized were placed in banks as short-term and saving deposits.

RECOGNITION OBTAINED BY THE GROUP

The Group was awarded China Top 100 Real Estate Developers Award (中國房地產百强企業) in March 2007, which was jointly issued by the Chinese Real Estate Industry Association (中國房地產協會), the Development Research Center of the State Counsel of the PRC, the Real Estate Research Institute of the Tsinghua University and the China Index Academy (中國指數研究院). Furthermore, in September 2007, the Group was awarded Top Ten East China Real Estate Company by Brand Value award, which was jointly issued by the Development Research Center of the State Council of the PRC, the Real Estate Research Institute of the Tsinghua University and the China Index Academy.

Landscape Garden was awarded Outstanding Residence Complex (優秀住宅小區) in 2007 by the Construction Bureau of Hangzhou.

In January 2007, Anhui Zhong'an Property Development Co. Ltd. ("Anhui Zhong'an Property Development ") was awarded Top Ten Property Brand Name of Anhui Province Award (安徽省十大房產品牌) jointly by the Industry and Commerce United Association (安徽省工商業聯合會) and the Committee of Chinese Brand Viewing Anhui (中國品牌看安徽組委會). In March 2007, Anhui Zhong'an Property Development as awarded AAA Class Excellent Quality Service and Reputation Property Development Company Award (安徽省質量服務信譽AAA級優秀房地產公司) by Anhui Land, Property and Residence Investigation and Study Center and Anhui Market Project Construction Quality Investigation Center of the Anhui Economic News (安徽經濟日報安徽房地產及住宅調查研究中心及安徽省市場工程建設質量調查中心).

In March 2007, Vancouver City was awarded Anhui Star Residence (安徽明星樓盤) by the Anhui Land, Property and Residence Investigation and Study Center of the Anhui Economic News (安徽經濟日報安徽房地產及住宅調查研究中心).

HUMAN RESOURCES AND REMUNERATION POLICY

As of 31 December 2007, the Group employed 495 staff (31 December 2006: 293 staff). The main reason for the increase was the hotel staff additionally employed for the operation of Holiday Inn Xiaoshan Hangzhou. During the year of 2007, the staff cost of the Group was approximately RMB22,662,000 (the year of 2006: approximately RMB14,234,000), representing an increase of 59.2%.

The staff cost includes basic salary and welfare. Employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to employment contracts. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered the grant of annual bonus according to certain performance conditions and appraisal results. The Group also provides a series of benefits to its employees, including housing allowances, medical insurances and transportation allowances. Commission is only provided to the sales staff of the Company. The Group reviews the remuneration package for its staff once a year. The Group also studies its remuneration packages relative to the similar position as offered by its peers, so as to maintain the competitiveness of the Company in the human resources market.

DIVIDEND POLICY

The Board shall determine the dividend policy of the Company in future according to the financial condition in general, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

In addition, the Group's future dividend payments to its shareholders will also depend upon the availability of dividends received from its subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from its subsidiary companies may also be restricted if they incur losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that the Group or its subsidiaries may enter into in the future.

CAPITAL STRUCTURE

As of 31 December 2007, the Group had aggregate cash and cash equivalents (including pledged deposits) of RMB3,038,713,000 (31 December 2006: RMB168,073,000).

The current ratio at the end of 2007 was 2.0 (31 December 2006: 0.5).

As at 31 December 2007, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB438,197,000 and RMB854,716,000 respectively (31 December 2006: approximately RMB297,780,000 and RMB385,500,000 respectively).

The consolidated interest expenses in 2007 amounted to RMB37,224,000 (2006: RMB43,114,000) in total. In addition, interests with an amount of RMB57,306,000 (2006: RMB32,931,000) were capitalized in 2007. Interest cover (including amount of interests capitalized) was 1.3 times (2006: 2.9 times).

As at 31 December 2007, the ratio of total liabilities to total assets of the Group was 48.8% (31 December 2006: 88.6%).

As 31 December 2007, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 33.5% (31 December 2006: 339.2%). As at 31 December 2007, the ratio of bank loans and other borrowings to total assets was 16.8% (31 December 2006: 31.4%).

As at 31 December 2007, the gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 5.9% (31 December 2006: 89.0%).

In conclusion, the financial affairs of the Group were significantly improved from that in 2006.

CAPITAL COMMITMENTS

As at 31 December 2007, the capital commitments of the Group were RMB437,493,000 (31 December 2006: RMB418,978,000), which were mainly the capital commitments for land acquisition costs and construction costs. It is expected that the Group will finance such commitments from its own funds (including the proceeds from listing and/or bank loans).

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2007, the contingent liabilities of the Group was approximately RMB523,015,000 (31 December 2006: RMB281,404,000), which was mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

PLEDGE OF ASSETS

As at 31 December 2007, investment properties of the Group with net book value of approximately RMB946,367,000 (31 December 2006: approximately RMB120,300,000), completed properties held for sale of approximately RMB22,689,000 (31 December 2006: approximately RMB46,228,000), properties under development of approximately RMB1,117,186,000 (31 December 2006: approximately RMB195,578,000) and pledged deposits of approximately RMB196,000 (31 December 2006: approximately RMB38,000,000) were pledged to secure the banking facilities of the Group.

FOREIGN EXCHANGE RISK

In the balance of bank deposits as at 31 December 2007 (including restricted bank balances), Renminbi, US dollars and HK dollars accounted for 33.2%, 56.2% and 10.6% respectively (31 December 2006: accounted for 100%, 0% and 0% respectively). In the unaudited balance of bank deposits as at 28 March 2008 (including restricted bank balances), Renminbi, US dollars and HK dollars accounted for 76.9%, 19.7% and 3.4% respectively. The Group shall, as soon as practicable, convert the bank balances in US dollars and HK dollars into Renminbi so as to reduce the foreign exchange risk.

As the sales, purchase and bank borrowings of the Group in 2007 and 2006 were made mainly in Renminbi, the foreign exchange risk exposed by the Group was relatively minor. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in 2007 and 2006.

INTEREST RATE RISKS

The interest rates for certain portion of the Group's loans were floating. Upward fluctuations in interest rates will increase the interest cost of new loans and existing loans. The Group currently does not use derivative instruments to hedge its interest rate risks.

SUBSEQUENT EVENTS

Other than the matters as disclosed in the announcements of the Group, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this Announcement.

PROSPECTS AND OUTLOOK

According to the working report of the PRC government in 2008, the target for the growth in GDP for 2008 was set at 8% as compared with last year. The government shall oversee the pace, focus and strength of the macro-economic control measures so as to facilitate the steady and relatively rapid development of the economy. Major fluctuations will be avoided. In the meantime, the order in the market will be governed and maintained through persistent enhancement to the control and monitoring over the properties market.

Furthermore, according to the statistics of the PRC government, the pricing index for newly built houses in 70 top and middle tier cities in February 2008 increased by 11.8% from that in the previous year, and increased by 0.2% from January 2008. Growth in Hangzhou was 15.9% and 0% respectively. Growth in Hefei was 12.8% and 0.6% respectively.

Looking ahead in the coming year, the Group expects that the PRC economy will continue to grow. The macro-economic control measures and tightly controlled monetary policies will continue to prevail. On the one hand, this will create relatively greater pressure on less competent and speculative property developers. On the other hand, this will facilitate the sustainable, steady and sound development of the properties industry. Therefore, it is expected that property price in the PRC as a whole will generally remain steady in 2008.

DIVIDEND

As the Company was recently listed on the Stock Exchange, the Board of Directors does not recommend the payment of dividend for the year 2007.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company and the Board have applied the principles in the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the "Stock Exchange by adopting the code provisions of the Code.

During the period from 13 November 2007 (the date of the listing of the Company's shares on the Stock Exchange) to 31 December 2007 (the "Period"), the Board has adopted and complied with the code provisions of the Code in so far they are applicable with the exception of the deviation on the code provision A.2.1 (i.e. the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Shi Kancheng).

The Board believes that the role of both chairman and chief executive officer in the same person provides the Company with consistent leadership and enables the Company to carry out the planning and implementation of business plans and decisions efficiently.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Group containing all the relevant information required by the Listing Rules of will be despatched to the shareholders of the Company and published on the respective website of the Stock Exchange and of the Company in due course.

LIST OF DIRECTORS

As at the date of this announcement, the executive Directors of the Company are Mr. Shi Kancheng, Mr. Lou Yifei, Ms. Shen Tiaojuan and Mr. Zhang Jiangang and the independent non-Executive directors of the Company are Professor Pei Ker Wei, Professor Wang Shu Guang and Mr. Heng Kwoo Seng.

By order of the Board of
Zhong An Real Estate Limited
Shi Kancheng
Chairman

The PRC, 28 March 2008