ZHONG AN REAL ESTATE LIMITED
眾安房產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

	Unaudited For the six months ended 30 June		
	2008	2007	Percentage of increase
Revenue (RMB million)	**1,288.9**	135.6	850.4
Profit attributable to equity holders of the Company (RMB million)	**302.8**	30.8	884.5
Basic earnings per share attributable to equity holders of the Company (RMB)	**0.15**	0.02	650.0

Unaudited net cash balance as at 30 June 2008 was RMB1,416 million.

The total GFA of the Group's land bank as at 30 June 2008 was 5,303,317 sq.m. which is sufficient for development by the Group in the coming five years.

The board (the "Board") of directors (the "Directors") of Zhong An Real Estate Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the comparative amounts for the corresponding period. The unaudited condensed consolidated interim results have been reviewed by the audit committee of the Company.

		Unaudited For the six months ended 30 June	
		2008	2007
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**1,288,872**	135,613
Cost of sales		**(828,997)**	(76,733)
Gross profit		**459,875**	58,880
Other income	*4*	**56,480**	23,897
Selling and distribution costs		**(25,031)**	(8,277)
Administrative expenses		**(32,004)**	(27,809)
Other expenses		**(44,680)**	(1,068)
Increase in fair value of investment properties	*5*	**151,977**	13,668
Finance costs		**(6,676)**	(17,926)
Profit before tax	*6*	**559,941**	41,365
Income tax	*7*	**(226,102)**	(9,205)
Profit for the period		**333,839**	32,160
Attributable to:			
Equity holders of the Company		**302,758**	30,751
Minority interests		**31,081**	1,409
		333,839	32,160
Earnings per share attributable to ordinary equity holders of the Company (RMB)	*8*		
Basic		**0.15**	0.02
Dividends	*9*	**–**	–

	Notes	Unaudited 30 June 2008 *RMB'000*	Audited 31 December 2007 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**202,183**	37,151
Investment properties		**1,175,913**	958,913
Properties under development		**1,617,588**	997,961
Goodwill		**115,915**	63,928
Available-for-sale investment		**3,300**	–
Deferred tax assets		**16,501**	21,738
		3,131,400	2,079,691
Current assets			
Completed properties held for sale		**246,425**	212,820
Properties under development		**357,345**	1,433,404
Prepayments, deposits and other receivables	*10*	**490,137**	920,746
Pledged deposits		–	196
Cash and cash equivalents		**2,316,720**	3,038,517
		3,410,627	5,605,683
Total assets		**6,542,027**	7,685,374
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the Company			
Issued capital		**189,070**	190,808
Reserves		**3,843,340**	3,663,485
		4,032,410	3,854,293
Minority interests		**100,841**	81,681
Total equity		**4,133,251**	3,935,974
Non-current liabilities			
Interest-bearing bank and other borrowings		**844,395**	854,716
Deferred tax liabilities		**151,978**	71,864
		996,373	926,580
Current liabilities			
Trade payables	*11*	**253,830**	406,155
Bills payable		–	196
Other payables and accruals		**271,303**	283,268
Advances from customers		**271,077**	1,301,721
Interest-bearing bank and other borrowings		**56,342**	438,197
Tax payable		**559,851**	393,283
		1,412,403	2,822,820
Total liabilities		**2,408,776**	3,749,400
Total equity and liabilities		**6,542,027**	7,685,374
Net current assets/(liabilities)		**1,998,224**	2,782,863
Total assets less current liabilities		**5,129,624**	4,862,554

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

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 Stock Exchange of Hong Kong Limited ("Stock Exchange") in November 2007, the Company and its subsidiaries underwent a reorganisation (the "Reorganisation"), as a result of which the Company became a holding company of the subsidiaries comprising the Group.

The Group is principally engaged in property development, leasing and hotel management. The Group's property development projects during the six months ended 30 June 2008 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 period under review.

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 Kancheng (alias Shi Zhongan) ("Mr. Shi"), the Chairman and Chief Executive Officer of the Company.

This unaudited condensed consolidated interim financial information was approved by the Board for issue on 12 September 2008.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared on a continuing basis as if the Reorganisation had been completed as at the beginning of 2007. The acquisition of Ideal World Investments Limited ("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 unaudited condensed consolidated 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 2007, 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.

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements of the Group for the year ended 31 December 2007, as described in those annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

– IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
– IFRIC 12, 'Service concession arrangements'.
– IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

– IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group expects to adopt IFRS 8 from 1 January 2009, should its adoption be applicable to the Group.

– IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. It requires 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 2 (amendment), 'Share-based payment', effective for annual periods 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 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements upon the Group.

– IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. It 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.

– IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', 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 that these amendments would have impact on the financial statements of the Group.

– IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. It 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. As the Group currently has no customer loyalty award credits, it is not applicable to the Group and therefore is unlikely to have any financial impact on 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.

3. SEGMENT INFORMATION

The Group's turnover and profit for the six months ended 30 June 2007 and 30 June 2008 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 the PRC. Accordingly, no analysis by business and geographical segments is presented.

4. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**1,323,005**	138,584
Leasing income	**11,164**	2,742
Management fee income	**2,763**	1,694
Revenue from hotel operation	**22,126**	–
Others	**144**	–
Less: Business tax and surcharges	**(70,330)**	(7,407)
	1,288,872	135,613
Other income		
Interest income	**26,247**	3,548
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
Government grants	**2,300**	600
Gain on foreign exchange differences	**27,904**	–
Others	**29**	60
	56,480	23,897

5. INCREASE IN FAIR VALUE OF INVESTMENT PROPERTIES

The increase in fair value of investment properties during the six months ended 30 June 2008 derived from the office building of Highlong Plaza.

6. PROFIT BEFORE TAX

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

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Cost of properties sold	**820,481**	76,733
Depreciation	**5,655**	2,463
Amortisation of land use rights	**–**	1,044
Minimum lease payments under operating leases		
– Office premises	**979**	99
Auditors' remuneration	**357**	129
Staff costs including		
Directors' remuneration:		
– Salaries and other staff costs	**20,860**	12,966
– Retirement benefits scheme contributions	**1,358**	696
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**823**	659
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)
Impairment in goodwill	**41,343**	–
Changes in fair value of investment properties	**(151,977)**	(13,668)

7. INCOME TAX

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

Provision for the PRC income tax has been provided at the applicable income tax rate of 25% on the assessable profits of the Group's subsidiaries in Mainland China.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (the "LAT") 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.

	Unaudited For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax	**98,870**	8,380
PRC land appreciation tax	**101,971**	9,492
Deferred tax:		
Relating to origination and reversal of temporary differences	**25,261**	(8,667)
Total tax charge	**226,102**	9,205

The PRC Enterprise Income Tax Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the PRC Enterprise Income Tax Law and the "Implementation Rules of the People's Republic of China on the Enterprise Income Tax Law" promulgated by the State Council on 6 December 2007 and effective from 1 January 2008, a reduced income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

8. 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 six months ended 30 June 2008 attributable to ordinary equity holders of the Company of RMB302,758,000 (corresponding period in 2007: RMB30,751,000) and the weighted average ordinary shares of 1,993,051,005 (corresponding period in 2007: 1,457,000,000) in issue during the six months ended 30 June 2008.

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 six months ended 30 June 2007 is determined on the assumption that these ordinary shares had been issued throughout that period, comprising:

(i) the one and 999,999 shares of the Company allotted and issued 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.

Diluted earnings per share amount has not been presented as there were no diluting events during the period under review.

9. DIVIDENDS

No dividends have been paid or declared by the Company and its subsidiaries during the six months ended 30 June 2008 (corresponding period in 2007: Nil).

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables do not include trade receivables.

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:

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RMB'000	*RMB'000*
Within six months	**241,486**	394,101
Over six months but within one year	**6,308**	7,170
Over one year	**6,036**	4,884
	253,830	406,155

The above balances are unsecured and interest-free. The fair values of the trade payables as at 30 June 2008 and 31 December 2007 approximate to their corresponding carrying amounts.

12. CAPITAL COMMITMENTS

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

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**208,766**	437,493

13. CONTINGENT LIABILITIES

	Unaudited 30 June 2008 *RMB'000*	Audited 31 December 2007 *RMB'000*
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**681,261**	523,015

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 period under review 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.

14. POST BALANCE SHEET EVENTS

There are no events to cause material impact on the Group from the balance sheet date to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The unaudited consolidated revenue of the Group was RMB1,288,872,000 for the six months ended 30 June 2008, an increase of 850.4% from the corresponding period in 2007. The unaudited profit attributable to equity holders of the Company was RMB302,758,000 for the six months ended 30 June 2008, an increase of 884.5% from the corresponding period in 2007. The unaudited earnings per share was RMB0.15 for the six months ended 30 June 2008, an increase of 650% from the corresponding period in 2007.

Business Review

Sales and earnings

The unaudited area of properties sold and delivered by the Group for the six months ended 30 June 2008 was 161,142 sq. m. (corresponding period in 2007: 50,777 sq. m.) an increase of 217.4%. The unaudited gross profit for the six months ended 30 June 2008 was RMB459,875,000, an increase of 681.0% from RMB 58,880,000 for the corresponding period in 2007. The reason for the increase was that New White Horse Apartment delivered units in a total of 154,178 sq. m. during the second quarter of 2008, whereas the revenue from the sales of properties for the corresponding period in 2007 was mainly derived from the sales of units from Landscape Garden Phase 2 at Hangzhou 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.

The unaudited average sales price per sq. m. achieved by the Group for the six months ended 30 June 2008 was RMB8,210, an increase of 200.8% from the average sales price per sq. m. of RMB2,729 for the corresponding period in 2007. The primary reason was that the sales price of apartments per sq. m. in New White Horse Apartment, representing 97.6% of the total revenue from the sales of properties in the unaudited consolidated revenue for the six months ended 30 June 2008, reached RMB 7,462. For the revenue from the sales of properties for the corresponding period in 2007, the sales revenue attributable to Vancouver City, Phase 2 – South Section and Landscape Garden Phase 2 to the total revenue from the sales of properties represented a relatively higher proportion. However, the sales price of apartments per sq. m. in those two projects were RMB 1,766 and RMB 5,290 respectively.

The unaudited average sales cost per sq. m. was RMB5,092 for the six months ended 30 June 2008, an increase of 237.0% from RMB1,511 for the corresponding period in 2007. The main reason was that the sales cost per sq. m. for apartments in New White Horse Apartment was RMB5,179, whereas the sales cost per sq. m. of apartments in Vancouver City Phase 2 – South Section and Landscape Garden Phase 2 for the corresponding period in 2007 were RMB 1,157 and RMB 2,552.

The unaudited profit attributable to the equity holders of the Company was RMB302,758,000 for the six months ended 30 June 2008 (corresponding period in 2007: RMB30,751,000), an increase of 884.5% from the corresponding period in 2007. Of which the unaudited increase in fair value of investment properties for the six months ended 30 June 2008 was RMB151,977,000 (RMB 102,584,475 net of relevant enterprise income tax and minority interests), whereas the same was RMB 13,668,000 for the corresponding period in 2007 (RMB 8,996,017 net of relevant enterprise income tax and minority interests).

Area for pre-sale

As at 30 June 2008, the area for pre-sale by the Group was approximately 85,664 sq. m. Set out below are the details on the area for pre-sale from the major projects:

	sq. m.
Green Harbour, Phase 1A, Hefei City, Anhui Province	23,790
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	48,770

Status of projects expected to be completed in the second half of 2008

It is expected that the expected GFA available for sale/leasing from the projects to be completed in the second half of 2008 is approximately 177,970 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**
Highlong Plaza, Hangzhou, Zhejiang Province – Uncompleted shopping mall at Level 1 to 5	Completed, inspection of which will be carried out together with that of serviced apartments	13,261	90.0%	For leasing
– Serviced apartments	September 2008	22,593		For leasing and sale
White Horse Noble Mansion, Xihu District, Hangzhou City, Zhejiang Province	December 2008	14,610	99.7%	For sale
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	August 2008		95.0%	For sale
– Low-rise apartment units		59,100		
– Villas		3,000		
– Retail spaces		9,000		
Green Harbour, Phase 1A, Anhui Province	December 2008		84.2%	For sale
– Townhouse units		56,406		
Total		177,970		

Land reserve

As at 30 June 2008, the total GFA of the Group's land bank in Hangzhou, Zhejiang Province and Anhui Province was 2,941,531 sq. m. and 2,361,786 sq. m. respectively, which was 5,303,317 sq. m. in total. Such land bank is sufficient for development by the Group in the coming five years.

Details of land bank as at 30 June 2008:

	Type of property	**Total GFA (sq.m.)**	**GFA available for sale/leasing (sq.m.)**	**Percentage of interest in the project attributable to the Group**
Highlong Plaza, Hangzhou, Zhejiang Province	Shopping center/serviced apartments	42,358	35,854	90.0%
A piece of land at Landscape Bay, Ning Wei Town, Hangzhou City, Zhejiang Province	Residential/retail spaces	307,600	268,000	92.7%
A piece of land for Huijun, Xihu District, Hangzhou, Zhejiang Province	Residential/retail spaces	168,657	127,910	99.7%
A piece of land at Huifeng Plaza, Hangzhou, Zhejiang Province	Residential	37,316	28,991	90.0%
A piece of land owned by Zheng Jiang at Hangzhou, Zhejiang Province	Residential/retail spaces/offices	245,000	202,000	96.3%
A piece of land reserved for International Office Centre, Phase A, Hangzhou City, Zhejiang Province	Residential/offices/hotels	696,600	603,600	100.0%
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	100.0%
Sub-total for land bank in Hangzhou City, Zhejiang Province		**2,941,531**	**2,284,755**	

	Type of property	Total GFA (sq.m.)	GFA available for sale/leasing (sq.m.)	Percentage of interest in the project attributable to the Group
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	Residential/retail spaces	73,600	71,100	95.0%
Vancouver City, Phase 3A-3D, Huaibei City, Anhui Province	Residential/retail spaces	534,036	491,300	95.0%
Vancouver City, Phase 4 – 6, Huaibei City, Anhui Province	Residential/retail spaces/hotels	921,050	890,000	95.0%
Green Harbour, Phase 1A, Hefei, Anhui Province	Residential	57,600	56,406	84.2%
Green Harbour, Phase 1B & C, Hefei, Anhui Province	Residential	92,000	84,000	84.2%
Green Harbour, Phase 2, Hefei, Anhui Province	Residential/retail spaces	128,200	87,300	84.2%
Green Harbour, Phase 3 – 6, Hefei, Anhui Province	Residential/retail spaces/hotels	555,300	542,500	84.2%
Sub-total for land bank in Anhui Province		**2,361,786**	**2,222,606**	
Total land bank		**5,303,317**	**4,507,361**	

On 15 January 2008, the Group acquired the entire interests in Hangzhou Zheng Jiang Real Estate Development Co., Ltd., ("Zheng Jiang") for which the principal asset is a piece of land adjacent to Xiang Lake, Xiaoshan District, Zhejiang Province with an area of 89,173 sq.m. and an aggregate GFA of 245,000 sq.m.. It is expected that Xiang Lake District will be developed into the core tourism and leisure development zone of Hangzhou. It is expected that it will include SOHO (i.e., small office and home office) 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 30 June 2008, the use of net proceeds from the listing as stated in the Prospectus was as follows:

		RMB in million
1.	Utilized for the project of Landscape Bay	40.5
2.	Utilized for the project of Section A of International Office Center	61.2
3.	Utilized for the payment of land premium for 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	361.1
5.	Working capital and other general corporate purposes	403.0
		869.5

As at 30 June 2008, the listing proceeds not yet utilized were placed in banks as short-term and saving deposits.

Human resources and remuneration policy

As at 30 June 2008, the Group employed 960 staff (30 June 2007: 486 staff). The main reason for the increase was the staff additionally employed for the hotel, shopping center and property management companies. For the six months ended 30 June 2008, the unaudited staff cost of the Group was approximately RMB22,218,000 (corresponding period of 2007: approximately RMB13,662,000), representing an increase of 62.6%.

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 packages 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 at 30 June 2008, the Group had aggregate cash and bank deposits (including pledged deposits) of RMB2,316,720,000 (31 December 2007: RMB3,038,517,000). The decrease was attributable to the repayment of interest-bearing loans and the settlement of consideration for the acquisition of Zheng Jiang.

The current ratio as at 30 June 2008 was 2.4 (31 December 2007: 2.0).

As at 30 June 2008, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB56,342,000 and RMB844,395,000 respectively (31 December 2007: approximately RMB438,197,000 and RMB854,716,000 respectively).

The unaudited consolidated interest expenses for the six months ended 30 June 2008 amounted to RMB6,676,000 (corresponding period in 2007: RMB17,926,000) in total. In addition, for the six months ended 30 June 2008 interests with an unaudited amount of RMB31,040,000 (corresponding period in 2007: RMB18,430,000) were capitalized. Interest cover (including amount of interests capitalized) was 12.2 times (corresponding period in 2007: 0.8 times).

As at 30 June 2008, the ratio of total liabilities to total assets of the Group was 36.8% (31 December 2007: 48.8%).

As at 30 June 2008, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 22.3% (31 December 2007: 33.5%).

As at 30 June 2008, the ratio of bank loans and other borrowings to total assets was 13.8% (31 December 2007: 16.8%).

In conclusion, the financial position of the Group is sound.

Capital commitments

As at 30 June 2008, the capital commitments of the Group were RMB208,766,000 (31 December 2007: RMB437,493,000), 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 and/or bank loans.

Guarantees and contingent liabilities

As at 30 June 2008, the contingent liabilities of the Group was approximately RMB681,261,000 (31 December 2007: RMB523,015,000), 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 30 June 2008, investment properties of the Group with net book value of approximately RMB946,367,000 (31 December 2007: approximately RMB946,367,000), completed properties held for sale of RMB nil (31 December 2007: approximately RMB22,689,000), properties under development of approximately RMB764,034,364 (31 December 2007: approximately RMB1,117,186,000), properties under the category of property and equipment of approximately RMB163,422,852 (31 December 2007: RMB nil) and pledged deposits of RMB nil (31 December 2007: approximately RMB196,000) were pledged to secure the banking facilities of the Group.

Foreign Exchange Risk

In the balance of bank deposits (including restricted bank balances) for the Group as at 30 June 2008, Renminbi, US dollars, HK dollars and Euro accounted for 79.2%, 19.4%, 1.1% and 0.3% respectively (31 December 2007: accounted for 33.2%, 56.2%, 10.6% and 0%respectively).

As the sales, purchase and bank borrowings of the Group in the first half of 2008 and the corresponding period in 2007 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 rate risks in the first half of 2008 and the corresponding period in 2007.

Interest rate risks

The interest rates for 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

There was no matter that cause material impact on the Group between the balance sheet date (i.e. 30 June 2008) and the date of this announcement.

Prospects and outlook

The Group will continue to pay attention to the fluctuation in the market in a cautious manner so as to capture opportunities, and place emphasis on acquiring land bank for commercial comprehensive development at low cost through merger and acquisition. In the meantime, the pace of development for existing projects is expected to be accelerated so as to speed up the recovery of funds. With sufficient funds, low gearing and a land bank of quality and low cost, the Group has strong ability of resisting risk and to remain competitive in the market.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2008.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2008, the Company has repurchased 19,244,000 of its shares on the Stock Exchange at an aggregate price paid of HK$69,820,038. Save as disclosed aforesaid, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

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 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange by adopting the code provisions of the Code.

During the six months ended 30 June 2008, 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 from the code provision A.2.1 (i.e. the roles of the Chairman and the Chief Executive Officer of the Company are both performed by Mr. Shi).

The Board believes that the roles of both the Chairman and the Chief Executive Officer of the company being performed by 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 INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Group containing the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and of the Company in due course.

LIST OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Shi Kancheng, Mr. Lou Yifei, Ms. Shen Tiaojuan and Mr. Zhang Jiangang and the independent non-executive Directors 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, 12 September 2008