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 2008

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2008	2007	Percentage of increase/ (decrease)
Sales (RMB million)	**1,437.8**	330.0	336
Profit attributable to equity holders of the Company (RMB million)	**254.0**	391.3	(35)
Basic earnings per share (RMB)	**0.13**	0.26	(50)
Proposed final dividend per share (RMB)	**0.02**	Nil	N/A

The board of directors (the "Board") of Zhong An Real Estate Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008 together with the comparative figures for the previous year. The annual results have been reviewed by the audit committee of the Company:

CONSOLIDATED INCOME STATEMENT

	Notes	**For the year ended 31 December 2008** *RMB'000*	2007 *RMB'000*
Revenue	*5*	**1,437,841**	330,043
Cost of sales		**(941,291)**	(165,701)
Gross profit		**496,550**	164,342
Other income	*5*	**57,475**	60,661
Selling and distribution costs		**(45,387)**	(26,309)
Administrative expenses		**(101,607)**	(77,709)
Other expenses		**(60,851)**	(4,469)
Increase in fair value of investment properties		**104,235**	405,776
Finance costs	*6*	**(8,240)**	(37,224)
Profit before tax	*7*	**442,175**	485,068
Income tax	*8*	**(159,860)**	(51,596)
Profit for the year		**282,315**	433,472
Attributable to:			
Equity holders of the Company		**253,986**	391,306
Minority interests		**28,329**	42,166
		282,315	433,472
Dividends			
Proposed final dividend	*10*	**38,853**	–
Earnings per share attributable to equity holders of the Company (RMB)			
Basic	*9*	**13 cents**	26 cents

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December **2008** *RMB'000*	2007 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**200,739**	37,151
Investment properties		**1,146,500**	958,913
Properties under development		**1,034,200**	997,961
Goodwill		**15,292**	63,928
Available-for-sale investments		**3,300**	–
Deferred tax assets		**20,188**	21,738
Total non-current assets		**2,420,219**	2,079,691
CURRENT ASSETS			
Completed properties held for sale		**219,171**	212,820
Properties under development		**1,326,318**	1,433,404
Inventories		**3,549**	–
Trade receivables	*11*	**10,857**	–
Prepayments, deposits and other receivables		**677,808**	920,746
Pledged deposits		**16,343**	196
Cash and cash equivalents		**1,652,098**	3,038,517
Total current assets		**3,906,144**	5,605,683
CURRENT LIABILITIES			
Trade payables	*12*	**485,222**	406,155
Bills payable		**–**	196
Other payables and accruals		**287,585**	283,268
Advances from customers		**368,986**	1,301,721
Interest-bearing bank and other borrowings		**142,117**	438,197
Tax payable		**251,139**	393,283
Total current liabilities		**1,535,049**	2,822,820
NET CURRENT ASSETS		**2,371,095**	2,782,863
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,791,314**	4,862,554

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	As at 31 December 2008 RMB'000	2007 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,791,314**	4,862,554
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**521,789**	854,716
Deferred tax liabilities		**227,073**	71,864
Total non-current liabilities		**748,862**	926,580
Net assets		**4,042,452**	3,935,974
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**185,339**	190,808
Reserves		**3,746,540**	3,663,485
		3,931,879	3,854,293
Minority interests		**110,573**	81,681
Total equity		**4,042,452**	3,935,974

NOTES TO FINANCIAL STATEMENTS

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 Hong Kong Stock Exchange Limited, the Group underwent a reorganisation (the "Reorganisation"), as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

– 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, by crediting the 1,000,000 existing nil-paid shares held by Whole Good as fully paid. Following this transfer, the Company became the ultimate holding company of the Group.

The Group is principally engaged in property development, leasing and hotel operation. The Group's property development projects during the year are all located in Zhejiang and Anhui Provinces, 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 was regarded as a business combination under common control, because the Company, Ideal World and other subsidiaries of the Company are ultimately controlled by the same party, Mr. Shi, before and after the Reorganisation. The 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards 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 Group for the year ended 31 December 2008. Except as described in paragraph 1 of this note 2, 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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 interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

- IAS 39 and IFRS 7 Amendments — Amendments to IAS 39 – *Financial instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures – Reclassification and Financial Assets*
- 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 principal effects of adopting these new and revised IFRSs are as follows:

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

This interpretation 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 buys the instruments from another party, or the shareholders provide the equity instruments needed. As the Group has no such transactions, this interpretation has no impact on the financial position as results of operations of the Group.

IFRIC 12 – *Service Concession Arrangements*

This interpretation applies to service concession operators and explains how to account for obligation undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

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

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 1 Employee Benefits. As the Group has no defined benefit scheme, this interpretation has had no impact on the financial position or results of operations of the Group.

Impact of issued but not yet effective International Financial Reporting Standards

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

• IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
• IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
• IFRS 3 (Revised)	Business Combinations [2]
• IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures* [1]
• IFRS 8	*Operating Segments* [1]
• IAS 1 (Revised)	*Presentation of Financial Statements* [1]
• IAS 23 (Revised)	*Borrowing Costs* [1]
• IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
• IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
• IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
• IFRIC – 9 and IAS 39	Amendment to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition Amendments and Measurement* [2]
• IFRIC – 13	*Customer Loyalty Programmes* [3]
• IFRIC – 15	*Agreement for the Construction of Real Estate* [1]
• IFRIC – 16	*Hedges of a Net Investment in a Foreign Operation* [4]
• IFRIC – 17	*Distribution of Non-cash Assets to Owners* [2]
• IFRIC – 18	*Transfers of Assets from Customers* [2]

Apart from the above, the IASB has issued Improvements to IFRSs* primarily with a view to removing inconsistencies and clarifying wording. These amendments are effective for annual periods beginning on or after 1 January 2009, although there are separate transitional provisions for each standard.

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

* Improvements to IFRS contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10,IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34,IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

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 and IAS 1 (Revised) may result in new or amended disclosures and the adoption of IFRS 3 (Revised), IAS 27 (Revised) may result in changes in accounting policies, 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 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 Mainland China. Accordingly, no analysis by business or geographical segment is presented.

5. Revenue and other income

Revenue, which is also the Group's turnover, represents income from the sale of properties, property leasing income, property management fee income and hotel operating 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:

	2008	2007
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**1,444,392**	318,662
Property leasing income	**32,091**	11,002
Property management fee income	**9,242**	4,077
Hotel operating income	**49,507**	14,502
Less: Business tax and surcharges	**(97,391)**	(18,200)
	1,437,841	330,043
Other income		
Interest income	**54,709**	27,262
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	–	19,689
Dividend income from short-term investments	–	6,481
Government grants	**2,300**	3,794
Gain on foreign exchange differences	–	3,080
Gain on disposal of items of property and equipment	–	62
Others	**466**	293
	57,475	60,661

6. Finance costs

	2008	2007
	RMB'000	*RMB'000*
Interest on bank loans	**66,968**	72,869
Interest on other loans	**3,396**	21,661
Total interest	**70,364**	94,530
Less: Interest capitalised in properties under development *	**(62,124)**	(57,306)
	8,240	37,224
* Average interest rate of borrowing costs capitalised	**7.88%**	7.33%

7. Profit before tax

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

	2008	2007
	RMB'000	*RMB'000*
Cost of properties sold	**910,844**	165,701
Depreciation	**15,996**	5,627
Amortisation of land use rights	**11,296**	2,087
Goodwill impairment	**48,636**	–
Minimum lease payments under operating leases:		
– Office premises	**3,156**	3,094
Auditors' remuneration	**2,754**	1,972
Staff costs including directors' remuneration:		
– Salaries and other staff costs	**41,296**	21,332
– Pension scheme contributions	**2,181**	1,330
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**928**	1,032
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	–	(19,689)
Gain on disposal of a subsidiary	–	(4)
Changes in fair value of investment properties	**(104,235)**	(405,776)

8. 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 financial year.

On 16 March 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved by the National People's Congress and became effective on 1 January 2008. Under the New CIT Law, the income tax rate became 25% starting from 1 January 2008. Therefore, provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2007: 33%) 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.

	2008	2007
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax for the year	**78,132**	29,434
PRC LAT for the year	**116,886**	36,198
Deferred tax:		
Relating to origination and reversal of temporary differences	**(35,158)**	(14,036)
Total tax charge for the year	**159,860**	51,596

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 RMB253,986,000 (2007: RMB391,306,000) and the weighted average ordinary shares of 1,974,812,000 (2007: 1,528,408,000) in issue during the year after taking into account of the repurchase of shares during the year.

Diluted earnings per share amounts for the years ended 31 December 2007 and 2008 have not been presented as there were no diluting events during these years.

10. Dividends

	2008	2007
	RMB'000	*RMB'000*
Proposed final dividend – RMB0.02 (2007: Nil) per ordinary share	**38,853**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company.

11. Trade receivables

The Group's trading terms with its customers are mainly lease receivables on credit. The credit period is generally one month, extending up to three months for major customers. All balances of the trade receivables as at the end of the year are neither past due nor impaired.

12. Trade payables

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

	2008	2007
	RMB'000	*RMB'000*
Within six months	**472,654**	394,101
Over six months but within one year	**2,803**	7,170
Over one year	**9,765**	4,884
	485,222	406,155

The above balances are unsecured and interest-free and are normally settled based on progress of construction. The fair values of the trade payables at the end of these years approximate to their corresponding carrying amounts.

13. Commitments

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

	2008	2007
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**568,744**	437,493

14. 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 the expiry dates, at which time all terms will be renegotiated.

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

	2008	2007
	RMB'000	*RMB'000*
Within one year	**38,131**	32,854
After one year but not more than five years	**128,176**	113,230
More than five years	**57,879**	29,843
	224,186	175,927

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 the expiry dates, at which time all terms will be renegotiated.

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

	2008	2007
	RMB'000	*RMB'000*
Within one year	**4,580**	2,396
After one year but not more than five years	**10,711**	4,399
More than five years	**34,488**	–
	49,779	6,795

15. Contingent liabilities

	2008	2007
	RMB'000	*RMB'000*
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**116,295**	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 the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the financial years in respect of the guarantees 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.

BUSINESS REVIEW

Results

The audited consolidated revenue of the Group for 2008 was RMB1,437,841,000, a significant increase of 336% from that in 2007. The gross profit was RMB496,550,000, an increase of 202% from that in 2007. The profit attributable to equity holders of the Company was approximately RMB253,986,000, a decrease of 35% from that in 2007. Core profits, which adjusted for net fair value gains in investment properties, increased to RMB178,080,000. The basic earnings per share was RMB0.13. On 31 March 2009, the Board recommended the distribution of a final dividend of RMB0.02 per share for the year ended 31 December 2008 (2007: nil).

Industry Review

In 2008, the real estate market in the PRC faced both internal and external problems. In the first half of 2008, the central government's macro-economic control measures on the real estate market not only damaged the confidence of investors, but also resulted in a wait-and-see attitude from the buyers, which cooled down the hot real estate market in a sudden. In the second half of 2008, the negative effects of the global financial tsunami gradually surfaced. Credit crisis appeared in financial systems of many countries as the enterprises were in financial difficulties and consumption and investment were significantly affected, which resulted in economic recession for the US and many countries in Europe. The PRC was also affected as exports continued to drop and domestic consumption was weakened. Economic growth declined to single-digit quickly. Performance of the real estate market is closely related to economic growth. Under the impact of economic slowdown and decreased investment consumption, the strong growth in real estate market no longer existed as market transaction and demand decreased and average prices declined. On the other hand, individual real estate developers which relied on borrowings for development were also in financial difficulties as the banks had tightened up credit.

Sales and earnings

The area of property sold and delivered by the Group in 2008 was 244,099 sq. m. (2007: 102,879 sq. m.), an increase of 137.3%. During the year under review, most of the units in New White Horse Apartments presold in prior year were recognised as revenue with a total area of 183,642 sq. m. in 2008, which significantly increased the total area of property sold and delivered.

The average sales price per sq. m. achieved by the Group in 2008 was RMB5,920, an increase of 91% from the average sales price per sq. m. of RMB3,097 in the previous year. The reasons were that the revenue attributable to New White Horse to total revenue of the Group represented a relatively higher proportion as the average sales price per sq. m. of the residences was RMB7,025, and for the property sales revenue in 2007, the revenue attributable to Vancouver City and Landscape Garden to total revenue of the Group represented a relatively higher proportion with a lower average sales price.

During the year under review, the total sales area for major projects of the Group and the average sales price per sq. m. were as follows:

	Sales area in 2008	**Sales revenue in 2008**	**Average sales price per sq. m. in 2008**
	sq. m.	*RMB million*	*RMB*
Hangzhou City, Zhejiang Province			
New White Horse Apartments	183,642	1,290.0	7,025
Others*	5,511	31.7	5,767
Huaibei City, Anhui Province			
Vancouver City, Phase 2 – North Section	47,244	106.8	2,260
Vancouver City, Phase 1 and Phase 2 – South Section	7,702	16.4	2,131
Total	244,099	1,444.9	

* Including: Landscape Garden Phase 1, Landscape Garden Phase 2, Guotai Garden, Zhong'an Garden, Yicheng Building Material Market and Highlong Plaza.

The average cost of property sold per sq. m. of the Group was RMB3,733 in 2008, an increase of 139% from RMB1,560 in the previous year. The main reason was that the cost of property sold of New White Horse Apartments, being RMB4,439, represented a relatively higher proportion in total cost of property sold of the Group.

Sales area pre-sold and status of projects to be completed in 2009

As of 31 December 2008, the Sales area pre-sold by the Group was approximately 43,922 sq. m.. Set out below are the details on the area for pre-sale from the major projects:

	Sales area pre-sold in 2008
	sq. m.
Hangzhou City, Zhejiang Province	
White Horse Noble Mansion	18,043
Hefei City, Anhui Province	
Green Harbour, Phase 1A	25,879
Total	43,922

* Including: Landscape Garden Phase 1, Landscape Garden Phase 2, Guotai Garden, Zhong'an Garden, Yicheng Building Material Market and Highlong Plaza.

It is expected that the expected gross floor area ("GFA") available for sale/leasing from the projects to be completed in 2009 was approximately 155,107 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
Hangzhou City, Zhejiang Province				
White Horse Noble Mansion				
– Floor units	December 2009	109,107	99.7%	For sale
Hefei City, Anhui Province				
Green Harbour, Phase 1B, – Townhouse units	December 2009	46,000	84.15%	For sale
Total		155,107		

Land reserve

The land reserve policy of the Group is to maintain a land bank which is sufficient for development planning by the Group in four to five years. As of 31 December 2008, the total GFA of the Group's land bank in Hangzhou, Zhejiang Province and Anhui Province was approximately 3,094,941 sq. m. and 2,230,586 sq. m., aggregating to approximately 5,325,527 sq. m. in total.

On 15 January 2008, the Group acquired the entire interests in Hangzhou Zheng Jiang Real Estate Development Co., Ltd. at a consideration of RMB361,106,000, of 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 222,932 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.

Details of land bank of the Group as of 31 December 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
Hangzhou City, Zhejiang Province				
A piece of land at Landscape Bay, Ning Wei Town	Residential/retail spaces	324,339	248,230	90%
A piece of land for Huijun, Xihu District	Residential/retail spaces	168,657	123,717	99.7%
A piece of land at Huifeng Plaza	Residential	69,545	28,991	90%
A piece of land reserved for International Office Centre, Phase A	Residential/offices/hotels	843,400	694,600	100%
A piece of land reserved for, International Office Center, Phase B	Residential/offices/hotels/ retail spaces	1,444,000	1,018,400	100%
A piece of land at Mingqi Plaza, Wenyan, Shaoshan District	Residential	245,000	202,000	94.5%

	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		**3,094,941**	**2,315,938**	
Huaibei City, Anhui Province				
Vancouver City, Phase 3A-3D	Residential/retail spaces	534,036	491,300	95%
Vancouver City, Phase 4 – 6	Residential/retail spaces/hotels	921,050	890,000	95%
Hefei City, Anhui Province				
Green Harbour, Phase 1B and C	Residential	92,000	84,000	84.15%
Green Harbour, Phase 2	Residential/retail spaces	128,200	87,300	84.15%
Green Harbour, Phase 3 – 6	Residential/retail spaces/hotels	555,300	542,500	84.15%
Sub-total for land bank in Anhui Province		**2,230,586**	**2,095,100**	
Total land bank		**5,325,527**	**4,411,038**	

Human resources

As at 31 December 2008, the Group employed 1,014 staff (2007: 495 staff). The main reason for the increase was the hotel staff additionally employed for the full operation of Holiday Inn Xiaoshan Hangzhou during the year under review. During 2008, the staff cost of the Group was approximately RMB43,477,000 (2007: approximately RMB22,662,000), representing an increase of approximately 92%.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. 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 for the entitlement of annual bonus according to certain performance conditions and appraisal results. To attract talented persons and stabilize the management, subject to the adoption of the share option scheme of the Company proposed to be approved by the shareholders of the Company at the forthcoming annual general meeting, eligible participants (including employees of the Group) may be granted options to subscribe for shares of the Company pursuant to the share option scheme. The Group also provided continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness.

Dividend policy

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

The final dividend proposed for 2008 is RMB0.02 per share, which was determined having taken into consideration of the uncertain prospects in the real estate industry in 2009 and that the management considered that maintaining sufficient cash flow would be beneficial for the sustainability and cash expenses for possible new projects of the Group. Subject to the shareholder's approval at the forthcoming annual general meeting of the Company, the dividend will be paid to shareholders whose names appear on the register of members on 8 May 2009.

Subsequent events

Other than the matters as disclosed in the published 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

Looking ahead in the future, under the uncertainties from impact of the financial crisis on global economy, the real estate market in the PRC still faces many challenges in 2009. Uncertain prospects of the economy, wait-and-see attitude in the market and lack of confidence from the buyers have inflicted pressures to the real estate market. Although the central government and certain individual local governments have implemented measures to stabilize the housing price and stimulate the development of the real estate market and the transaction volume of real estate at the beginning of 2009 increased, overall market was still dragged by negative factors such as inventory backlog, high development cost and tightened credit and the situation still awaits improvement. Pressure in market demand is expected not to deteriorate in medium and short term. As growth in real estate sales has slowed down and the banks has tightened credit, it is expected that immense financial pressure will be inflicted to real estate enterprises with higher borrowing ratio and thus accelerate market integration, which will provide an advantageous developing environment for real estate enterprises with financial strength.

The Group has developed and acquired land for projects with a prudent attitude since its listing. To meet the needs for market development, the Group will continue to adjust its development strategies and has planned to gradually expand its business investment, proportion in property service and development of commerce and retail and develop and stabilize its source of income based on its strong operation in development of residential projects and successful development in source of income from commercial properties in 2008. Meanwhile, with competitive advantages of sufficient cash flow, strong financial position and low cost of land, the Group continues to adopt prudent and active business strategies, seek acquisition and cooperative projects which focused on commercial projects and villa projects, develop industrial chain related to real estate, enhance corporate integration capacity and continue to improve product combination, so as to strive for better return.

Financial analysis

Gross profit

For the year ended 31 December 2008, the Group recorded audited gross profit of RMB496,550,000, an increase of 202% from RMB164,342,000 in the previous year. The main reason is that the area sold and delivered during the year under review increased by 137.3% from that in the previous year due to the sales of New White Horse Apartments were accounted for in the year, which represented 75% of total area accounted for.

Net profit

The audited profit attributable to the equity holders of the Company was RMB253,986,000, a decrease of 35% from RMB391,306,000 in the previous year. The main reason was that the increase in fair value of investment property in 2008 was RMB104,235,000, a decrease of RMB301,541,000 from that in 2007. However, core profits for the year amounted to RMB178,080,000, an increase of RMB150,384,000 from that in 2007.

Capital structure

As at 31 December 2008, the Group had aggregate cash and cash equivalents (including pledged deposits) of RMB1,668,441,000 (2007: RMB3,038,713,000) and the current ratio was 2.5 (2007: 2.0). Those capital resources and the stable financial structure of the Group have provided strong support for the Group in seeking other real estate developing opportunities and accelerating expansion of business in the PRC.

As at 31 December 2008, the bank loans and other borrowings of the Group repayable within one year and after one year were RMB142,117,000 and RMB521,789,000 respectively (31 December 2007: RMB438,197,000 and RMB854,716,000 respectively).

The consolidated interest expenses in 2008 amounted to RMB8,240,000 (2007: RMB37,224,000) in total. Interests with an amount of RMB62,123,000 (2007: RMB57,306,000) were capitalized. Interest cover (including amount of interests capitalized) was 5.3 times (2007: 1.3 times).

As at 31 December 2008, the ratio of total liabilities to total assets of the Group was 36.1% (2007: 48.8%).

As at 31 December 2008, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 16.9% (2007: 33.5%). The ratio of bank loans and other borrowings to total assets was 1% (2007: 16.8%). The gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was (6%) (2007: (38%)).

In conclusion, the financial affairs of the Group were significantly improved from that in 2007.

Capital commitments

As at 31 December 2008, the capital commitments of the Group were RMB568,744,000 (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 (including the proceeds from listing and/or bank loans).

Guarantees and contingent liabilities

As at 31 December 2008, the contingent liabilities of the Group was approximately RMB116,295,000 (2007: RMB523,015,000), which were 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 2008, investment properties of the Group with net book value of approximately RMB1,134,900,000 (2007: approximately RMB946,367,000), completed properties held for sale of approximately RMB nil (2007: approximately RMB22,689,000), properties under development of approximately RMB153,798,000 (2007: approximately RMB1,117,186,000), property and equipment approximately RMB163,872,000 (2007: nil) and no pledged deposits (2007: approximately RMB196,000) were pledged to secure the banking facilities of the Group.

Foreign Exchange Risk

In the balance of bank deposits as at 31 December 2008 (including restricted bank balances), Renminbi, US dollars, Euro and HK dollars accounted for 92.7%, 1.0%, 0.3% and 6.0% respectively (2007: accounted for 33.2%, 56.2%, 0% and 10.6% respectively). The Group shall, as soon as practicable, convert the bank balances in US dollars, Euro and HK dollars into Renminbi so as to reduce the foreign exchange risk.

As the sales, purchase and bank borrowings of the Group in 2008 and 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 risks in 2008 and 2007.

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.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, the Company repurchased a total of 57,328,000 shares in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the general mandate granted by the shareholders at the annual general meeting of the Company held on 5 May 2008. The summary of those repurchases is as follows:

Month/year	Number of shares purchased	Highest price paid HK$	Lowest price paid HK$	Total paid HK$'000
April 2008	18,142,000	3.96	3.18	66,679
May 2008	75,000	3.69	3.63	276
June 2008	1,027,000	3.10	2.96	3,116
July 2008	7,171,000	3.05	2.63	20,473
August 2008	12,008,000	2.83	2.14	27,636
October 2008	18,905,000	1.21	0.99	19,619
	57,328,000			137,799

All shares repurchased were cancelled and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the Company and its shareholders as a whole by enhancing the value of the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 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 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange in force prior to 1 January 2009 by adopting the code provisions of the Code.

During the year, 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 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.

AUDIT COMMITTEE

The audit committee had reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2008 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 May 2009 to 15 May 2009,both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and be eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 15 May 2009, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 May 2009.

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.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

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

The PRC, 31 March 2009