众安房产
ZHONG AN REAL ESTATE

ZHONG AN REAL ESTATE LIMITED
眾安房產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

	Unaudited For the six-month period ended 30 June		
	2010	2009	Percentage of increase/ (decrease)
Revenue (RMB'000)	**207,898**	330,640	(37%)
Profit attributable to owners of the parent (RMB'000)	**82,870**	72,647	14%
Basic and diluted earnings per share (RMB)	**3.55 cents**	3.12 cents	14%

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-month period ended 30 June 2010 (the "period under review") together with the comparative amounts for the corresponding period.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited For the six-month period ended 30 June	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**207,898**	330,640
Cost of sales		**(118,872)**	(212,230)
Gross profit		**89,026**	118,410
Other income	*5*	**1,510**	16,082
Selling and distribution costs		**(34,158)**	(16,558)
Administrative expenses		**(71,832)**	(37,171)
Other expenses		**(30,792)**	(13,762)
Increase in fair value of investment properties		**186,280**	63,232
Finance costs		**(3,614)**	(10,784)
Profit before tax	*6*	**136,420**	119,449
Income tax	*7*	**(47,125)**	(35,585)
Profit for the period		**89,295**	83,864
Attributable to:			
Owners of the parent		**82,870**	72,647
Non-controlling interests		**6,425**	11,217
		89,295	83,864
Earnings per share attributable to ordinary equity holders of the parent (RMB)			
Basic and diluted	*8*	**3.55 cents**	3.12 cents
Dividends			
Interim	*9*	**–**	38,853

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six-month period ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**89,295**	83,864
Other comprehensive income		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**533**	77
Total comprehensive income for the period	**89,828**	83,941
Attributable to:		
Owners of the parent	**83,403**	72,724
Non-controlling interests	**6,425**	11,217
	89,828	83,941

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2010** *RMB'000*	Audited 31 December 2009 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**191,268**	190,812
Investment properties		**1,840,600**	1,608,800
Properties under development		**3,605,194**	1,275,367
Available-for-sale investments		**3,300**	3,300
Long term prepayments		**735,234**	1,692,205
Deferred tax assets		**57,787**	34,404
Total non-current assets		**6,433,383**	4,804,888
CURRENT ASSETS			
Completed properties held for sale		**246,446**	391,516
Properties under development		**945,788**	675,555
Inventories		**8,680**	7,193
Trade receivables	*10*	**14,858**	14,318
Prepayments, deposits and other receivables		**506,411**	451,621
Pledged deposits		**28,144**	29,348
Cash and cash equivalents		**751,720**	891,787
Total current assets		**2,502,047**	2,461,338
CURRENT LIABILITIES			
Trade payables	*11*	**466,935**	628,570
Other payables and accruals		**318,126**	335,950
Advances from customers		**1,189,302**	175,194
Interest-bearing bank and other borrowings		**634,616**	173,753
Tax payable		**232,506**	337,209
Total current liabilities		**2,841,485**	1,650,676
NET CURRENT (LIABILITIES)/ASSETS		**(339,438)**	810,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,093,945**	5,615,550

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited 30 June 2010** *RMB'000*	Audited 31 December 2009 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,093,945**	5,615,550
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,266,884**	891,036
Deferred tax liabilities		**355,175**	300,074
Total non-current liabilities		**1,622,059**	1,191,110
Net assets		**4,471,886**	4,424,440
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**185,339**	185,339
Reserves		**4,140,299**	4,094,690
		4,325,638	4,280,029
Non-controlling interests		**146,248**	144,411
Total equity		**4,471,886**	4,424,440

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital	**Share premium account**	**Contributed surplus**	**Capital reserve/ (deficit)**	**Share option reserve**	**Statutory surplus reserve**	**Statutory reserve fund**	**Exchange fluctuation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	**185,339**	**2,976,821**	**39,318**	**9,451**	**15,519**	**115,429**	**8,234**	**(78,705)**	**1,008,623**	**4,280,029**	**144,411**	**4,424,440**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**533**	**82,870**	**83,403**	**6,425**	**89.828**
Acquisition of non-controlling interests*	**–**	**–**	**–**	**(53,353)**	**–**	**–**	**–**	**–**	**–**	**(53,353)**	**(4,588)**	**(57,941)**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**15,559**	**–**	**–**	**–**	**–**	**15,559**	**–**	**15,559**
At 30 June 2010 (Unaudited)	**185,339**	**2,976,821**	**39,318**	**(43,902)**	**31,078**	**115,429**	**8,234**	**(78,172)**	**1,091,493**	**4,325,638**	**146,248**	**4,471,886**

* In February 2010, the Group acquired 5% non-controlling interests from the non-controlling shareholder for total consideration of RMB57,941,000. The difference between the consideration and the book value of the share of the net assets acquired of RMB53,353,000 is recognised as an equity transaction.

	Attributable to owners of the parent											
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Statutory surplus reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	185,339	2,976,821	39,318	9,451	107,936	7,841	(80,125)	646,445	38,853	3,931,879	110,573	4,042,452
Total comprehensive income for the period	–	–	–	–	–	–	77	72,647	–	72,724	11,217	83,941
Final 2008 dividend declared	–	–	–	–	–	–	–		(38,853)	(38,853)	–	(38,853)
At 30 June 2009 (Unaudited)	185,339	2,976,821	39,318	9,451	107,936	7,841	(80,048)	719,092	–	3,965,750	121,790	4,087,540

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Corporate information

The Company is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 under the Companies Law (Law 3 of 1961, as consolidated and 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.

The Group is principally engaged in property development, leasing and hotel operation. The Group's property development projects during the period under review are all located in the 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"), Chairman and Chief Executive Officer of the Company.

This unaudited condensed consolidated interim financial information was approved by the Board for issue on 30 August 2010.

2. Net current liabilities

As at 30 June 2010, the current liabilities of the Group exceeded its current assets by approximately RMB339 million. The Directors have prepared the financial information on a going concern basis notwithstanding the net current liabilities position because the Group has an unutilised credit facility of RMB938 million as at 1 August 2010. Furthermore, the Group is expected to generate sufficient cash inflow from the sales/pre-sales of its on-going property development projects to meet its financial obligations when they fall due.

3. Basis of presentation and accounting policies

The unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2010 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

Impact of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs which are generally effective for accounting periods beginning on or after 1 July 2009 and 1 January 2010. The adoption of these new and revised standards, interpretations and amendments has had no material impact on these unaudited condensed consolidated interim financial statements.

IFRS 1 (Revised)	*First-time Adoption of IFRSs*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 Amendment	*Amendment to IAS 39 Financial Instruments: Recognition and Measurement-Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
Amendments to IFRS 5 included in *Improvements to IFRSs* issued in October 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*

Apart from the above, the IASB has issued Improvements to IFRSs 2009 in April 2009 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

Impact of issue but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these unaudited condensed consolidated interim financial statements. These new and revised IFRSs are effective for annual periods beginning on or after 1 February 2010.

IFRS 1 Amendments	Amendment to IFRS 1 *First-time Adoption of IFRSs – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [4]
IFRS 9	*Financial Instruments* [6]
IAS 24 (Revised)	*Related Party Disclosures* [3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* [3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

In May 2010, the IASB has also issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs which result from proposals that were included in the Exposure Draft of Improvements to IFRS issued in August 2009. The amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 while the amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

4. Operating segment information

For management purposes, the Group is organised into business units based on income derived from business and has four reportable operating segments as follows:

(a) the property development segment which develops and sells properties in the PRC;

(b) the property rental segment which leases investment properties in the PRC;

(c) the hotel operations segment which owns and operates a hotel; and

(d) the others segment comprises, principally, the Group's property management services business, which provides management and security services to residential and commercial properties.

Management of the Company monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue and profit information regarding the Group's operating segments for the six-month period ended 30 June 2010 and 2009 respectively:

Six-month period ended 30 June 2010 (unaudited)	**Property development** *RMB'000*	**Property rental** *RMB'000*	**Hotel operations** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue:					
Sales to external customers	158,510	17,493	28,115	3,780	207,898
Intersegment sales	6,620	–	–	–	6,620
	165,130	17,493	28,115	3,780	214,518
Reconciliation:					
Elimination of intersegment sales					(6,620)
Revenue					207,898
Segment results	(25,546)	189,872	3,608	(13,270)	154,664
Reconciliation:					
Interest income					929
Share option expenses					(15,559)
Finance costs					(3,614)
Profit before tax					136,420

Six-month period ended 30 June 2009 (unaudited)	Property development *RMB'000*	Property rental *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	288,649	17,883	22,245	1,863	330,640
Intersegment sales	–	–	–	1,150	1,150
	288,649	17,883	22,245	3,013	331,790
Reconciliation:					
Elimination of intersegment sales					(1,150)
Revenue					330,640
Segment results	110,430	11,542	3,542	(9,260)	116,254
Reconciliation:					
Interest income					13,979
Finance costs					(10,784)
Profit before tax					119,449

The following table presents segment assets of the Group's operating segments as at 30 June 2010 and 31 December 2009:

As at 30 June 2010 (unaudited)	**Property development**	**Property rental**	**Hotel operations**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	6,313,853	1,899,370	138,978	1,157,798	9,509,999
Reconciliation:					
Elimination of intersegment receivables					(1,477,763)
Corporate and other unallocated assets					903,194
Total assets					8,935,430

As at 31 December 2009 (audited)	Property development	Property rental	Hotel operations	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	4,636,889	1,668,086	392,864	826,186	7,524,025
Reconciliation:					
Elimination of intersegment receivables					(1,218,972)
Corporate and other unallocated assets					961,173
Total assets					7,266,226

5. 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-month period ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**163,327**	302,607
Leasing income	**22,572**	19,265
Management fee income	**3,978**	3,406
Revenue from hotel operations	**29,813**	23,589
Less: Business tax and surcharges	**(11,792)**	(18,227)
	207,898	330,640
Other income		
Interest income	**929**	13,979
Others	**581**	2,103
	1,510	16,082

6. Profit before tax

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

	Unaudited For the six-month period ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cost of properties sold	**102,794**	202,466
Depreciation	**8,734**	5,685
Amortisation of land use rights	**2,222**	–
Goodwill impairment	**–**	9,978
Staff costs including directors' remuneration	**34,057**	20,941
Impairment of other receivables	**29,517**	–
Changes in fair value of investment properties	**(186,280)**	(63,232)

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.

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (six-month period ended 30 June 2009: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. 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. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

	Unaudited For the six-month period ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax for the period	**8,500**	19,986
PRC land appreciation tax for the period	**6,907**	1,635
Deferred tax	**31,718**	13,964
Total tax charge for the period	**47,125**	35,585

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 period attributable to ordinary equity holders of the parent of RMB82,870,000 (six-month period ended 30 June 2009: RMB72,647,000) and the weighted average number of ordinary shares of 2,331,206,400 (six-month period ended 30 June 2009 (as adjusted to reflect the bonus issue): 2,331,206,400) in issue during the period, as adjusted to reflect the bonus issue after the end of the reporting period before the issuance date of the interim condensed consolidated financial statements.

No diluted earnings per share has been taken into consideration, since the date of share options granted to the end of the reporting period, the average quoted market price of ordinary shares is lower than the adjusted exercise price of the share options.

9. Dividends

	Unaudited For the six-month period ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Proposed interim dividend: nil (2009:RMB0.02) per ordinary share	**-**	38,853

10. 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 period are neither past due nor impaired and aged within three month based on payment due date.

Trade receivables are non-interesting-bearing and unsecured.

11. Trade payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	Unaudited 30 June 2010 ***RMB'000***	Audited 31 December 2009 *RMB'000*
Within six months	**363,172**	613,647
Over six months but within one year	**91,779**	6,495
Over one year	**11,984**	8,428
	466,935	628,570

The above balances are unsecured and interest-free and are normally settled based on progress of construction.

12. Commitments

The Group had the following commitments for property development expenditure at the end of reporting period:

	Unaudited 30 June 2010 ***RMB'000***	Audited 31 December 2009 *RMB'000*
Contracted, but not provided for:		
Properties under development	**1,466,458**	1,954,409

13. Contingent liabilities

	Unaudited 30 June 2010 ***RMB'000***	Audited 31 December 2009 *RMB'000*
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**1,361,828**	872,285

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. Events after the reporting period

Pursuant to the annual general meeting held on 30 June 2010, bonus issue of shares on the basis of one share for every five ordinary shares held (the "Bonus Issue") was approved. 388,534,400 bonus shares were issued under the Bonus Issue on 19 July 2010 and the amount of HK$38,853,440 was capitalized from the Company's share premium account. The Bonus Shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

As a result of the Bonus Issues of shares mentioned above, in accordance with the terms of the share option scheme of the Company and the supplementary guidance dated 5 September 2005 issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") regarding adjustment of share options under Rule 17.03(13) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the exercise price of and the number of shares falling to be allotted and issued upon full exercise of the outstanding share options of the share option scheme have been adjusted from HK$3.10 per share to HK$2.58 per share and 40,000,000 shares to 48,062,016 shares, respectively.

Save as disclosed above, there are no events to cause material impact on the Group from the end of the reporting period to the date of this announcement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unaudited consolidated revenue of the Group was RMB207,898,000 for the six-month period ended 30 June 2010, representing a decrease of 37.1% from the corresponding period in 2009. The unaudited profit attributable to the owners of the parent was RMB82,870,000 for the six-month period ended 30 June 2010, representing an increase of 14.1% from the corresponding period in 2009. The unaudited earnings per share for the six-month period ended 30 June 2010 was RMB3.55 cents (corresponding period in 2009: RMB3.12 cents (as adjusted to reflect the bonus issue)), representing an increase of 13.8%.

The property market had been affected by the continuous implementation of regulatory measures set by the central government. The sales volume of the Hangzhou residential properties sold in the first half of 2010 as recorded was about 1,321,000 sq. m., representing a decrease of about 63.2% as compared to that of the corresponding period in 2009. Whereas the average sales price of the Hangzhou residential properties sold in the first half of 2010 was RMB20,456 per sq. m., representing an increase of about 60.0% as compared to that of the corresponding period in 2009.

The sales volume of residential property in the Anhui Province as recorded was about 18,067,000 sq. m., representing an increase of 24.5% as compared to that of the corresponding period in 2009. The average sales price was about RMB4,043 per sq. m., representing an increase of 22.6% as compared to that of the corresponding period in 2009. The regulatory measures did not impose significant impact to the property market in the Anhui Province, the PRC.

BUSINESS REVIEW

In view of the step-by-step implementation of macro-economic controls by the central government that are expected to cool down the property market, the Group has maintained a stable operation strategy. In this respect, the Group launched the pre-sale of the projects early this year in anticipation of the promulgation of more and more stringent regulatory measures in the foreseeable future.

The presale of the projects, with construction being commenced in 2009, will be launched in the second half of this year. The achievable sale will be attained at a satisfactory level even though the GFA available for sale decreased in the first half of this year.

The presale projects in Hangzhou and the Anhui Province will be completed and the respective revenue will be recorded in the second half of this year.

SALES AND EARNINGS

The area of property sold and delivered by the Group for the six-month period ended 30 June 2010 was 16,804 sq. m. (corresponding period in 2009: 46,366 sq. m), representing a decrease of 63.8%. The reduction was mainly due to the adverse effect of the regulatory measures implemented during the period under review. The gross profit for the six-month period ended 30 June 2010 was RMB89,026,000 (corresponding period in 2009: RMB118,410,000), representing a decrease of 24.8%. The decrease was due to the net effect of the reduction in the area of properties sold and delivered and the increase in the proportion of sales of townhouse which were sold at higher values.

The average sales price per sq. m. achieved by the Group for the six-month period ended 30 June 2010 was RMB9,720 (corresponding period in 2009: RMB6,527), representing an increase of 48.9%. The average cost per sq. m. for the six-month period ended 30 June 2010 was RMB6,117 (corresponding period in 2009: RMB4,367), representing an increase of 40.1%. The primary reason was that the majority of sales came from the sales of apartments in Hangzhou and townhouses in Hefei which were sold with a higher margin and higher cost of sales.

The unaudited profit attributable to the owners of the parent was RMB82,870,000 for the six-month period ended 30 June 2010 (corresponding period in 2009: RMB72,647,000), representing an increase of 14.1%. The increase was mainly due to the increase in fair value of the investment properties. The unaudited increase in fair value of investment properties for the six-month period ended 30 June 2010 was RMB186,280,000 (RMB130,816,000 net of relevant enterprise income tax and non-controlling interests), whereas the same was RMB63,232,000 for the corresponding period in 2009 (RMB42,681,000 net of relevant enterprise income tax and non-controlling interests). The increase in fair value of investment property for the six-month period ended 30 June 2010 was mainly derived from the valuation of investment properties of Landscape Garden in Hangzhou and Vancouver City in Huaibei which were previously held for sale and will generate a stable source of income.

Area for pre-sale

Up to 30 June 2010, the GFA for pre-sale by the Group was approximately 127,078 sq. m.. Set out below are the details on the area for pre-sale from the projects:

City	Project	Interest	Contract GFA *(sq.m.)*
Hangzhou	Landscape Bay	92.6%	79,369
Hangzhou	White Horse Noble Mansion	99.7%	993
Hefei	Green Harbour	84.2%	11,034
Huaibei	Vancouver City	100.0%	35,682
Total			127,078

Booked GFA

Up to 30 June 2010, the booked GFA of the Group was approximately 16,804 sq. m.. Set out below are the details on the booked area of these projects:

City	Project	Interest	Booked GFA *(sq.m.)*
Hangzhou	New White Horse Apartment	90.0%	313
Hangzhou	White Horse Noble Mansion	99.7%	4,268
Hefei	Green Harbour	84.2%	12,233
Total			16,804

Land reserve

As of 30 June 2010, the total GFA of the Group's land bank in the Zhejiang Province and the Anhui Province was 3,903,649 sq. m. and 2,253,267 sq. m. respectively, which was 6,156,916 sq. m. in total. This sizable land bank is sufficient for development by the Group in the coming four to five years.

Details of land bank as of 30 June 2010:

	Type of property	Total GFA *(sq.m.)*	GFA available for sale/leasing *(sq.m.)*	Percentage of interest in the project attributable to the Group
A piece of land for Landscape Bay at Ning Wei Town, Hangzhou, Zhejiang Province	Residential/retail spaces	320,316	259,796	92.6%
A piece of land for Huifeng Plaza at Xiaoshan District, Hangzhou, Zhejiang Province	Residential	69,545	28,991	90.0%
A piece of land for Yinlong Bay[#] at Wenyan Town, Xiaoshan District, Hangzhou, Zhejiang Province	Residential/retail spaces/offices	246,822	217,962	94.5%
A piece of land for Phase A, International Office Centre at Hangzhou, Zhejiang Province	Residential/offices/hotels	843,400	683,300	100.0%
A piece of land for Phase B & C, International Office Centre at Hangzhou, Zhejiang Province	Residential/offices/hotels/retail spaces	1,444,000	1,018,400	100.0%
A piece of land for Shanshuiyi Garden* at Qiandaohu Town, Cunan County, Zhejiang Province	Residential/hotels	41,640	23,700	100.0%

	Type of property	Total GFA *(sq.m.)*	GFA available for sale/leasing *(sq.m.)*	Percentage of interest in the project attributable to the Group
A piece of land for Shanshuiyi County* at Xiaoheshan, Hangzhou, Zhejiang Province	Residential	201,138	149,283	90.0%
A piece of land for Shanshuiyi Villa* and Time Square* at north to Shengui Hill, Hangzhou, Zhejiang Province	Residential/offices/hotels/ retail spaces	339,788	310,100	90.0%
A piece of land at Xinzhou Road and Xinghe Road, Yuhang Economic Development Zone, Hangzhou, Zhejiang Province	Residential/retail spaces	397,000	334,302	51.0%
Sub-total for land bank in Zhejiang Province		3,903,649	3,025,834	
Vancouver City, Phase 3A-3D, Huaibei City, Anhui Province	Residential/retail spaces	534,036	491,300	100.0%
Vancouver City, Phase 4 – 6, Huaibei City, Anhui Province	Residential/retail spaces/ hotels	921,050	471,891	100.0%
Green Harbour, Phase 1B & C, Hefei, Anhui Province	Residential	114,681	71,349	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		2,253,267	1,664,340	
Total land bank		6,156,916	4,690,174	

* *for identification only*

\# *formerly known as Yinlong Chateau*

HUMAN RESOURCES AND REMUNERATION POLICY

As of 30 June 2010, the Group employed 1,099 staff (30 June 2009: 1,004 staff). For the six-month period ended 30 June 2010, the unaudited staff cost of the Group was approximately RMB 34,057,000(corresponding period of 2009: approximately RMB20,941,000). The increase was due to the share-based payments under the share option scheme adopted by the Company on 15 May 2009 and the granting of options on 9 July 2009, and the adoption of more competitive remuneration policy to recruit staff with higher qualify.

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, 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 provides continuous learning and training programmes 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 in future according to the financial condition, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

In addition, the Company'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 of bank credit facilities or other agreements that the Group or its subsidiaries may enter into in the future.

CAPITAL STRUCTURE

As of 30 June 2010, the Group had aggregate cash and cash equivalents (including pledged deposits) of RMB779,864,000 (31 December 2009: RMB921,135,000).

The current ratio as at 30 June 2010 was 0.9 (31 December 2009: 1.5). The decrease was mainly due to the increase in the presale proceeds received during the period under review.

As at 30 June 2010, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB634,616,000 and RMB1,266,884,000, respectively (31 December 2009: approximately RMB173,753,000 and RMB891,036,000, respectively).

The unaudited consolidated interest expense for the six-month period ended 30 June 2010 amounted to RMB3,614,000 (corresponding period in 2009: RMB10,784,000). In addition, for the six-month period ended 30 June 2010, interest with an unaudited amount of RMB19,534,000 (corresponding period in 2009: RMB6,973,000) were capitalized. Interest coverage ratio (including amount of interests capitalized) was (1.0) times (corresponding period in 2009: 3.5 times).

As at 30 June 2010, the ratio of total liabilities to total assets of the Group was 50.0% (31 December 2009: 39.1%).

As at 30 June 2010, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 44.0% (31 December 2009: 24.9%). The ratio of bank loans and other borrowings to total assets was 21.3% (31 December 2009: 14.7%). The increase was due to the bank loans obtained in the period under review.

CAPITAL COMMITMENTS

As at 30 June 2010, the capital commitments of the Group were RMB1,466,458,000 (31 December 2009: RMB1,954,409,000), 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 2010, the contingent liabilities of the Group was approximately RMB1,361,828,000 (31 December 2009: RMB872,285,000), 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 2010, investment properties of the Group with net book value of approximately RMB1,703,700,000 (31 December 2009: approximately RMB1,596,400,000), properties under development of approximately RMB157,198,000(31 December 2009: approximately RMB145,367,000) and properties under the category of property and equipment of approximately RMB154,467,000 (31 December 2009: RMB158,392,000) were pledged to secure the banking facilities of the Group.

As at 30 June 2010, bank deposits amounting to RMB28,144,000 (31 December 2009: approximately RMB29,348,000) were pledged to certain banks in respect of the mortgage facilities granted by the banks to the purchasers of the Group's properties.

FOREIGN EXCHANGE RISK

As the sales, purchase and bank borrowings of the Group in the first half of 2010 and the corresponding period in 2009 were made mainly in Renminbi, the foreign exchange risk exposed to the Group was relatively minimal. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in the first half of 2010 and the corresponding period in 2009.

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

Except for events disclosed in note 14 to the condensed consolidated financial information above, there was no matter that caused material impact on the Group between the end of the reporting period (i.e. 30 June 2010) and the date of this announcement.

PROSPECTS AND OUTLOOK

The property market will be expected to be adversely affected by the regulatory measures imposed by the central government. It may gradually stabilize in the second half of 2010. In light of this, the Group will continue adopt the low cost acquisition strategy and speed up the sales whenever the opportunities come. This will enable the Group to achieve a quicker asset return and higher profit return.

The Group maintains abundant low cost land bank on hand and primarily focuses on the Yangtze River Delta which is the most developed region in China. We will continue to consolidate the established competitive advantages, and expand high-quality and low-cost land bank in selected developed cities with a prudent and forward looking approach. We are devoted to adopt business integration policy which encompasses property development, investment, management and operation, with the ultimate goal of achieving economies of scale for and sustainable development of the business of the Group. We will continue to enhance our corporate branding in our focused area. We intend to increase investment properties, which we believe would bring a stable financial operation and capital equilibrium for the Group in the long-run.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2010 (2009:RMB0.02).

CORPORATE GOVERNANCE

During the period under review, the Company had applied the principles of the Code on Corporate Governance Practices (the "Code") and complied with the code provisions and certain recommended best practices set out in the Code contained in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 in which Mr Shi Kancheng acts as both the chairman and chief executive officer of the Company since the listing of the Company's shares on the Stock Exchange in November 2007. The Board considers that this management structure will not impair the balance of power and authority of the Board but will provide the Company with consistent leadership and enable the Company to carry out the planning and implementation of business plans and decisions efficiently. This is beneficial to the management and development of the Group's businesses. The Board would review the management structure of the Group from time to time and consider the segregation of the roles of the chairman and chief executive officer if and when desirable.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the model code (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code during the period under review.

AUDIT COMMITTEE AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has set up an audit committee (the "Audit Committee") and the terms of reference adopted complied with the requirement of the Listing Rules. The chairman of the Audit Committee is Dr. Loke Yu. The other members are Professor Pei Ker Wei and Professor Wang Shu Guang. The Audit Committee comprises all of the three independent non-executive Directors. The unaudited condensed consolidated interim information for the six-month period ended 30 June 2010 has not been audited but has been reviewed by the Audit Committee and the Company's auditors, Ernst & Young.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (corresponding period in 2009: nil).

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 Dr. Loke Yu.

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

The PRC, 30 August 2010