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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

	Unaudited		
	For the six-month period ended 30 June		
	2011	2010	Percentage of increase/ (decrease)
Revenue (RMB'000)	246,631	207,898	18.6
Profit attributable to owners of the parent (RMB'000)	46,378	82,870	(44.0)
Earnings per share attributable to ordinary equity holders of the parent (RMB)	0.02	0.04	(50.0)

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 2011 (the “period under review”) together with the comparative amounts for the corresponding period.

INTERIM CONSOLIDATED INCOME STATEMENT

		Unaudited	
		For the six-month	
		period ended 30 June	
		2011	2010
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	246,631	207,898
Cost of sales		(116,891)	(118,872)
Gross profit		129,740	89,026
Other income	4	10,854	1,510
Selling and distribution costs		(50,905)	(34,158)
Administrative expenses		(95,307)	(71,832)
Other expenses		(4,011)	(30,792)
Increase in fair value of investment properties		105,550	186,280
Finance costs		(893)	(3,614)
Profit before tax	5	95,028	136,420
Income tax expenses	6	(39,284)	(47,125)
Profit for the period		55,744	89,295
Attributable to:			
Owners of the parent		46,378	82,870
Non-controlling interests		9,366	6,425
		55,744	89,295
Earnings per share attributable			
to ordinary equity holders of the parent (RMB)			
Basic and diluted	7	0.02	0.04

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	For the six-month	
	period ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	55,744	89,295
Other comprehensive income		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(6,486)	533
Total comprehensive income for the period	49,258	89,828
Attributable to:		
Owners of the parent	39,892	83,403
Non-controlling interests	9,366	6,425
	49,258	89,828

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
	Notes		
NON-CURRENT ASSETS			
Property and equipment		226,163	195,710
Investment properties		2,037,000	1,931,000
Properties under development		1,854,178	1,130,603
Available-for-sale investments		3,300	3,300
Investments in a jointly-controlled entity		175,776	—
Long term prepayments		2,167,192	1,860,027
Deferred tax assets		96,848	71,737
Total non-current assets		6,560,457	5,192,377
CURRENT ASSETS			
Completed properties held for sale		1,224,788	1,139,350
Properties under development		3,448,508	2,981,185
Inventories		23,640	14,191
Trade receivables	8	8,384	16,139
Notes receivable		2,000	—
Prepayments, deposits and other receivables		735,045	359,520
Equity investment at fair value through profit or loss		6,703	—
Pledged deposits		388,345	428,558
Cash and cash equivalents		667,970	1,007,979
Total current assets		6,505,383	5,946,922
CURRENT LIABILITIES			
Trade payables	9	391,171	508,998
Other payables and accruals		638,326	587,741
Advances from customers		2,858,115	1,725,582
Interest-bearing bank and other borrowings		646,500	950,500
Tax payable		250,299	341,618
Total current liabilities		4,784,411	4,114,439
NET CURRENT ASSETS		1,720,972	1,832,483
TOTAL ASSETS LESS CURRENT LIABILITIES		8,281,429	7,024,860

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	8,281,429	7,024,860
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,917,806	1,823,500
Deferred tax liabilities	423,242	387,017
Total non-current liabilities	3,341,048	2,210,517
Net assets	4,940,381	4,814,343
EQUITY		
Equity attributable to owners of the parent		
Issued capital	223,425	219,216
Reserves	4,529,366	4,416,903
	4,752,791	4,636,119
Non-controlling interests	187,590	178,224
Total equity	4,940,381	4,814,343

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Share				Share	Statutory	Statutory	Exchange			Non-	
	Issued	premium	Contributed	Capital	option	surplus	reserve	fluctuation	Retained		controlling	Total
	capital	account	surplus	deficit	reserve	reserve	fund	reserve	profits	Total	interests	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 2011	219,216	2,942,944	39,318	(43,902)	40,396	142,616	8,239	(73,898)	1,361,190	4,636,119	178,224	4,814,343
Profit for the period	–	–	–	–	–	–	–	–	46,378	46,378	9,366	55,744
Other comprehensive income for the period	–	–	–	–	–	–	–	(6,486)	–	(6,486)	–	(6,486)
Total comprehensive income for the period	–	–	–	–	–	–	–	(6,486)	46,378	39,892	9,366	49,258
Issue of new shares	4,209	53,618	–	–	–	–	–	–	–	57,827	–	57,827
Equity-settled share option arrangements	–	–	–	–	18,953	–	–	–	–	18,953	–	18,953
At 30 June 2011 (Unaudited)	223,425	2,996,562	39,318	(43,902)	59,349	142,616	8,239	(80,384)	1,407,568	4,752,791	187,590	4,940,381

	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
Profit for the period	–	–	–	–	–	–	–	–	82,870	82,870	6,425	89,295
Other comprehensive income for the period	–	–	–	–	–	–	–	533	–	533	–	533
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 interest in a subsidiary of the Group in Mainland China from the non-controlling shareholder at a 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 was recognised as an equity transaction.

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 are all located in Zhejiang, Jiangsu 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 31 August 2011.

2. Basis of presentation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated 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 as at 31 December 2010.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the new and revised International Financial Reporting Standards ("IFRS") and interpretations as of 1 January 2011, noted below:

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards-Limited Exemptions from Comparative IFRS 7 Disclosure for First-time Adopters</i>
IAS 24 (Revised)	<i>Related Party Disclosures</i>
IAS 32 Amendment	Amendment to IAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
IFRIC 14 Amendments	Amendments to IFRIC 14 <i>Prepayments of a Minimum Funding Requirement</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), amendment to IFRS3, IAS1 and IAS27 included in *Improvements to IFRSs 2010*, the adoption of these new and revised IFRSs had no significant financial effect on these financial statements.

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

(a) IAS 24 (Revised) *Related Party Disclosures*

The revised standard clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations*: The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the measurement options available for non-controlling interest have been amended. Only components of non-controlling interests that constitute a present ownership interest that entitles their holders to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *IAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements.
- *IAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the transition requirements of IAS 27 (as revised in 2008) shall be applied to consequentially amended standards.

2.3 Impact of issued but not yet effective IFRSs

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

Amendments to IFRS1	Amendments to IFRS1 <i>First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
Amendments to IFRS7	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Transfer of Financial Assets</i> ¹
Amendments to IAS12	Amendments to IAS12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
IAS1 (Revised)	<i>Presentation of Financial Statements on the Presentation of Other Comprehensive Income (“OCI”)</i> ³
IAS 19 (Revised)	<i>Employee Benefits</i> ⁴
IFRS 9	<i>Financial Instruments: Classification and measurement</i> ⁴
IFRS 10	<i>Consolidated Financial Statements</i> ⁴
IFRS 11	<i>Joint Arrangements</i> ⁴
IFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
IFRS 13	<i>Fair Value Measurement</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

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.

3. 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 Mainland China;
- (b) the property rental segment which leases investment properties in Mainland China;
- (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.

The management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) 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 presented revenue and profit information regarding the Group's operating segments for the six-month period ended 30 June 2011 and 2010, respectively.

Six-month period ended 30 June 2011 (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	175,960	37,307	27,510	5,854	246,631
Intersegment sales	11,000	–	–	1,845	12,845
	<u>186,960</u>	<u>37,307</u>	<u>27,510</u>	<u>7,699</u>	<u>259,476</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(12,845)
Revenue					<u>246,631</u>
Segment results	18,524	114,955	1,225	(21,885)	112,819
<i>Reconciliation:</i>					
Interest income					2,055
Share option expenses					(18,953)
Finance costs					(893)
Profit before tax					<u><u>95,028</u></u>
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
	<u>165,130</u>	<u>17,493</u>	<u>28,115</u>	<u>3,780</u>	<u>214,518</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(6,620)
Revenue					<u><u>207,898</u></u>
Segment results	(25,546)	189,872	3,608	(13,270)	154,664
<i>Reconciliation:</i>					
Interest income					929
Share option expenses					(15,559)
Finance costs					(3,614)
Profit before tax					<u><u>136,420</u></u>

The following table presents segment assets of the Group's operating segments as at 30 June 2011 and 31 December 2010:

As at 30 June 2011 (unaudited)	Property development RMB'000	Property rental RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment assets	10,085,386	2,097,561	399,368	1,066,657	13,648,972
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,359,954)
Corporate and other unallocated assets					776,822
Total assets					13,065,840
As at 31 December 2010 (audited)	Property development RMB'000	Property rental RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment assets	8,170,098	1,966,343	399,746	1,212,362	11,748,549
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,700,971)
Corporate and other unallocated assets					1,091,721
Total assets					11,139,299

4. Revenue and other income

Revenue, which is also the Group's turnover, represents revenue from the sale of properties, property leasing income, property management fee income and hotel operating 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	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Sale of properties	193,210	163,327
Property leasing income	33,475	22,572
Property management fee income	6,711	3,978
Hotel operating income	29,255	29,813
Less: business tax and surcharges	(16,020)	(11,792)
	246,631	207,898
Other income		
Interest income	2,055	929
Others	8,799	581
	10,854	1,510

5. Profit before tax

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

	Unaudited	
	For the six-month period ended 30 June	
	2011	2010
	RMB'000	RMB'000
Cost of properties sold	104,193	102,794
Depreciation	9,560	8,734
Minimum lease payments under operating leases:		
– Office premises	2,787	2,557
Amortisation of land use rights	2,222	2,222
Staff costs	54,369	34,057
Foreign exchange differences, net	(5,309)	89
Impairment of other receivables	–	29,517
Fair value gains, net:		
Equity investments at fair value through profit or loss	(1,153)	–
Changes in fair value of investment properties	(105,550)	(186,280)
Gain on disposal of items of property and equipment	(65)	–
	=====	=====

6. 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 made at the applicable income tax rate of 25% (six-month period ended 30 June 2010: 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
2011 **2010**
RMB'000 **RMB'000**

Current tax:		
PRC corporate income tax for the period	19,663	8,500
PRC land appreciation tax for the period	8,507	6,907
Deferred tax	11,114	31,718
Total tax charge for the period	39,284	47,125

7. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of RMB46,378,000 (six-month period ended 30 June 2010: RMB82,870,000) and the weighted average number of ordinary shares of 2,360,212,000 (six-month period ended 30 June 2010: 2,331,206,400) in issue during the period.

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.

8. 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.

Trade receivables are non-interest bearing and unsecured.

9. 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 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
Within six months	356,440	475,635
Over six months but within one year	3,112	8,903
Over one year	31,619	24,460
	<u>391,171</u>	<u>508,998</u>

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

10. Commitments

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

	Unaudited 30 June 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
Contracted, but not provided for: Properties under development	<u>1,757,471</u>	<u>2,185,729</u>

11. Contingent liabilities

Unaudited	Audited
30 June	31 December
2011	2010
RMB'000	RMB'000

Guarantees given to banks for:

Mortgage facilities granted to purchasers
of the Group's properties

780,350	659,460
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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 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.

12. Events after the reporting period

There are no events which caused 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 RMB246,631,000 for the six-month period ended 30 June 2011, representing an increase of 18.6% from RMB207,898,000 for the corresponding period in 2010. The unaudited profit attributable to the owners of the parent was RMB46,378,000 for the six-month period ended 30 June 2011, a decrease of 44.0% from RMB82,870,000 for the corresponding period in 2010. The unaudited earnings per share for the six-month period ended 30 June 2011 was RMB0.02 (corresponding period in 2010: RMB0.04), representing a decrease of 50.0%.

The board does not recommend the payment of interim dividend for the six-month period ended 30 June 2011.

The property market of China 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 2011 as recorded was about 1,243,000 sq. m., representing a decrease of about 5.9% as compared with that of the corresponding period in 2010. Whereas the average sales price of Hangzhou residential properties sold in the first half of 2011 was RMB23,700 per sq. m., an increase of about 15.9% as compared to that of the corresponding period in 2010.

The sales volume of residential properties in the Anhui Province in the first half of 2011 as recorded was about 20,130,000 sq. m., representing an increase of 11.4% as compared to that of the corresponding period in 2010. The average sales price was about RMB4,960 per sq. m., an increase of 22.7% as compared to that of the corresponding period in 2010. The regulatory measures did not appear to impose a significant impact on the property market in the Anhui Province, the PRC.

Business Review

In view of the implementation of macro-economic controls by the central government of the PRC that affected the property market, the Group has been continuing to maintain a stable operation strategy. In this respect, the Group launched the pre-sale of the development projects early this year. Hence, the presale was within our expectation during the period under review.

The presale projects in Zhejiang and Anhui Province will be completed in phases and the revenue will be recorded in this year.

Sales and earnings

The area of property sold and delivered by the Group for the six-month period ended 30 June 2011 was 22,337 sq. m. (corresponding period in 2010: 16,804 sq. m.), representing an increase of 32.9%. The increase was because more units were completed in 2010 and more sales could be recognized in the period under review compared to that of corresponding period in 2010.

The gross profit for the six-month period ended 30 June 2011 was RMB129,740,000 (corresponding period in 2010: RMB 89,026,000), representing an increase of 45.7%. The increase was due to the recognition of sale of townhouse of Landscape Bay in Xiaoshan District, Hangzhou which were sold at higher selling prices and not recognized in corresponding period in 2010.

The average sales price per sq. m. achieved by the Group for the six-month period ended 30 June 2011 was RMB8,650 (corresponding period in 2010: RMB9,720), representing a decrease of 11.0%. The average cost per sq. m. for the six-month period ended 30 June 2011 was RMB4,665 (corresponding period in 2010: RMB6,117), representing a decrease of 23.75%. The primary reason for such drop was that the majority of sales came from the sales of apartments of Vancouver City in Huaibei, Anhui Province which were sold with lower selling prices and cost of sales.

The unaudited profit attributable to the owners of the parent was RMB46,378,000 for the six-month period ended 30 June 2011 (corresponding period in 2010: RMB82,870,000), representing a decrease of 44.0%. The decrease was mainly because the increase in fair value of the investment properties for the period under review was less than that of the corresponding period in 2010. The unaudited increase in fair value of investment properties for the six-month period ended 30 June 2011 was RMB105,550,000 (RMB79,162,500 net of relevant corporate income tax), whereas the same was RMB186,280,000 for the corresponding period in 2010 (RMB139,710,000 net of relevant corporate income tax). The decrease in fair value of investment property for the six-month period ended 30 June 2011 was mainly because the property market had been affected by the macro-economic controls imposed by the central government of the PRC.

Contract sales

Up to 30 June 2011, the GFA of contract sales by the Group was approximately 94,531 sq. m.. Set out below are the details on the contract sales from the projects:

City	Project	Interest	Contract GFA (sq.m.)
Hangzhou	Landscape Bay	92.6%	16,341
Hangzhou	White Horse Noble Mansion	99.7%	1,872
Hangzhou	Yinlong Bay	94.5%	20,390
Yuyao	Yuelong Bay	90.0%	10,985
Hefei	Green Harbour	84.2%	3,145
Huaibei	Vancouver City	100.0%	41,798
Total			<u>94,531</u>

Booked sales

Up to 30 June 2011, the GFA for booked sales by the Group was approximately 22,337 sq. m.. Set out below are the details on the booked sales from these projects:

City	Project	Interest	Booked GFA (sq.m.)
Hangzhou	Landscape Bay	92.6%	2,881
Hangzhou	White Horse Noble Mansion	99.7%	777
Hefei	Green Harbour	84.2%	1,689
Huaibei	Vancouver City	100.0%	16,990
Total			<u>22,337</u>

Land reserve

As of 30 June 2011, the total GFA of the Group's land bank in Zhejiang Province, Anhui Province and Jiangsu Province was 4,565,142 sq. m., 1,848,083 sq. m. and 232,000 sq. m. respectively, which was 6,645,225 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 2011:

	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	232,652	177,348	92.6%
A piece of land for Huifeng Plaza at Xiaoshan District, Hangzhou, Zhejiang Province	Residential	49,920	40,311	90.0%
A piece of land for Yinlong Bay at Wenyan Town, Xiaoshan District, Hangzhou, Zhejiang Province	Residential/retail spaces/offices	243,184	196,490	94.5%
A piece of land for Phase A, International Office Centre at Hangzhou, Zhejiang Province	Residential/offices/hotels	739,133	641,875	100.0%

			GFA available for sale/leasing (sq.m.)	Percentage of interest in the project attributable to the Group
	Type of property	Total GFA (sq.m.)		
A piece of land for Phase B & C, International Office Centre at Hangzhou, Zhejiang Province	Residential/offices/ hotels/retail spaces	1,526,895	1,108,000	100.0%
A piece of land for Shanshuiyi Garden at Qiandaohu Town, Cunan County, Zhejiang Province	Residential/hotels	34,608	23,808	100.0%
A piece of land for Shanshuiyi County at Xiaoheshan, Hangzhou, Zhejiang Province	Residential	229,040	158,697	90.0%
A piece of land at north to Shengui Hill, Yuyao, Zhejiang Province				
Phase 1 – Yuelong Bay	Residential	196,519	133,491	90.0%
Phase 2	Residential	164,614	164,614	91.5%
Zhong An Times Square*	Residential/offices/ hotels/retail spaces	640,736	407,601	91.5%/90.0%
A piece of land for at Xinzhou Road and Xinghe Road, Yuhang Economic Development Zone, Hangzhou, Zhejiang Province	Residential/retail spaces	507,841	377,030	45.9%
Sub-total for land bank in Zhejiang Province		4,565,142	3,429,265	

			GFA available for sale/leasing (sq.m.)	Percentage of interest in the project attributable to the Group
	Type of property	Total GFA (sq.m.)		
Vancouver City, Phase 3B – 3D, Huaibei City, Anhui Province	Residential/retail spaces	309,712	280,712	100.0%
Vancouver City, Phase 4 – 6, Huaibei City, Anhui Province	Residential/retail spaces/hotel	792,126	678,542	100.0%
Green Harbour, Phase 1C, Hefei, Anhui Province	Residential	77,745	51,593	84.2%
Green Harbour, Phase 2, Hefei, Anhui Province	Residential/retail spaces	108,200	84,200	84.2%
Green Harbour, Phase 3 – 6, Hefei, Anhui Province	Residential/retail spaces/hotel	560,300	492,500	84.2%
Sub-total for land bank in Anhui Province		<u>1,848,083</u>	<u>1,587,547</u>	
A piece of land at Suzhou Industrial Park, Suzhou, Jiangsu Province	Residential/offices/hotel/ retail spaces	<u>232,000</u>	<u>152,000</u>	45.0%
Total land bank		<u><u>6,645,225</u></u>	<u><u>5,168,812</u></u>	

* The project will be jointly developed by two subsidiaries of the Group.

HUMAN RESOURCES AND REMUNERATION POLICY

As of 30 June 2011, the Group employed 1,340 staff (30 June 2010: 1,099 staff). For the six-month period ended 30 June 2011, the unaudited staff cost of the Group was approximately RMB54,369,000 (corresponding period of 2010: approximately RMB34,057,000) representing an increase of 59.6%. The increase was due to the increase of the headcounts for the development of the Group, additional amortization of share-based payments under the share option scheme adopted by the Company on 15 May 2009 and the granting of the 80 million share options on 22 January 2011, and the adoption of better remuneration policy to recruit staff with higher quality.

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 2011, the Group had aggregate cash and cash equivalents of RMB667,970,000 (31 December 2010: RMB1,007,979,000). The decrease was due to an increase in payments of operation expense (mainly construction cost of the projects).

The current ratio as at 30 June 2011 was 1.4 (31 December 2010: 1.4).

As at 30 June 2011, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB646,500,000 and RMB2,917,806,000 respectively (31 December 2010: approximately RMB950,500,000 and RMB1,823,500,000 respectively).

The unaudited consolidated interest expenses for the six-month period ended 30 June 2011 amounted to RMB893,000 (corresponding period in 2010: RMB3,614,000) in total. In addition, for the six-month period ended 30 June 2011, interests with an unaudited amount of RMB96,274,000 (corresponding period in 2010: RMB50,534,000) were capitalized. Interest coverage ratio (including amount of interests capitalized) was 0.02 times (corresponding period in 2010: (1.0) times).

As at 30 June 2011, the ratio of total liabilities to total assets of the Group was 62.2% (31 December 2010: 56.8%).

As at 30 June 2011, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 75.0% (31 December 2010: 60.5%). The ratio of bank loans and other borrowings to total assets was 27.3% (31 December 2010: 24.8%). The increase was due to the bank loans granted in the period under review.

CAPITAL COMMITMENTS

As at 30 June 2011, the capital commitments of the Group were RMB1,757,471,000 (31 December 2010: RMB2,185,729,000), 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 2011, the contingent liabilities of the Group was approximately RMB780,350,000 (31 December 2010: RMB659,460,000), 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 2011, investment properties of the Group with net book value of approximately RMB1,736,800,000 (31 December 2010: approximately RMB1,645,300,000), properties under development of approximately RMB3,245,306,000 (31 December 2010: approximately RMB2,684,405,000) and properties under the category of property and equipment of approximately RMB146,617,000 (31 December 2010: RMB150,542,000) were pledged to secure the banking facilities of the Group.

As at 30 June 2011, bank deposits amounting to RMB370,272,000 (31 December 2010: approximately RMB412,000,000) were pledged to certain banks in respect of the construction safety and 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 2011 and the corresponding period in 2010 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 the first half of 2011 and the corresponding period in 2010.

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.

EVENTS AFTER THE REPORTING PERIOD

There are no events which cause material impact on the Group from the end of the reporting period to the date of this announcement.

PROSPECTS AND OUTLOOK

It is expected that the central government of the PRC will not in near future relieve the regulatory measures imposed. The property market will adapt to the environment under regulatory measures and will be stabilized gradually.

The Group maintains abundant low cost land bank on hand and will continue to focus on the development in Yangtze River Delta, while keeping to acquire land in strategic development region for our needs in the future development. We will also continue to have stable financial management.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2011 (2010: nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 15 May 2009 (the "Scheme") for the eligible participants (the "Grantees").

On 22 January 2011, the Company granted 80,000,000 options (“Options”) to the Grantees under the Scheme. 6,600,000 Options out of 80,000,000 Options were granted to the Directors as follows:

Capacity	Name of the Grantee	Number of Options
executive Directors	Mr Shi Kancheng	2,300,000
	Mr Lou Yifei	1,100,000
	Ms Shen Tiaojuan	1,200,000
	Mr Zhang Jiangang	1,100,000
independent non-executive Directors	Professor Pei Ker Wei	300,000
	Professor Wang Shu Guang	300,000
	Dr Loke Yu	300,000
		<u>6,600,000</u>

Other relevant terms are as follows:

1. The exercise price of Options granted is HK\$1.85 per share;
2. The validity period of the Options is from 22 January 2011 to 21 January 2021 (the “Option Period”); and
3. The Options may be exercisable after three years from the date of grant i.e. 22 January 2011 (the “Lock-in Period”), provided that the Grantee has achieved the prescribed performance target during the Lock-in Period and has passed the Company’s assessment, and be exercisable before the expiry of the Option Period.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 of Hong Kong Limited (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 enables 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 2011 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 2010: 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, 31 August 2011