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 2012

FINANCIAL HIGHLIGHTS

	Unaudited For the six-month period ended 30 June		
	2012	2011	Percentage of increase/ (decrease)
Revenue (RMB'000)	**307,774**	246,631	24.8%
Profit attributable to owners of the parent (RMB'000)	**20,908**	46,378	(54.9%)
Earnings per share attributable to ordinary equity holders of the parent (RMB)	**0.01**	0.02	(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 (collectively the “**Group**”) for the six-month period ended 30 June 2012 (the “**period under review**”) together with the comparative amounts for the corresponding period in 2011.

INTERIM CONSOLIDATED INCOME STATEMENT

		For the six-month period ended 30 June	
		2012	2011
	Notes	***RMB’000***	*RMB’000*
		(unaudited)	(unaudited)
Revenue	*4*	**307,774**	246,631
Cost of sales		**(147,820)**	(116,891)
Gross profit		**159,954**	129,740
Other income and gains	*4*	**18,171**	10,854
Selling and distribution costs		**(28,125)**	(50,905)
Administrative expenses		**(101,118)**	(95,307)
Other expenses		**(3,943)**	(4,011)
Increase in fair value of investment properties		**16,435**	105,550
Finance costs		**(390)**	(893)
Share of profits and losses of jointly controlled entities		**(371)**	–
Profit before tax	*5*	**60,613**	95,028
Income tax	*6*	**(38,402)**	(39,284)
Profit for the period		**22,211**	55,744
Attributable to:			
Owners of the parent		**20,908**	46,378
Non-controlling interests		**1,303**	9,366
		22,211	55,744
Earnings per share attributable to owners of the parent (RMB)			
Basic and diluted	*7*	**0.01**	0.02

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month period ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**22,211**	55,744
Other comprehensive income		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(751)**	(6,486)
Total comprehensive income for the period	**21,460**	49,258
Attributable to:		
Owners of the parent	**20,157**	39,892
Non-controlling interests	**1,303**	9,366
	21,460	49,258

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012** *RMB'000* **(unaudited)**	31 December 2011 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property and equipment		**214,994**	226,553
Investment properties		**2,013,600**	1,995,600
Properties under development		**4,021,800**	2,935,604
Available-for-sale investments		**5,610**	5,610
Investments in jointly-controlled entities		**359,949**	177,482
Long term prepayments		**79,586**	737,073
Deferred tax assets		**113,570**	107,746
Total non-current assets		**6,809,109**	6,185,668
CURRENT ASSETS			
Completed properties held for sale		**2,035,422**	1,480,192
Properties under development		**4,712,017**	4,695,260
Inventories		**6,210**	11,623
Trade and bills receivables	*8*	**28,585**	56,750
Prepayments, deposits and other receivables		**547,286**	542,972
Equity investment at fair value through profit or loss		**782**	1,004
Restricted cash		**208,207**	189,587
Cash and cash equivalents		**307,929**	412,508
		7,846,438	7,389,896
Investment property classified as held for sale		**34,900**	73,218
Total current assets		**7,881,338**	7,463,114
CURRENT LIABILITIES			
Trade payables	*9*	**1,301,212**	1,423,408
Other payables and accruals		**732,323**	670,731
Advances from customers		**2,652,839**	2,285,805
Interest-bearing bank and other borrowings		**1,227,450**	1,064,930
Tax payable		**475,870**	508,882
Total current liabilities		**6,389,694**	5,953,756
NET CURRENT ASSETS		**1,491,644**	1,509,358
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,300,753**	7,695,026

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,300,753**	7,695,026
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,524,329**	1,990,451
Deferred tax liabilities	**429,403**	436,467
Total non-current liabilities	**2,953,732**	2,426,918
Net assets	**5,347,021**	5,268,108
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**222,485**	222,636
Reserves	**4,873,733**	4,840,072
	5,096,218	5,062,708
Non-controlling interests	**250,803**	205,400
Total equity	**5,347,021**	5,268,108

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital	Share premium account	Contributed surplus	Capital 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 2012	**222,636**	**2,985,925**	**39,318**	**(43,902)**	**74,774**	**144,115**	**8,239**	**(80,230)**	**1,711,833**	**5,062,708**	**205,400**	**5,268,108**
Profit for the period	–	–	–	–	–	–	–	–	**20,908**	**20,908**	**1,303**	**22,211**
Other comprehensive income for the period	–	–	–	–	–	–	–	**(751)**	–	**(751)**	–	**(751)**
Total comprehensive income for the period	–	–	–	–	–	–	–	**(751)**	**20,908**	**20,157**	**1,303**	**21,460**
Repurchase and cancellation of shares	**(151)**	**(1,431)**	–	–	–	–	–	–	–	**(1,582)**	–	**(1,582)**
Capital contribution by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	**44,100**	**44,100**
Equity-settled share option arrangements	–	–	–	–	**14,935**	–	–	–	–	**14,935**	–	**14,935**
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	**(4,647)**	–	–	–	**4,647**	–	–	–
At 30 June 2012 (unaudited)	**222,485**	**2,984,494**	**39,318**	**(43,902)**	**85,062**	**144,115**	**8,239**	**(80,981)**	**1,737,388**	**5,096,218**	**250,803**	**5,347,021**

	Attributable to owners of the parent											
	Issued capital	Share premium account	Contributed surplus	Capital 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 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

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 2012.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2012 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 2011.

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 2011, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") and interpretations as of 1 January 2012, noted below:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these new and revised IFRSs had no significant financial effect on these financial statements.

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 these financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 (2011)	*Employee Benefits*[2]
IAS 27 (2011)	*Separate Financial Statement*[2]
IAS 28 (2011)	*Investments in Associates*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Improvements to IFRSs 2009-2011 Cycle	*Amendments to a number of IFRSs issued in May 2012*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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 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 2012 and 2011, respectively.

Six-month period ended 30 June 2012 (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	**238,970**	**33,329**	**27,043**	**8,432**	**307,774**
Intersegment sales	**–**	**11,850**	**–**	**4,444**	**16,294**
	238,970	**45,179**	**27,043**	**12,876**	**324,068**
Reconciliation:					
Elimination of intersegment sales					**(16,294)**
Revenue					**307,774**
Segment results	**52,254**	**28,395**	**(1,162)**	**(4,787)**	**74,700**
Reconciliation:					
Interest income					**1,831**
Equity-settled share option expenses					**(14,935)**
Fair value loss, net:					
Equity investments at fair value through profit or loss					**(222)**
Share of profits and losses:					
Jointly controlled entities					**(371)**
Finance costs					**(390)**
Profit before tax					**60,613**

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	186,960	26,307	27,510	5,854	246,631
Intersegment sales	–	11,000	–	1,845	12,845
	186,960	37,307	27,510	7,699	259,476
Reconciliation:					
Elimination of intersegment sales					(12,845)
Revenue					246,631
Segment results	18,524	114,955	1,225	(21,885)	112,819
Reconciliation:					
Interest income					2,055
Equity-settled share option expenses					(18,953)
Finance costs					(893)
Profit before tax					95,028

The following table presents segment assets of the Group's operating segments as at 30 June 2012 and 31 December 2011:

As at 30 June 2012 (unaudited)	**Property development** *RMB'000*	**Property rental** *RMB'000*	**Hotel Operations** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment assets	**11,758,628**	**2,275,827**	**396,584**	**1,514,955**	**15,945,994**
Reconciliation:					
Elimination of intersegment receivables					**(1,817,241)**
Corporate and other unallocated assets					**561,694**
Total assets					**14,690,447**

As at 31 December 2011 (audited)	Property development *RMB'000*	Property rental *RMB'000*	Hotel Operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	10,505,704	2,295,771	398,198	1,342,045	14,541,718
Reconciliation:					
Elimination of intersegment receivables					(1,697,956)
Corporate and other unallocated assets					805,020
Total assets					13,648,782

4. Revenue, other income and gains

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

An analysis of revenue, other income and gains is as follows:

	For the six-month period ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Sale of properties	**255,265**	193,210
Property leasing income	**35,407**	33,475
Property management fee income	**9,392**	6,711
Hotel operating income	**28,647**	29,255
Less: Business tax and surcharges	**(20,937)**	(16,020)
	307,774	246,631
Other income		
Interest income	**1,831**	2,055
Subsidy Income	**9,700**	–
Others	**3,637**	8,799
	15,168	10,854
Gains		
Gain on disposal of investment properties	**3,003**	–
	18,171	10,854

5. Profit before tax

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

	For the six-month period ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of properties sold	**129,842**	104,193
Depreciation	**12,252**	9,560
Minimum lease payments under operating leases:		
– Office premises	**4,704**	2,787
Amortisation of land use rights	**2,018**	2,222
Staff costs	**59,797**	54,369
Foreign exchange differences, net	**2,655**	(5,309)
Fair value loss/(gain) net:		
Equity investments at fair value through profit or loss	**222**	(1,153)
Changes in fair value of investment properties	**(16,435)**	(105,550)
Loss/(gain) on disposal of items of property and equipment	**12**	(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.

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (six-month period ended 30 June 2011: 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.

	For the six-month period ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC corporate income tax for the period	**30,833**	19,663
PRC land appreciation tax for the period	**20,457**	8,507
Deferred tax	**(12,888)**	11,114
Total tax charge for the period	**38,402**	39,284

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 RMB20,908,000 (six-month period ended 30 June 2011: RMB46,378,000) and the weighted average number of ordinary shares of 2,369,989,000 (six-month period ended 30 June 2011: 2,360,212,000) 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 and bills 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 and bills receivables as at the end of the period are neither past due nor impaired.

Trade and bills receivables are non-interesting-bearing and unsecured.

9. Trade payables

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the payment due dates, is as follows:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within six months	**1,272,222**	1,354,178
Over six months but within one year	**11,300**	24,224
Over one year	**17,690**	45,006
	1,301,212	1,423,408

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

10. Commitments

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Contracted, but not provided for:		
Properties under development	**1,608,567**	2,557,415

11. Contingent liabilities

	30 June 2012 *RMB'000* **(unaudited)**	31 December 2011 *RMB'000* (audited)
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**1,505,455**	1,238,914

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 periods in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors of the Company 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 to cause material impact on the Group after 30 June 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unaudited consolidated revenue of the Group was RMB307,774,000 for the six-month period ended 30 June 2012, representing an increase of 24.8% from RMB246,631,000 for the corresponding period in 2011. The unaudited profit attributable to the owners of the parent was RMB20,908,000 for the six-month period ended 30 June 2012, representing a decrease of 54.9% from RMB46,378,000 for the corresponding period in 2011. The unaudited earnings per share for the six-month period ended 30 June 2012 was RMB0.01 (corresponding period in 2011: RMB0.02), representing a decrease of 50.0% of corresponding period in 2011.

The property market of China has been affected by the continuous implementation of regulatory measures set by the central government of the PRC. The sales volume of the Hangzhou residential properties sold in the first half of 2012 as recorded was about 2,232,771 sq. m., representing an increase of about 79.6% as compared with that of the corresponding period in 2011; whereas the average sales price of Hangzhou residential properties sold in the first half of 2012 was RMB 16,617 per sq. m., representing a decrease of about 29.9% as compared to that of the corresponding period in 2011. The average sales price was affected.

The sales volume of residential properties in the Anhui Province in the first half of 2012 as recorded was about 18,866,000 sq. m., representing a decrease of 6.3% as compared to that of the corresponding period in 2011. The average sales price was about RMB5,026 sq. m., representing an increase of 1.3% as compared to that of the corresponding period in 2011. The regulatory measures did not appear to have a significant impact on the property market in Anhui Province.

Business review

As the central government of the PRC has not yet loosened its regulatory controls over the property market, the Group has continued to maintain a stable operation strategy. In this respect, the Group has taken a prudent approach in project development and launched the pre-sale of the projects at market price during the period under review.

During the period under review, the leasing operation has contributed a stable cash inflow to the Group with a rental income of RMB35,407,000 (corresponding period in 2011: RMB33,475,000), representing an increase of 5.8%. The property management operation of the Group recorded a turnover of RMB9,392,000 (corresponding period in 2011: RMB6,711,000), representing an increase of 39.9%; whereas the hotel operation of the Group recorded a turnover of RMB28,647,000 (corresponding period in 2011: RMB29,255,000), representing a decrease of 2.1%.

Sales and earnings

The area of property sold and delivered by the Group for the six-month period ended 30 June 2012 was 44,977 sq. m. (corresponding period in 2011: 22,337 sq. m.), representing an increase of 101%. The gross profit for the six-month period ended 30 June 2012 was RMB159,954,000 (corresponding period in 2011: RMB 129,740,000), representing an increase of 23.3%. Such increases were due to the increase in the recognition of sales of property during the period under review.

The average sales price per sq. m. achieved by the Group for the six-month period ended 30 June 2012 was RMB5,675 (corresponding period in 2011: RMB8,650), representing a decrease of 34.4%. The average cost per sq. m. for the six-month period ended 30 June 2012 was RMB2,887 (corresponding period in 2011: RMB4,665), representing a decrease of 38.1%. The primary reason was that the majority of sales came from the sales of apartments of Vancouver City in Anhui Province which were sold at lower selling price and cost of sales whereas that of the corresponding period in 2011 consisted mainly of sales of townhouse in Hangzhou at higher selling price and cost of sales.

The unaudited profit attributable to the owners of the parent was RMB20,908,000 for the six-month period ended 30 June 2012 (corresponding period in 2011: RMB46,378,000), representing a decrease of 54.9%. The decrease was mainly due to the government's regulatory controls that led to the increase in fair value of the investment properties for the period under review lesser than that of the corresponding period in 2011. The unaudited increase in fair value of investment properties for the six-month period ended 30 June 2012 was RMB16,435,000 (RMB12,326,000 net of relevant corporate income tax), whereas the same was RMB105,550,000 for the corresponding period in 2011 (RMB79,163,000 net of relevant corporate income tax).

Contract sale

Up to 30 June 2012, the GFA of contract sale by the Group was approximately 51,810 sq. m.. Set out below are the details on the area of contract sale from the projects:

City	**Project**	**Interest**	**Contract GFA** *(sq. m.)*
Hangzhou	Landscape Bay	92.6%	4,299
Hangzhou	Hidden Dragon Land*	94.5%	15,205
Yuyao	Dragon Bay	90.0%	4,760
Hefei	Green Harbour	84.2%	3,792
Huaibei	Vancouver City	100.0%	23,754
Total			51,810

* Formerly known as Yinlong Bay

Up to 30 June 2012, the booked GFA was approximately 44,977 sq. m.. Set out below are the booked sales from these projects:

City	Project	Interest	Booked GFA *(sq. m.)*
Hangzhou	Landscape Bay	92.6%	3,943
Hefei	Green Harbour	84.2%	1,611
Huaibei	Vancouver City	100.0%	39,423
Total			44,977

Land reserve

As at 30 June 2012, the total GFA of the Group's land bank in Zhejiang Province, Anhui Province and Jiangsu Province was 4,608,830 sq. m., 1,537,362 sq. m. and 221,500 sq. m. respectively, which was 6,367,692 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 2012:

	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, Zhejiang Province				
Huifeng Plaza at Yucai Road, Xiaoshan District	Residential	49,920	40,311	90.0%
Hidden Dragon Land† at Wenyan Town, Xiaoshan District	Residential/retail spaces/offices	242,138	199,807	94.5%
Phase A, International Office Centre	Residential/ offices/hotel	843,018	584,112	100.0%
Phases B & C, International Office Centre	Residential/offices/ hotel/retail spaces	1,526,895	1,018,400	100.0%
Shanshui Yiyuan* at Qiandaohu Town, Chunan County	Residential/hotel	34,608	–	100.0%
White Horse Manor△ at Xiaoheshan	Residential	243,497	164,635	90.0%

	Type of property	Total GFA (sq. m.)	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group
Ideal Bay at Yuhang Economic Development Zone	Residential/retail spaces	538,856	385,530	45.9%
Yuyao, Zhejiang Province				
A piece of land at north to Shenggui Hill	Residential/offices/ hotels/retail spaces			
Phase 1-Dragon Bay		196,809	133,491	90.0%
Phase 2-Jade Mansion		292,808	232,807	90.0%
Zhong An Times Square#		640,281	326,966	90.0%/93.0%
Sub-total for land bank in Zhejiang Province		4,608,830	3,086,059	
Huaibei, Anhui Province				
Vancouver City, Phases 3B-3D	Residential/ retail spaces	309,712	280,712	100.0%
Vancouver City, Phases 4 South, 5 South and 6	Residential/retail spaces/hotel	468,697	357,540	100.0%
Hefei, Anhui Province				
Green Harbour, Phase 1C	Residential	90,453	67,260	84.2%
Green Harbour, Phase 2	Residential/retail spaces	108,200	84,200	84.2%
Green Harbour, Phases 3-6	Residential/retail spaces/ hotel	560,300	492,500	84.2%
Sub-total for land bank in Anhui Province		1,537,362	1,282,212	
Suzhou Industrial Park, Suzhou, Jiangsu Province	Residential/office/ retail spaces/hotel	221,500	144,500	44.1%
Total land bank		6,367,692	4,512,771	

† Formerly known as Yinlong Bay.

* For identification only.

△ Formerly known as Shanshuiyi County.

The project is developed by two subsidiaries of the Group.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 1,479 staff (30 June 2011: 1,340 staff). For the six-month period ended 30 June 2012, the unaudited staff cost of the Group was approximately RMB59,797,000 (corresponding period of 2011: approximately RMB54,369,000), representing an increase of 10%. The increase was due to the increase of the headcounts during the period under review.

The employees' remuneration policy of the Group 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 retain talented employees 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. The PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from IFRSs. The 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 profits. 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 at 30 June 2012, the Group had aggregate cash and cash equivalents of RMB307,929,000 (31 December 2011: RMB412,508,000). The decrease was due to an increase in operation expense (mainly construction cost of the projects).

The current ratio as at 30 June 2012 was 1.2 (31 December 2011: 1.3).

As at 30 June 2012, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB1,227,450,000 and RMB2,524,329,000, respectively (31 December 2011: approximately RMB1,064,930,000 and RMB1,990,451,000, respectively).

The interest expenses for the six-month period ended 30 June 2012 amounted to RMB390,000 (corresponding period in 2011: RMB893,000) in total. In addition, for the six-month period ended 30 June 2012, interests with amount of RMB144,659,000 (corresponding period in 2011: RMB96,274,000) were capitalized. Interest cover (including amount of interests capitalized) was 0.41 times (corresponding period in 2011: 0.02 times).

As at 30 June 2012, the ratio of total liabilities to total assets of the Group was 0.64 (31 December 2011: 0.61).

As at 30 June 2012, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 0.70 (31 December 2011: 0.58). The ratio of bank loans and other borrowings to total assets was 0.26 (31 December 2011: 0.22). The increase was due to the bank loans granted in the period under review.

CAPITAL COMMITMENTS

As at 30 June 2012, the capital commitments of the Group were RMB1,608,567,000 (31 December 2011: RMB2,557,415,000), which were mainly the capital commitments for 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 2012, the contingent liabilities of the Group was approximately RMB1,505,455,000 (31 December 2011: RMB1,238,914,000), 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 2012, investment properties of the Group with net book value of approximately RMB1,851,893,000 (31 December 2011: approximately RMB1,835,806,000), properties under development of approximately RMB4,626,898,000 (31 December 2011: approximately RMB3,214,543,000), properties under the category of property and equipment of approximately RMB138,766,000 (31 December 2011: RMB146,617,000) and the time deposits of the Group of approximately RMB95,750,000 (31December 2011: nil) were pledged to secure the banking facilities of the Group. As at 30 June 2012, the 100% equity interest of a subsidiary of the Group with total equity of approximately RMB693,967,000 (31 December 2011: 657,560,000) was pledged to secure other borrowings of the Group. As at 30 June 2012, the pledged deposits of the Group of approximately RMB21,271,000 (31 December 2011: RMB23,130,000) 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 the majority of borrowings of the Group in the first half of 2012 and the corresponding period in 2011 were made mainly in Renminbi, the foreign exchange risk exposed by the Group was not material. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks during the period under review and the corresponding period in 2011.

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 to cause material impact on the Group after 30 June 2012 and up to the date of this announcement.

PROSPECTS AND OUTLOOK

As the world economy has not showed any solid recovery, the foreign trade of the PRC has showed a sign of decline. The central government of the PRC begins to reduce the deposit reserve requirement ratio and the benchmark interest rate of loans for the banks in the PRC. The economic growth of the PRC will be expected to be stabilized and to meet the target of a GDP increase of 7.5% for 2012. At the same time, it is expected that the central government will not loosen the regulatory measures on the property market.

The Group will continue to maintain a prudent approach in its operation and financial management so as to maintain a favourable return and sufficient cash inflow to endure such regulated market conditions.

As urbanization of the country is expected to be continued, the development of property market in the PRC will remain stable. The Group will continue to produce products of high quality with value added services, such as property management and ancillary services provided for the homeowners of the properties managed by the Group, which have been helping to enhance the branding of the Group. As a result, we are able to strive to attain a greater market coverage in Yangtze River Delta.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2012 (2011: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

During the period under review, the Company had applied the principles of the Corporate Governance Code and Corporate Governance Report (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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the deviation from the code provision A.2.1 in which Mr Shi acts as both the chairman and chief executive officer of the Company since the listing of the Company's shares on 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 ("MODEL CODE")

During the period under review, the Company has adopted a code of conduct regarding the Director's securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standards set out in the Model Code during the period and its code of conduct regarding the Directors' securities transactions.

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 interim condensed consolidated financial statements for the the six-month period ended 30 June 2012 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, the Company repurchased a total of 1,856,000 shares (corresponding period in 2011: nil) in the Company on the Stock Exchange pursuant to the general mandate granted by the shareholders at the annual general meeting of the Company held on 27 May 2011, details of which were as follows:–

Month/year	Number of shares purchased	Highest price paid *HKD*	Lowest price paid *HKD*	Total paid *HKD*
January 2012	1,856,000	1.07	1.02	1,937,550

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.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

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

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 respectively 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 2012