众安房产
ZHONG AN REAL ESTATE

眾安房產有限公司 *
ZHONG AN REAL ESTATE LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenue increased by 42% to RMB2,396 million.
- Gross profit increased by 15% to RMB919 million.
- Profit for the year increased by 3% to RMB390 million.
- Profit for the year (excluding increase in fair value of investment properties, after tax) increased by 34% to RMB345 million.

The board (the "**Board**") of directors of Zhong An Real Estate Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2012 together with the comparative amounts for the previous year. The annual results have been reviewed by the audit committee of the Company:

	Notes	**2012**	2011
		RMB'000	*RMB'000*
Revenue	*5*	**2,395,625**	1,688,699
Cost of sales		**(1,476,403)**	(889,664)
Gross profit		**919,222**	799,035
Other income and gains	*5*	**20,821**	40,004
Selling and distribution expenses		**(56,708)**	(90,499)
Administrative expenses		**(237,461)**	(212,323)
Other expenses		**(4,711)**	(8,865)
Increase in fair value of investment properties		**60,335**	160,430
Finance costs	*6*	**(3,660)**	(447)
Share of profits and losses of:			
Jointly-controlled entities		**(1,007)**	(97)
Profit before tax	*7*	**696,831**	687,238
Income tax expense	*8*	**(306,778)**	(308,671)
Profit for the year		**390,053**	378,567
Attributable to:			
Owners of the parent		**336,228**	351,391
Non-controlling interests		**53,825**	27,176
		390,053	378,567
Earnings per share attributable to ordinary equity holders of the parent (RMB)	*9*		
Basic and diluted		**14 cents**	15 cents

	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**390,053**	378,567
Other comprehensive income		
Exchange differences on translation of foreign operations	**(28,423)**	(6,332)
Total comprehensive income for the year	**361,630**	372,235
Attributable to:		
Owners of the parent	**307,805**	345,059
Non-controlling interests	**53,825**	27,176
	361,630	372,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2012**	2011
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**206,585**	226,553
Investment properties		**2,057,300**	1,995,600
Properties under development		**5,637,964**	2,935,604
Goodwill		**–**	–
Available-for-sale investments		**5,610**	5,610
Long term prepayments		**38,910**	737,073
Investments in jointly-controlled entities		**361,622**	177,482
Deferred tax assets		**128,963**	107,746
Restricted cash		**95,750**	–
Total non-current assets		**8,532,704**	6,185,668
CURRENT ASSETS			
Completed properties held for sale		**4,055,476**	1,480,192
Equity investments at fair value through profit or loss		**722**	1,004
Properties under development		**1,008,595**	4,695,260
Inventories		**9,560**	11,623
Trade and bills receivables	*10*	**3,860**	56,750
Prepayments, deposits and other receivables		**215,821**	542,972
Restricted cash		**129,688**	189,587
Cash and cash equivalents		**894,077**	412,508
		6,317,799	7,389,896
Investment property classified as held for sale		**35,100**	73,218
Total current assets		**6,352,899**	7,463,114
CURRENT LIABILITIES			
Trade payables	*11*	**1,513,439**	1,423,408
Other payables and accruals		**662,943**	670,731
Advances from customers		**1,688,766**	2,285,805
Interest-bearing bank and other borrowings		**1,739,030**	1,064,930
Tax payable		**651,799**	508,882
Total current liabilities		**6,255,977**	5,953,756
NET CURRENT ASSETS		**96,922**	1,509,358
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,629,626**	7,695,026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2012	2011
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,629,626**	7,695,026
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,493,137**	1,990,451
Deferred tax liabilities	**435,343**	436,467
Total non-current liabilities	**2,928,480**	2,426,918
Net assets	**5,701,146**	5,268,108
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**222,319**	222,636
Reserves	**5,174,902**	4,840,072
	5,397,221	5,062,708
Non-controlling interests	**303,925**	205,400
Total equity	**5,701,146**	5,268,108

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Zhong An Real Estate Limited (the "**Company**") is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 under the Companies Law (revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the "**Group**") is principally engaged in property development, leasing and hotel operation. The Group's property development projects during the year are all located in Zhejiang, Anhui and Jiangsu 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 year.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007. Whole Good Management Limited is wholly owned by Mr. Shi Kancheng, Chairman and Chief Executive Officer of the Company.

2. BASIS OF PRESENTATION.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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 the revised IFRSs has had no significant financial effect on these financial statements.

Issued but not yet effective International Financial Reporting Standards

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 – Government Loans*[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 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[3]
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 (Amendments)	Amendments to IAS 19 *Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation – *Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 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

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 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/(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.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

Year ended 31 December 2012	Property development *RMB'000*	Property rental *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**2,248,865**	**69,934**	**55,015**	**21,811**	**2,395,625**
Intersegment sales	**–**	**23,700**	**–**	**68,986**	**92,686**
	2,248,865	**93,634**	**55,015**	**90,797**	**2,488,311**
Reconciliation:					
Elimination of intersegment sales					**(92,686)**
Revenue					**2,395,625**
Segment results	**786,507**	**65,704**	**(2,112)**	**(122,481)**	**727,618**
Reconciliation:					
Interest income					**2,867**
Equity-settled share option expense					**(29,712)**
Fair value losses, net:					
Equity investments at fair value through profit or loss					**(282)**
Finance costs					**(3,660)**
Profit before tax					**696,831**
Segment assets	**11,211,350**	**2,317,313**	**351,110**	**1,534,401**	**15,414,174**
Reconciliation:					
Elimination of intersegment receivables					**(1,859,178)**
Corporate and other unallocated assets					**1,330,607**
Total assets					**14,885,603**
Segment liabilities	**5,249,506**	**123,195**	**11,250**	**340,375**	**5,724,326**
Reconciliation:					
Elimination of intersegment payables					**(1,859,178)**
Corporate and other unallocated liabilities					**5,319,309**
Total liabilities					**9,184,457**
Other segment information:					
Depreciation	**7,110**	**3,079**	**10,561**	**868**	**21,618**
Share of profits and losses:					
Jointly-controlled entities	**1,007**	**–**	**–**	**–**	**1,007**
Investments in jointly-controlled entities	**361,622**	**–**	**–**	**–**	**361,622**
Capital expenditure	**738**	**44**	**310**	**576**	**1,668**

Year ended 31 December 2011	Property development RMB'000	Property rental RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,549,984	62,070	57,854	18,791	1,688,699
Intersegment sales	–	22,600	–	34,489	57,089
	1,549,984	84,670	57,854	53,280	1,745,788
Reconciliation:					
Elimination of intersegment sales					(57,089)
Revenue					1,688,699
Segment results	608,932	187,696	(1,948)	(78,093)	716,587
Reconciliation:					
Interest income					5,712
Equity-settled share option expense					(35,129)
Fair value losses, net:					
Equity investments at fair value through profit or loss					(1,168)
Gain on disposal of equity investments at fair value through profit or loss					1,683
Finance costs					(447)
Profit before tax					687,238
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
Segment liabilities	5,764,919	54,644	10,038	248,303	6,077,904
Reconciliation:					
Elimination of intersegment payables					(1,697,956)
Corporate and other unallocated liabilities					4,000,726
Total liabilities					8,380,674
Other segment information:					
Depreciation	7,388	1,319	11,100	773	20,580
Share of profits and losses:					
Jointly-controlled entities	97	–	–	–	97
Investments in jointly-controlled entities	177,482	–	–	–	177,482
Capital expenditure	10,913	3,558	296	36,685	51,452

Geographical information

All of the Group's revenue is derived from customers based in the PRC and all of the non-current assets of the Group are located in Mainland China.

Information about a major customer

No sales to a single customer or a group of customers under the common control derived 10% or more of the Group's revenue for the years ended 31 December 2012 and 2011.

5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**2,389,929**	1,644,739
Property leasing income	**73,032**	67,647
Property management fee income	**24,271**	20,116
Hotel operating income	**58,279**	61,286
Less: Business tax and surcharges	**(149,886)**	(105,089)
	2,395,625	1,688,699
Other income		
Subsidy income	**9,007**	8,375
Interest income	**2,867**	5,712
Others	**4,739**	2,920
	16,613	17,007
Gains		
Foreign exchange gain	**1,205**	18,654
Gain on disposal of investment properties	**3,003**	2,660
Gain on disposal of equity investments at fair value through profit or loss	**–**	1,683
	4,208	22,997
	20,821	40,004

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2012	2011
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**180,601**	206,864
Interest on other loans	**181,794**	6,015
Total interest	**362,395**	212,879
Less: Interest capitalised in properties under development	**(358,735)**	(212,432)
	3,660	447

7. PROFIT BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
Cost of properties sold	**1,438,588**	848,306
Depreciation	**21,618**	20,580
Minimum lease payments under operating leases:		
– Office premises	**5,967**	8,018
Auditors' remuneration	**2,532**	2,406
Staff costs including directors' and chief executive's remuneration (note 8):		
– Salaries and other staff costs	**84,922**	75,254
– Equity-settled share option expense	**29,712**	35,129
– Pension scheme contributions	**7,953**	6,766
Foreign exchange differences, net	**1,205**	18,654
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)	**4,847**	4,441
Changes in fair value of investment properties	**(60,335)**	(160,430)
Gain on disposal of investment properties	**(3,003)**	(2,660)
Gain on disposal of equity investments at fair value through profit or loss	**–**	(1,683)
Fair value loss, net:		
Equity investments at fair value through profit or loss		
– held for trading	**282**	1,168

8. INCOME TAX

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

Provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2011: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

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.

	2012	2011
	RMB'000	*RMB'000*
Current – PRC corporate income tax for the year	**197,554**	144,455
Current – PRC LAT for the year	**131,565**	150,775
Deferred	**(22,341)**	13,441
Total tax charge for the year	**306,778**	308,671

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2012	2011
	RMB'000	*RMB'000*
Profit before tax	**696,831**	687,238
Tax at the statutory tax rate of 25% (2011: 25%)	**174,208**	171,809
Expenses not deductible for tax	**14,789**	8,275
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**10,369**	12,098
Tax losses not recognised	**8,738**	3,407
Provision for LAT	**131,565**	150,775
Tax effect on LAT	**(32,891)**	(37,693)
Tax charge at the Group's effective rate	**306,778**	308,671

Tax payable in the consolidated statement of financial position represents:

	2012	2011
PRC corporate income tax	**188,031**	139,018
PRC LAT	**463,768**	369,864
	651,799	508,882

9. EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB336,228,000 (2011: RMB351,391,000) and the weighted average number of ordinary shares of 2,375,827,982 (2011: 2,367,974,529) in issue during the year.

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.

10. 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 receivables as at the end of the year are neither past due nor impaired.

Trade receivables are non-interesting-bearing and unsecured.

11. 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:

	2012	2011
	RMB'000	*RMB'000*
Within six months	**1,391,382**	1,354,178
Over six months but within one year	**96,320**	24,224
Over one year	**25,737**	45,006
	1,513,439	1,423,408

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The audited consolidated revenue of the Group for 2012 was RMB2,395,625,000, representing an increase of about 42% from that in 2011. The gross profit for 2012 was RMB919,222,000, representing an increase of about 15% from that in 2011. The profit attributable to owners of the parent for 2012 was about RMB336,228,000, similar to that in 2011. Net core profits (excluding increase in fair value of investment properties, after tax) was RMB344,802,000, representing an increase of about 34% from that in 2011. The net core profits margin was 14% and was similar to that in 2011. The basic earnings per share was RMB0.14. The Board did not recommend the distribution of a final dividend for the year ended 31 December 2012 (2011: nil).

Industry Review

In 2012, the real estate industry in China continued to be affected by the regulatory measures imposed by the central government. According to National Bureau of Statistics of China, the gross floor area (GFA) of residential properties sold was recorded at about 1.11 billion sq. m., representing an increase of about 1% compared to that of 2011, which is lower than the increment of about 6% recorded in 2011.

According to the portal site of www.tmsf.com (“杭州透明售房網”) in Hangzhou of Zhejiang Province, the GFA of residential properties sold in Hangzhou was about 498 million sq. m., representing an increase of about 100% as compared to that of 2011, whereas the average selling price per sq. m. was RMB18,392, representing a decrease of about 13% as compared to that of 2011. According to Hefei Statistical Information Public Net (“合肥統計信息公眾網”), the GFA of residential properties sold in Hefei of Anhui Province was about 765 million sq. m., representing an increase of about 32% as compared to that of 2011. The average selling price per sq. m. was RMB6,518, representing an increase of about 5% as compared to that of 2011. According to Bureau of Statistics of Huaibei (“淮北統計局”), the floor area of residential properties sold in Huaibei of Anhui Province was about 117 million sq. m., representing an increase of about 50% as compared to that of 2011. The average selling price per sq. m. was RMB4,186, representing an increase of about 7% as compared to that of 2011.

Business Review

Sales and earnings

The area of property sold and delivered by the Group in 2012 was about 132,842 sq. m. (2011: 136,528 sq. m.), representing a slight decrease of about 3% compared with that of 2011.

The recognised average selling price per sq. m. achieved by the Group in 2012 was about RMB17,990, representing an increase of about 49% from RMB12,047 in the previous year. It is the fact that the majority of the sales was contributed by the revenue recognized from Dragon Bay in Yuyao, Zhejiang Province, which consists of high-value low-density residential properties with an average selling price of RMB33,718 per sq.m..

During the year under review, the total recognised GFA sold for the major projects of the Group and the respective recognised revenue are as follows:

Projects	**Recognised GFA sold 2012** *sq.m.*	**Recognised revenue 2012** *RMB million*
Hangzhou, Zhejiang Province		
Landscape Bay	15,870	286.3
Others*	2,248	42.5
Yuyao, Zhejiang Province		
Dragon Bay	53,014	1,787.6
Hefei, Anhui Province		
Green Harbour – Phases 1A and 1B	5,291	33.4
Huaibei, Anhui Province		
Vancouver City – Phase 4 North	54,304	228.0
– Phases 2 South, North and Phase 3	2,115	12.1
Total	132,842	2,389.9

* including: Landscape Garden, Guotai Garden and New White Horse Apartments

The average cost of property sold per sq. m. of the Group was RMB10,760 in 2012, representing an increase of about 73% from RMB6,213 in the previous year. The main reason was that the majority of the properties sold during the year under review was contributed by Dragon Bay in Yuyao, Zhejiang Province which had relatively high average cost of sales.

Progress of development on the major projects

Hangzhou, Zhejiang Province

Landscape Bay

This project is located on the south bank of Qiantang River, Xiaoshan District, Hangzhou, Zhejiang Province with a total GFA of about 319,720 sq. m.. The project includes island-style townhouses (Phase 2, completed in 2010), high-rise apartments (Phase 1, completed in 2011) with river view, shopping center, car park lots and clubhouse. The volume of sales of this project is within expectation.

Hidden Dragon Land
This is a luxurious residential project in Wenyan Town, Xiaoshan District, Hangzhou, Zhejiang Province with a total GFA of about 242,138 sq.m.. The project includes low-rise luxurious club-houses for corporations, high-rise apartments and shopping spaces. As at 31 December 2012, the construction was in progress. The project is expected to be completed in April 2013. The presale of this project has been launched and the volume of sales of this project is within expectation.

International Office Centre
This is a large-scale integrated commercial project in Qianjiang Century Town (錢江世紀城), Xiaoshan District, Hangzhou, Zhejiang Province with a total planned GFA of about 2,369,913 sq. m. and out of which about 843,018 sq.m. has been approved. The project includes a hotel of five-star standard, office buildings, a shopping center, serviced apartments and underground car parking lots. The serviced apartments of Phase A3 with a total GFA of 328,376 is now under construction and as at 31 December 2012, the building blocks had been topped out. It is expected to be completed by the end of 2014. The presale will be launched in the third quarter of 2013.

White Horse Manor
This is a residential project in Xiaoheshan, Yuhang District, Hangzhou, Zhejiang Province with a total GFA of about 243,497 sq.m.. It consists of high rise residential buildings and low-density townhouses situated at a hilly terrain with beautiful scenery and green vegetation. The townhouse units are to be built with American architectural design and on the terrain with spacious view. The project is in proximity to local universities and Xixi Wetland. As at 31 December 2012, the construction was in progress. It is expected that the project will be completed around June 2015. The presale has been launched since the fourth quarter of 2012 and the result is within expectation.

Ideal Bay
This is a residential project in Linping, Yuhang District, Hangzhou, Zhejiang Province with a total GFA of 538,856 sq.m.. The project consists of townhouses in British architectural design and multi-storey apartment units. As at 31 December 2012, the construction was in progress. It is expected that the project will be completed around November 2014. The presale has been launched since the fourth quarter of 2012 and the result is within expectation.

Hotel at Qiandao Lake
This is a hotel project in Qiandao Lake Town, Chunan County, Hangzhou, Zhejiang Province with a GFA of 34,608 sq.m.. A boutique hotel will be built at the shore of Qiandao Lake with a beautiful lake view and natural habitat. As at 31 December 2012, the construction was in progress. It is expected that the project will be completed around April 2015.

Yuyao, Zhejiang Province

Dragon Bay

This is a low-density residential project in Yuyao, Zhejiang Province with a total GFA of 196,809 sq. m.. The project consists of French, European and Spanish-style low-rise residential buildings. The construction of the project was completed by the end of 2012. The presale during the year under review was within expectation.

Jade Mansion

This is a low-density residential project in Yuyao, Zhejiang Province with a total GFA of 292,808 sq. m.. The project consists of townhouses and is next to Dragon Bay. The construction is in progress and it is expected to be completed in around June 2014. The presale of this project commenced in late fourth quarter of 2012 and was within expectation.

Zhong An Times Square

This is a large-scale integrated commercial project in Yuyao, Zhejiang Province, with a total GFA of about 640,281 sq. m.. The project includes a hotel of five-star standard, office buildings, a shopping center, residential apartments, serviced apartments, and underground car parking lots. It is next to Dragon Bay and Jade Mansion. The construction is in progress and it is expected to be completed in around December 2015. The presale of the residential apartments will be commenced in the third quarter of 2013.

Hefei, Anhui Province

Green Harbour

This is a low-density residential project in Hefei, Anhui Province. The construction of Phase 1C will be completed in June 2013. The presale of this project was within expectation.

Huaibei, Anhui Province

Vancouver City

This is a low density residential project in Huaibei, Anhui Province. The construction of Phase 4 North with multi-storey and high-rise apartment units was completed during the year under review. The construction of a hotel in Phase 6D was commenced and it is expected that the construction will be completed in December 2014. The sale result of Phase 4 North was within expectation.

Contracted sales in 2012

As at 31 December 2012, the contracted GFA sold by the Group was about 181,125 sq. m.. Set out below are the details on the contract sale from the major projects:

	Contracted GFA sold *(sq. m.)*	Percentage of interest in the project attributable to the Group
Hangzhou, Zhejiang Province		
Ideal Bay	1,551	45.9%
Landscape Bay	19,352	92.6%
White Horse Manor	7,855	90.0%
Hidden Dragon Land	31,838	94.5%
Others*	2,248	
	62,844	
Yuyao, Zhejiang Province		
Dragon Bay	15,997	90.0%
Jade Mansion	12,374	93.0%
	28,371	
Hefei, Anhui Province		
Green Harbour – Phase 1A and 1B	7,032	84.2%
– Phase 1C	16,462	84.2%
	23,494	
Huaibei, Anhui Province		
Vancouver City – Phase 4 North	61,455	100.0%
– Phase 5 North	1,727	100.0%
– other #	3,234	100.0%
	66,416	
Total	181,125	

* including: Landscape Garden, Guotai Garden, New White Horse Apartments and White Horse Noble Mansion

including: Phases 1 to 3

It is expected that the GFA available for sale from the projects to be completed in 2013 was about 332,591 sq. m., details of which are as follows:

	Expected completion date	GFA available for sale/leasing *(sq. m.)*	Percentage of interest in the project attributable to the Group	Usage
Hangzhou, Zhejiang Province				
Hidden Dragon Land	April 2013	242,138	94.5%	For sale
Hefei, Anhui Province				
Green Harbour – Phase 1C	June 2013	90,453	84.2%	For sale
Total		332,591		

Land bank

As at 31 December 2012, the total GFA of the Group's land bank was about 6,692,090 sq.m., out of which the total unsold or undelivered GFA of the completed properties projects was about 507,943 sq.m.. As at 31 December 2012, the average acquisition cost of the Group's overall land bank was about RMB956 per sq.m..

During the year under review, the GFA of properties of which the construction were newly commenced by the Group was about 782,353 sq.m..

Other business development

The Group strives to build up a diversified business portfolio so as to provide more stable income in the future and to mitigate operational risk. We will broaden the scope of property services which includes hotel operation, leasing, property management services, nursery stock and agricultural plantation, in order to extend the downstream services of our property development business and to maintain a steady and solid operation of our Group.

Hotel operation

Holiday Inn Xiaoshan Hangzhou, a hotel of the group which is managed by the internationally renowned InterContinental Hotels Group, recorded a revenue of RMB58,279,000 for 2012, representing a similar level compared to a revenue of RMB61,286,000 recorded in 2011. This was primarily due to the reduction of revenue from room income. The occupancy rate was about 50% (2011: 51%).

The Group is planning to build a five-star hotel within large-scale commercial complex at Zhong An Times Sqaure in Yuyao. The construction of the hotel had been commenced and it is expected to commence operation in 2015. This will bring another additional source of stable income to the Group.

The Group plans to build a resort-type hotel in Qiandao Lake, Zhejiang Province and a hotel in Huaibei, Anhui Province respectively, in order to increase the proportion of commercial properties in our portfolio and thus bring a more stable cash flow to the Group.

Leasing

Currently, Highlong Plaza provides the main source of leasing income. This plaza consists of office buildings, a shopping centre, serviced apartments and underground car parking lots. It recorded a revenue of RMB55,437,000 for 2012, representing an increase of 9% compared to RMB50,924,000 in 2011. The leasing rate for the shopping centre is about 98% (2011: 99%) and that of office buildings is about 87% (2011: 78%). Overall, a general increase was recorded as compared to those of 2011. It was due to the completion of refurbishment works in 2011 which the upgraded facilities and services in turn attract more tenants.

The Group will hold various festival activities and promotion events so as to attract more inflow of people and to increase the income of the tenants, thereby enhancing the rental value.

The serviced apartments were sublet to and managed by independent operators during the year under review. The operation was highly satisfactory. Other investment properties also contributed to the leasing income of the Group.

Property management

The Group provides quality property management services to the communities located in properties developed by the Group and other developers. The services are further enhanced by inclusion of the provision of travel tours, housekeeping and nanny services etc.. This will further facilitate the Group in the corporate brand management.

Other services

The Group is also developing nursery stock plantation for agricultural purposes and managing organic plantations for producing agricultural products. The customers are mainly the home-owners of the properties to which property management services provided by the Group. Such value-added downstream services will form an integral part of the Group's property development and management businesses. Accordingly, the Group's corporate branding can be enhanced and the scope of services of the Group will be widened.

Awards and recognitions

The Group was awarded by the government and recognized authorities for the year under review as follows:

Awarded in	Granted by	Awards	Recipients
January 2012	Fangchan Tianxia and www.focus.cn	Model Residences 2012	White Horse Manor
February 2012	Beigan Street, Xiaoshan District, Hangzhou	Excellent Enterprise Sizeable Contribution	Hangzhou Zhong An Highlong Commercial Building Co., Ltd.
	Ministry of Housing and Urban-Rural Development of PRC	National First grade Certificate of Property Management	Zhejiang Zhong An Property Co., Ltd.
March 2012	Hangzhou Xiaoshan Trade Bureau	Top 10 Chairman/General Manager of 2011	Jin Ni, General Manager of Hangzhou Zhong An Highlong Commercial Building Co., Ltd.
	Enterprise Research Institute of Development Research Centre of the State Council of China, Institute of Real Estate Studies of Tsinghua University and China Index Academy	Star of China Top 100 Real Estate Developers 2012	Zhong An Real Estate Limited
April 2012	Hangzhou Xiaoshan Commerce Bureau	Best Organization Award of the 4th Xiaoshan Shopping Festival	Hangzhou Zhong An Highlong Commercial Building Co., Ltd.
May 2012	China Real Estate Research Society, China Real Estate Association and China Real Estate Evaluation Center	Top 100 China Listed Real Estate Enterprises 2012	Zhong An Real Estate Limited
August 2012	house.sina.com.cn, China Real Estate Assessment Center and www.fangchan.com	Ecological Luxury Residences of China 2012	White Horse Manor
	www.sina.com.cn	Golden Medal Award of Olympics Gold Medal for Property Market	Ideal Bay

Awarded in	Granted by	Awards	Recipients
August 2012	www.soufun.com	Excellent Residences in Hangzhou 2012	White Horse Manor
December 2012	www.sina.com.cn	2012 Best Floor Plan, Internet Media Awards of Hangzhou, China	Ideal Bay
	www.soufun.com	Best Project in Hangzhou 2012	Ideal Bay
	www.xafc.com	Model Wetland Residences in Anhui 2012	Green Harbour
	China Real Estate Management Associate	Top 10 Best Commercial Complex of China 2012	Hangzhou International Office Center (IOC)
	Zheshang Magazine	Annual Best Habitat 2012	White Horse Manor
	Zhejiang Daily and Organizing Committee of Zhejiang Province Overall Real Estate Evaluation	Top 20 Zhejiang Real Estate Brand	Zhong An Real Estate Limited

Human resources

As at 31 December 2012, the Group employed a total of 1,565 staff (2011: 1,436 staff). In 2012, the staff cost of the Group was about RMB122,587,000 (2011: about RMB117,149,000), representing an increase of about 5%. The increase was mainly due to the increase of the number of staff for continuous development, additional amortization of share-based payments under the share option scheme adopted by the Company and the adoption of better remuneration policy to retain and recruit staff with higher capabilities and professionalism.

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 on a yearly basis 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 discretionary bonus according to certain performance conditions and appraisal results. To attract talented people and solidify 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 according to financial condition, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

FINANCIAL ANALYSIS

Gross profit

For the year ended 31 December 2012, the Group recorded audited gross profit of RMB919,222,000, representing an increase of about 15% from RMB799,035,000 in the previous year. The main reason is due to the increase of revenue recognised in the year under review mainly attributed from Dragon Bay.

Other income

Other income decreased by 48% to about RMB20,821,000 in 2012 from about RMB40,004,000 in 2011. The decrease was primarily due to the reduction in the foreign exchange gained in the year under review.

Selling and distribution costs

The selling and distribution expenses decreased by 37% to about RMB56,708,000 in 2012 from about RMB90,499,000 in 2011. This decrease was primarily due to the less marketing activities commenced than those in 2011.

Administrative expenses

The administrative expenses increased by 12% to about RMB237,461,000 in 2012 from about RMB212,323,000 in 2011. This increase was primarily due to the full scale operation of new projects in 2012 subsequent to their commencement of operations in late 2011.

Other expenses

The other expenses decreased by 47% to about RMB4,711,000 in 2012 from about RMB8,865,000 in 2011. This decrease was primarily because of the reduction in the donations to local organisations in the year under review.

Increase in fair value of investment properties

The increase in fair value of investment properties decreased by 62% to about RMB60,335,000 in 2012 from about RMB160,430,000 in 2011. This decrease was primarily due to increase in fair value of investment properties affected by the market conditions in 2012.

Finance costs

The finance costs increased by 719% to about RMB3,660,000 in 2012 from about RMB 447,000 in 2011. This increase was primarily due to the increase in bank borrowings in 2012.

Income tax expenses

The income tax expenses was about RMB306,778,000 in 2012, similar to RMB308,671,000 of 2011.

Capital structure

As at 31 December 2012, the Group had aggregate cash and cash equivalents and restricted cash of about RMB1,119,515,000 (2011: RMB602,095,000). The increase was due to the increase in cash as a result of loans obtained by the end of the year under review. The current ratio was 1.0 (2011: 1.3).

As at 31 December 2012, the bank loans and other borrowings of the Group repayable within one year and after one year were RMB1,739,030,000 and RMB2,493,137,000 respectively (2011: RMB1,064,930,000 and RMB1,990,451,000 respectively). The increase was mainly due to the increase in loans for operation and future development purposes.

The consolidated interest expenses in 2012 amounted to RMB3,660,000 (2011: RMB447,000) in total. Interests in the amount of RMB358,735,000 (2011: RMB212,432,000) were capitalized during the year under review. Interest coverage (including amount of interests capitalized) was 1.9 times (2011: 2.8 times).

As at 31 December 2012, the ratio of total liabilities to total assets of the Group was 0.62 (2011: 0.61).

As at 31 December 2012, the ratio of bank loans and other borrowings to shareholder's equity of the Group was 0.78 (2011: 0.60). The ratio of bank loans and other borrowings to total assets was 0.28 (2011: 0.22).

The net gearing ratio of the Group (defined as net debt divided by shareholder's equity) was 0.58 (2011: 0.48) (net debt is defined as total debt less cash and cash equivalent, and total restricted cash).

Capital commitments

As at 31 December 2012, the capital commitments of the Group were RMB1,794,483,000 (2011: RMB2,557,415,000), 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 external financing (such as bank loans).

Guarantees and contingent liabilities

As at 31 December 2012, the contingent liabilities of the Group was about RMB1,362,294,000 (2011: RMB1,238,914,000), which were mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

Pledge of assets

As at 31 December 2012, investment properties of the Group with net book value of about RMB1,894,005,000 (2011: RMB1,835,806,000), properties under development of about RMB4,298,558,000 (2011: RMB3,214,543,000), completed properties of about RMB704,968,000 (2011: nil) and property and equipment of about RMB168,025,000 (2011: RMB146,617,000) were pledged to secure the banking facilities of the Group. There were time deposits of RMB95,750,000 being pledged as at 31 December 2012 (2011: nil). The 100% equity interest of a subsidiary of the Company with total equity of about RMB1,258,394,000 (2011: 675,560,000) was pledged to secure other borrowings for the Group.

As at 31 December 2012, deposits of about RMB28,176,000 (2011: RMB23,130,000) were pledged to banks as guarantees to mortgage facilities granted to purchasers of the Group's properties.

Foreign exchange risk

As the sales, purchase and bank borrowings of the Group in 2012 and 2011 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 2012 and 2011.

Interest rate risks

The interest rates for certain portion of the Group's loans were floating. Upward fluctuations in interest rates will increase the interest cost of new loans and existing loans. The Group currently does not use derivative instruments to hedge its interest rate risks.

Subsequent events

Successful bidding of land

As announced on 1 February 2013, Zhong An Group Co, Ltd.* (眾安集團有限公司) (a 90% owned subsidiary of the Company in the PRC) made a successful bid, through open tender auction, for the land use right of a piece of land situated at east to the planned Lingfeng Road, south to the planned Hengwu Road, west to the planned Pengyuan Road and north to the planned greenbelt river course of Longshan Xincheng, Cixi, Zhejiang Province, the PRC (the "**Site**") at the total land grant price of RMB238,080,000 (equivalent to approximately HK$293,890,000). The Site is allowed for residential and commercial development with land use right of 70 years and 40 years respectively. The area of the Site is approximately 197,655 sq.m. (as to approximately 57,186 sq.m. for commercial purpose and approximately 140,469 sq. m. for residential purpose) and its total gross floor area is approximately 494,138 sq. m. (as to approximately 142,965 sq.m for commercial purpose and approximately 351,173 sq.m. for residential purpose), based on the plot ratio of 2.5.

Save as disclosed above, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this announcement.

Prospects

In view of continuous implementation of the regulatory measures by the central government, the property market development is expected to be on a stable manner in the short term. With the central government's advocation of urbanization and the steady economic growth, the demand for value-for-money and end-use residential properties remain strong and solid.

The Group proactively acquire land from which products to be sold at a fair price and will develop more projects that lead to quick cash inflow. This is in line with the prudent approach adopted for years in acquiring land for development. By doing so, it is expected that a quick asset turnover can be achieved gradually.

The Group still continue to focus on residential development in cities, particularly, second and third tier cities, with relatively high GDP per capita in Pan Yangtze River Delta. Together with the Group's quality property management and other value-added services to the communities of the properties developed by the Group, corporate branding will therefore be enhanced further.

In addition, the Group will continue to maintain sufficient cash flow and to achieve relative low finance cost from enhancing the financing structure of the Group.

Eventually, the Group will achieve a more fast-paced growth in sales that lead to greater market share in Pan Yangtze River Delta.

DIVIDEND

The Board does not recommend the payment of dividend for the year 2012 (2011: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, the Company had repurchased a total of 4,060,000 shares of HK$0.10 each in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the general mandate to repurchase shares granted by the shareholders of the Company at the annual general meeting held on 25 May 2012, details of which are as follows:

Month/year	Number of shares purchased	Highest price paid	Lowest price paid	Total paid
		HKD	*HKD*	*HKD*
January 2012	1,856,000	1.07	1.02	1,937,550
September 2012	2,204,000	0.82	0.75	1,723,680
	4,060,000			3,661,230

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

CORPORATE GOVERNANCE

The Company and the Board have applied the principles in the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices (during the period from 1 January 2012 to 31 March 2012) and the Corporate Governance Code (during the period from 1 April 2012 to 31 December 2012) (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

During the year under review, the Board has adopted and complied with the code provisions of the Code in so far they are applicable with the exception of the deviation on the code provision A.2.1 (i.e. the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr Shi Kancheng).

The Board believes that the roles of both chairman and chief executive officer in the same person provides the Company with consistent leadership and enables the Company to carry out the planning and implementation of business plans and decisions efficiently.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2012 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

LIST OF DIRECTORS

As at the date of this announcement, the executive Directors of the Company are Mr Shi Kancheng, Mr Lou Yifei, Ms Shen Tiaojuan and Mr Zhang Jiangang and the independent non-executive Directors of the Company are Professor Pei Ker Wei, Dr Loke Yu and Mr Zhang Huaqiao.

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

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

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

The PRC, 13 March 2013

* *For identification purpose only*