众安房产
ZHONG AN REAL ESTATE

ZHONG AN REAL ESTATE LIMITED
眾安房產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	Unaudited		
	For the six-month period ended 30 June		
	2013	2012	Number of multiple in increment
Revenue (RMB'000)	**1,182,389**	307,774	2.8
Profit attributable to owners of the parent (RMB'000)	**309,284**	20,908	13.8
Earnings per share attributable to ordinary equity holders of the parent (RMB)	**0.13**	0.01	12.0

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 (together, the "**Group**") for the six-month period ended 30 June 2013 (the "**period under review**") together with the comparative figures for the corresponding period in 2012.

INTERIM CONSOLIDATED INCOME STATEMENT

		For the six-month period ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**1,182,389**	307,774
Cost of sales		**(734,938)**	(147,820)
Gross profit		**447,451**	159,954
Other income and gains	*4*	**11,564**	18,171
Selling and distribution costs		**(50,199)**	(28,125)
Administrative expenses		**(106,571)**	(101,118)
Other expenses		**(2,246)**	(3,943)
Increase in fair value of investment properties		**302,574**	16,435
Finance costs		**(5,732)**	(390)
Share of profits and losses of joint ventures		**(384)**	(371)
Profit before tax	*5*	**596,457**	60,613
Income tax expenses	*6*	**(238,713)**	(38,402)
Profit for the period		**357,744**	22,211
Attributable to:			
Owners of the parent		**309,284**	20,908
Non-controlling interests		**48,460**	1,303
		357,744	22,211
Earnings per share attributable to ordinary equity holders of the parent (RMB)			
Basic and diluted	*7*	**0.13**	0.01

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month period ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**357,744**	22,211
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**7,795**	(751)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**7,795**	(751)
Total comprehensive income/(loss) for the period	**365,539**	21,460
Attributable to:		
Owners of the parent	**317,079**	20,157
Non-controlling interests	**48,460**	1,303
	365,539	21,460

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 RMB'000 (unaudited)**	31 December 2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment		**206,339**	206,585
Investment properties		**2,485,300**	2,057,300
Properties under development		**6,806,142**	5,637,964
Available-for-sale investments		**3,300**	5,610
Long term prepayments		**46,707**	38,910
Investments in joint ventures		**399,450**	361,622
Deferred tax assets		**125,630**	128,963
Restricted cash		**95,750**	95,750
Total non-current assets		**10,168,618**	8,532,704
CURRENT ASSETS			
Completed properties held for sale		**4,673,327**	4,055,476
Properties under development		**32,129**	1,008,595
Inventories		**9,682**	9,560
Trade and bills receivables	*8*	**7,131**	3,860
Prepayments, deposits and other receivables		**219,031**	215,821
Equity investment at fair value through profit or loss		**759**	722
Restricted cash		**125,720**	129,688
Cash and cash equivalents		**1,136,460**	894,077
		6,204,239	6,317,799
Investment property classified as held for sale		**33,000**	35,100
Total current assets		**6,237,239**	6,352,899
CURRENT LIABILITIES			
Trade payables	*9*	**1,790,237**	1,513,439
Other payables and accruals		**492,998**	662,943
Advances from customers		**1,807,599**	1,688,766
Interest-bearing bank and other borrowings		**1,774,391**	1,739,030
Tax payable		**711,798**	651,799
Total current liabilities		**6,577,023**	6,255,977
NET CURRENT ASSETS/(LIABILITIES)		**(339,784)**	96,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,828,834**	8,629,626

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,828,834**	8,629,626
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,261,718**	2,493,137
Deferred tax liabilities	**526,765**	435,343
Total non-current liabilities	**3,788,483**	2,928,480
NET ASSETS	**6,040,351**	5,701,146
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**222,319**	222,319
Reserves	**5,504,347**	5,174,902
	5,726,666	5,397,221
NON-CONTROLLING INTERESTS	**313,685**	303,925
TOTAL EQUITY	**6,040,351**	5,701,146

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital	Share premium account	Contributed surplus	Capital reserve/ (deficit)	Share option reserve	Statutory surplus reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	**222,319**	**2,983,238**	**39,318**	**(43,902)**	**99,839**	**181,480**	**8,239**	**(108,653)**	**2,015,343**	**5,397,221**	**303,925**	**5,701,146**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**309,284**	**309,284**	**48,460**	**357,744**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,795**	**–**	**7,795**	**–**	**7,795**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,795**	**309,284**	**317,079**	**48,460**	**365,539**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(38,700)**	**(38,700)**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**12,366**	**–**	**–**	**–**	**–**	**12,366**	**–**	**12,366**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**–**	**–**	**(4,440)**	**–**	**–**	**–**	**4,440**	**–**	**–**	**–**
At 30 June 2013 (unaudited)	**222,319**	**2,983,238**	**39,318**	**(43,902)**	**107,765**	**181,480**	**8,239**	**(100,858)**	**2,329,067**	**5,726,666**	**313,685**	**6,040,351**
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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, Cap 22 (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 Mr Shi Zhongan), Chairman and Chief Executive Officer of the Company.

This unaudited condensed consolidated interim financial information was approved by the Board for issue on 15 August 2013.

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 2013 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 2012.

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 2012, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") and interpretations as of 1 January 2013, noted below:

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

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 9	*Financial Instruments*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] 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 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.

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income as well as head office and corporate expenses are excluded from such measurement.

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

The following tables presented revenue and profit information regarding the Group's operating segments for the six-month period ended 30 June 2013 and 2012, respectively.

Six-month period ended 30 June 2013 (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	**1,107,843**	**37,757**	**25,690**	**11,099**	**1,182,389**
Intersegment sales	**–**	**12,250**	**–**	**14,289**	**26,539**
	1,107,843	**50,007**	**25,690**	**25,388**	**1,208,928**
Reconciliation:					
Elimination of intersegment sales					**(26,539)**
Revenue					**1,182,389**
Segment results	**296,581**	**332,176**	**2,970**	**(19,579)**	**612,148**
Reconciliation:					
Interest income					**2,754**
Equity-settled share option expenses					**(12,366)**
Fair value loss, net:					
Equity investments at fair value through profit or loss					**37**
Share of profits and losses:					
Joint ventures					**(384)**
Finance costs					**(5,732)**
Profit before tax					**596,457**

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
	250,820	33,329	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:					
Joint ventures					(371)
Finance costs					(390)
Profit before tax					60,613

The following table presents segment assets of the Group's operating segments as at 30 June 2013 and 31 December 2012:

As at 30 June 2013 (unaudited)	**Property development** *RMB'000*	**Property rental** *RMB'000*	**Hotel Operations** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment assets	**12,151,885**	**2,765,510**	**359,920**	**2,236,470**	**17,513,785**
Reconciliation:					
Elimination of intersegment receivables					**(2,666,100)**
Corporate and other unallocated assets					**1,558,172**
Total assets					**16,405,857**

As at 31 December 2012 (audited)	Property development *RMB'000*	Property rental *RMB'000*	Hotel Operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
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

4. Revenue and other income

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

An analysis of revenue and other income is as follows:

	For the six-month period ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Sale of properties	**1,182,682**	255,265
Leasing income	**39,511**	35,407
Management fee income	**12,071**	9,392
Revenue from hotel operations	**27,214**	28,647
Less: Business tax and surcharges	**(79,089)**	(20,937)
	1,182,389	307,774
Other income		
Interest income	**2,754**	1,831
Subsidy income	**150**	9,700
Others	**305**	3,637
	3,209	15,168
Gains		
Foreign exchange gain	**8,355**	–
Gain on disposal of investment properties	**–**	3,003
	11,564	18,171

5. Profit before tax

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

	For the six-month period ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of properties sold	**717,225**	129,842
Depreciation	**9,672**	12,252
Minimum lease payments under operating leases:		
– Office premises	**2,301**	4,704
Amortisation of land use rights	**–**	2,018
Staff costs	**68,341**	59,797
Foreign exchange differences, net	**(8,355)**	2,655
Fair value loss/(gain), net:		
Equity investments at fair value through profit or loss	**(37)**	222
Changes in fair value of investment properties	**(302,574)**	(16,435)
Loss/(gain) on disposal of investment properties	**336**	(3,003)
Loss on disposal of items of property and equipment	**–**	12

6. Income tax expenses

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

The provision for the PRC income tax has been made at the applicable income tax rate of 25% (six-month period ended 30 June 2012: 25%) on the assessable profits of the Group's subsidiaries in the PRC.

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	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC corporate income tax	**59,140**	30,833
PRC land appreciation tax	**84,818**	20,457
Deferred tax	**94,755**	(12,888)
	238,713	38,402

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 RMB309,284,000 (six-month period ended 30 June 2012: RMB20,908,000) and the weighted average number of ordinary shares of 2,367,635,400 (six-month period ended 30 June 2012: 2,369,989,000 ordinary shares) 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-interest-bearing and unsecured.

9. Trade payables

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within six months	**1,729,317**	1,391,382
Over six months but within one year	**24,618**	96,320
Over one year	**36,302**	25,737
	1,790,237	1,513,439

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

10. Commitments

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Contracted, but not provided for:		
Properties under development	**2,489,740**	1,794,483

11. Contingent liabilities

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**1,812,561**	1,362,294

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 title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the period under review in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

12. Dividends

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2013 (2012: nil).

13. Events after the reporting period

There are no events to cause material impact on the Group after 30 June 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unaudited consolidated revenue of the Group was about RMB1,182,389,000 for the period under review, representing an increase of about 284.2% from RMB307,774,000 for the corresponding period in 2012. The unaudited profit attributable to the owners of the parent was about RMB309,284,000 for the six-month period ended 30 June 2013, an increment of about 13.8 times from RMB20,908,000 for the corresponding period in 2012. The unaudited earnings per share for the six-month period ended 30 June 2013 was RMB0.13 (corresponding period in 2012: RMB0.01), representing an increment of about 12.0 times of the corresponding period in 2012.

The Board does not recommend the payment of interim dividend for the period under review (2012: nil).

Although the property market of China had been affected by the continuous implementation of regulatory measures set by the Chinese central government, there had been growth recorded in the period under review.

In Zhejiang Province, the sales volume of the Hangzhou residential properties sold in the first half of 2013 as recorded was about 2,462,200 sq. m., representing an increase of about 10.3% as compared with that of the corresponding period in 2012[1]. Whereas the average sales price of Hangzhou residential properties sold in the first half of 2013 was about RMB21,982 per sq. m., an increase of about 32.3% as compared to that of the corresponding period in 2012[1]. Whereas the sales volume of the Yuyao residential properties sold in the first half of 2013 as recorded was about 404,700 sq. m., representing an increase of about 32.6% as compared with that of the corresponding period in 2012[2]. Whereas the average sales price of Yuyao residential properties sold in the first half of 2013 was about RMB12,457 per sq. m., an increase of about 17.6% as compared to that of the corresponding period in 2012[2].

In Anhui Province, the sales volume of residential properties in Hefei in the first half of 2013 as recorded was about 6,579,000 sq. m., representing an increase of about 83.1% as compared to that of the corresponding period in 2012[4]. The average sales price was about RMB6,882 per sq. m., representing an increase of about 6.2% as compared to that of the corresponding period in 2012[3]. Whereas the sales volume of residential properties in Huaibei in the first half of 2013 as recorded was about 771,500 sq. m., representing an increase of about 158.8% as compared to that of the corresponding period in 2012[4]. The average sales price was about RMB4,766 per sq. m., representing an increase of about 12.6% as compared to that of the corresponding period in 2012[4].

Revenue

During the period under review, the revenue generated from the sales of properties amounted to about RMB1,182,682,000 which represented an increase of about 363.3% from RMB255,265,000 for the corresponding period in 2012. Such increase was due to the increase in the recognition of sales of properties delivered during the period under review.

Source:

1. "Sales of major cities in China for January to June of 2013" issued by China Index Academy
2. "Property Market Monthly Report" issued by 余姚生活網 (Yuyao Lifestyle Network*)
3. "合房網研究報告(2013年上半年報)"(Analysis Report of Hefei Property Network (Half year report of 2013)*) issued by 合肥房地產交易網 (Hefei Real Estate Transaction Network*))
4. 淮北市房管局 (Huaibei City Real Estate Board*)

The revenue from property leasing amounted to about RMB39,511,000 (corresponding period in 2012: RMB35,407,000), representing an increase of about 11.6%. The hotel operation of the Group recorded a revenue of about RMB27,214,000 (corresponding period in 2012: RMB28,647,000), representing a decrease of about 5.0%. Whereas the Group's property management services recorded a revenue of about RMB12,071,000 (corresponding period in 2012: RMB9,392,000), representing an increase of about 28.5%.

The average property sales price per sq. m. achieved by the Group for the period under review was about RMB9,559 (corresponding period in 2012: RMB5,675), representing an increase of about 68.4%. The average cost per sq. m. for the six-month period ended 30 June 2013 was about RMB5,797 (corresponding period in 2012: RMB2,887), representing an increase of about 100.8%. The primary reason was that the majority of sales came from the sales of the apartments of Hidden Dragon Land (formerly known as Yinlong Bay) and Landscape Bay, and townhouses of Dragon Bay in Zhejiang Province which were sold with higher selling price and cost of sales during the period under review. Whereas that for the corresponding period in 2012 consisted mainly of sales of the apartments of Vancouver City in Anhui Province, which were sold at lower selling price and cost of sales.

Gross profit

Gross profit of the Group for the period under review amounted to about RMB447,451,000, representing an increase of about 179.7% when compared with the corresponding period of last year. Gross profit margin was about 37.8%, down by about 14.1 percentage points when compared with the corresponding period in 2012. The increase in gross profit was mainly due to the increase in gross profit contributed from increase in revenue generated from the property development segment of the Group during the period under review. The reduction in gross profit margin was mainly due to lower cost of sales of the projects in the corresponding period in 2012 as a result of low land cost which contributed to a higher margin.

Selling and distribution costs

During the period under review, the selling and distribution costs of the Group increased from RMB28,125,000 for the corresponding period in 2012 to about RMB50,199,000, representing an increase of about 78.5%. It was principally due to an increase in the selling and distributing activities for the presale of more properties during the period under review comparing to the corresponding period in 2012.

Administrative expenses

During the period under review, the administrative expenses of the Group increased from RMB101,118,000 for the corresponding period in 2012 to about RMB106,571,000, representing an increase of about 5.4%. It was mainly due to the increase in the number of employees during the period under review.

Earnings

The unaudited profit attributable to the owners of the parent was about RMB309,284,000 for the six-month period ended 30 June 2013 (corresponding period in 2012: RMB20,908,000), representing an increment of about 13.8 times. This increment was mainly due to the increase in revenue and the increase in fair value of the investment properties during the period under review. The unaudited increase in fair value of investment properties for the six-month period ended 30 June 2013 was about RMB302,574,000 (RMB226,931,000 net of relevant PRC corporate income tax), whereas the same was about RMB16,435,000 for the corresponding period in 2012 (RMB12,326,000 net of relevant PRC corporate income tax). The increase in the increment of fair value of investment properties for the six-month period ended 30 June 2013 was mainly due to the addition of new investment properties from completion of Hidden Dragon Land in Hangzhou, Zhejiang Province, during the period under review.

Contracted sales

Up to 30 June 2013, the contracted GFA sold by the Group was about 128,303 sq. m.. Set out below are the details of the contracted GFA sold from the Group's projects:

City	Project	Interest	Contracted GFA *(sq.m.)*
Hangzhou	Landscape Bay	92.6%	13,946
Hangzhou	Hidden Dragon Land	92.5%	5,082
Hangzhou	White Horse Manor	90.0%	28,004
Hangzhou	Ideal Bay	45.9%	1,737
Yuyao	Dragon Bay	90.0%	6,909
Yuyao	Jade Mansion	93.0%	12,082
Hefei	Green Harbour	84.2%	9,206
Huaibei	Vancouver City	100.0%	51,337
Total			128,303

Booked sales

Up to 30 June 2013, the booked GFA sold was about 123,726 sq. m.. Set out below are the booked GFA sold from these projects:

City	Project	Interest	Booked GFA *(sq.m.)*
Hangzhou	Landscape Bay	92.6%	12,578
Hangzhou	Hidden Dragon Land	92.5%	63,954
Yuyao	Dragon Bay	90.0%	9,873
Hefei	Green Harbour	84.2%	4,761
Huaibei	Vancouver City	100.0%	32,560
Total			123,726

Land reserve

During the period under reivew, the Group acquired a plot of land in Longhsan New Town, Cidong Binhai District of Cixi, Ningbo, Zhejiang Province for residential and commercial uses at a total consideration of about RMB238 million with a total GFA of about 494,138 sq. m.. The average land cost is about RMB482 per sq. m..

As of 30 June 2013, the total GFA of the Group's land bank in Zhejiang Province, Anhui Province and Jiangsu Province was about 5,006,520 sq. m., 1,842,735 sq. m. and 251,391 sq. m. respectively, which was about 7,100,646 sq. m. in total.

Region	*GFA (sq. m.)*	%
Zhejiang Province		
Greater Hangzhou	3,508,691	49.4
Others	1,497,829	21.1
Anhui Province		
Hefei	779,677	11.0
Huaibei	1,063,058	15.0
Jiangsu Province		
Suzhou	251,391	3.5
Total	7,100,646	

This sizable land bank is sufficient for development by the Group in more than five years. There is no outstanding land premium payable as of 30 June 2013 (corresponding period of 2012: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As of 30 June 2013, the Group employed 1,731 staff (30 June 2012: 1,479 staff). For the six-month period ended 30 June 2013, the unaudited staff cost of the Group was about RMB68,341,000 (corresponding period of 2012: RMB59,797,000), representing an increase of about 14.3%. The increase was due to the increase of the headcounts during the period under review.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. To attract talented persons and stabilize the management, eligible participants (including employees of the Group) may be granted options to subscribe for shares of the Company pursuant to the share option scheme. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness.

DIVIDEND POLICY

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

In addition, the Company's future dividend payments to its shareholders will also depend upon the availability of dividends received from its subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from IFRSs. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from 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 Company or its subsidiaries may enter into in the future.

CAPITAL STRUCTURE

As at 30 June 2013, the Group had aggregate cash and cash equivalents and restricted cash of about RMB1,357,930,000 (31 December 2012: RMB1,119,515,000). The increase was due to an increase in fund from the presale of properties during the period under review.

The current ratio as at 30 June 2013 was 0.95 (31 December 2012: 1.02).

As at 30 June 2013, the bank loans and other borrowings of the Group repayable within one year and after one year were about RMB1,774,391,000 and RMB3,261,718,000 respectively (31 December 2012: RMB1,739,030,000 and RMB2,493,137,000 respectively).

The unaudited consolidated interest expenses for the six-month period ended 30 June 2013 amounted to about RMB5,732,000 (corresponding period in 2012: RMB390,000) in total. In addition, for the six-month period ended 30 June 2013, interests with an unaudited amount of about RMB193,546,000 (corresponding period in 2012: RMB144,659,000) were capitalized. Interest cover (including amount of interests capitalized) was 1.61 times (corresponding period in 2012: 0.51 times).

As at 30 June 2013, the ratio of total liabilities to total assets of the Group was 0.63 (31 December 2012: 0.62).

As at 30 June 2013, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 0.88 (31 December 2012: 0.78). The ratio of bank loans and other borrowings to total assets was 0.31 (31 December 2012: 0.28). The increase was due to the increase in bank loans granted in the period under review.

CAPITAL COMMITMENTS

As at 30 June 2013, the capital commitments of the Group were about RMB2,489,740,000 (31 December 2012: RMB1,794,483,000), 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 2013, the contingent liabilities of the Group was about RMB1,812,561,000 (31 December 2012: RMB1,362,294,000), 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 2013, the Group had pledged investment properties of about RMB762,207,000 (31 December 2012: RMB1,894,005,000), properties under development of approximately RMB3,063,772,000 (31 December 2012: RMB4,298,558,000), completed properties of about RMB1,293,879,000 (31 December 2012: 704,968,000), properties under the category of property and equipment of about RMB163,244,000 (31 December 2012: RMB168,025,000) and time deposits of about RMB95,750,000 (31 December 2012: about RMB95,750,000) to secure the banking facilities of the Group. The 100% equity interest of a subsidiary of the Group with total equity of about RMB525,837,000 (31 December 2012: RMB1,258,394,000) was pledged to secure other borrowings for the Group.

FOREIGN EXCHANGE RISK

As the sales, purchase and bank borrowings of the Group in the first half of 2013 and the corresponding period in 2012 were denominated mainly in Renminbi, the foreign exchange risk exposed by the Group was not very material. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in the first half of 2013 and the corresponding period in 2012.

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 from the end of the reporting date to the date of this announcement.

PROSPECTS AND OUTLOOK

The new administration of China has begun to focus on building a long-term regulatory regime with respect to the real estate market, which is expected to bring a positive effect on the steady development of the overall industry. The 18th CPC National Congress also addressed the development of urbanization, the direction of which will be shifted from rapid expansion to quality improvement. In the long run, with the continued growth of the Chinese economy and steady progress of urbanization, the demand for quality housing will continue to grow.

Yangtze River Delta is the core region of the Group's business development and also a key region for promoting the new urbanization. At present, Yangtze River Delta Region will soon be developed into a more internationally competitive city cluster, which will provide the Group with huge room for development. With 16 years' development, Zhong An has grown from a local real estate company, to a leading developer in Yangtze River Delta region. Capitalizing on rich experience in the development of residential and commercial projects in small towns, combined with an in-depth study of economic situation and keen insight of the development opportunities of Yangtze River Delta, the Group is well-positioned to capture the development opportunities of new urbanization.

Specifically, the Group will gradually launch quick-sale products targeting end-users and value-added, low-density residential units, including high-rise apartments of Ideal Bay and Times Square, make full use of its brand advantages and maintain steady sales progress. Meanwhile, the Group will make use of various ways such as cooperative development, brand management and introduction of strategic partners to increase the scale of business development, realize synergy effect of resources integration, capture market opportunities, rapidly expand market share, and promote the rapid development of the Group's business.

With real estate development as our primary business focus, the direction of parallel development of commercial properties and services of property development business are held upon years' of experience accumulated by the Group. Besides devoting in residential property development, the Group will continue to steadily push forward the development of commercial and investment properties, and expand in suitable scale downstream services in real estate industry, thereby generating stable revenue and dispersing operational risks.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2013 (2012: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the period under review, the Company had applied the principles of the Corporate Governance Code (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 Kancheng (alias Mr Shi Zhongan) acts as both the chairman and chief executive officer of the Company since the listing of the Company's shares on the Stock Exchange in November 2007.

The Board considers that this management structure will not impair the balance of power and authority of the Board but will provide the Company with consistent leadership and 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 standards of 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 under review 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 its terms of reference 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 Mr Zhang Huaqiao. The Audit Committee comprises all the three independent non-executive Directors. The unaudited condensed consolidated interim financial information for the the six-month period ended 30 June 2013 has not been audited but has been reviewed by the Audit Committee and the Company's auditors, Ernst & Young.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed (corresponding period in 2012: 1,856,000 ordinary shares) any of the Company's listed securities.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF 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 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, Dr Loke Yu and Mr Zhang Huaqiao.

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

The PRC, 15 August 2013

* *For identification purposes only*