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 2016

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2016	2015	Increase/ (Decrease)
Revenue (RMB million)	**5,007.1**	2,883.1	73.7%
Profit attributable to owners of the parent (RMB million)	**125.3**	420.6	(70.2%)
Basic earnings per share (RMB)	**0.05**	0.18	(72.2%)

The board of directors (the "**Board**") 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 2016 together with the comparative amounts for the previous year. The annual results have been reviewed by the audit committee of the Company:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Revenue	4	**5,007,148**	2,883,146
Cost of sales		**(4,382,170)**	(2,426,128)
Gross profit		**624,978**	457,018
Other income and gains	4	**30,193**	276,344
Selling and distribution expenses		**(187,495)**	(208,848)
Administrative expenses		**(311,611)**	(299,769)
Other expenses		**(19,029)**	(5,616)
Fair value gain upon transfer to investment properties		**–**	796,581
Changes in fair value of investment properties		**123,908**	29,361
Finance costs	5	**(11,717)**	(34,269)
Share of loss of joint ventures		**(15)**	(2,208)
Profit before tax	6	**249,212**	1,008,594
Income tax expense	7	**(88,250)**	(415,292)
Profit for the year		**160,962**	593,302
Attributable to:			
Owners of the parent		**125,272**	420,608
Non-controlling interests		**35,690**	172,694
		160,962	593,302
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic		**RMB5 cents**	RMB18 cents
Diluted		**RMB5 cents**	RMB18 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**160,962**	593,302
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**4,070**	(12,933)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**4,070**	(12,933)
Total comprehensive income for the year	**165,032**	580,369
Attributable to:		
Owners of the parent	**131,540**	407,675
Non-controlling interests	**33,492**	172,694
	165,032	580,369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**1,362,070**	182,711
Investment properties		**5,129,937**	5,244,100
Properties under development		**2,285,929**	4,588,912
Restricted cash		**141,351**	90,100
Available-for-sale investments		**28,300**	3,300
Long term prepayments		**409,958**	359,321
Investment in joint ventures		**759**	774
Loans and receivables from a joint venture		**173,246**	–
Deferred tax assets		**168,779**	184,258
Total non-current assets		**9,700,329**	10,653,476
Current assets			
Completed properties held for sale		**5,506,562**	4,506,299
Properties under development		**2,931,314**	4,661,802
Inventories		**16,158**	10,628
Trade and bills receivables	*9*	**78,321**	72,198
Prepayments, deposits and other receivables		**479,164**	537,972
Equity investments at fair value through profit or loss		**491**	558
Restricted cash		**354,138**	162,216
Cash and cash equivalents		**946,651**	1,454,458
Investment properties classified as held for sale		**257,313**	29,800
Total current assets		**10,570,112**	11,435,931
Current liabilities			
Trade payables	*10*	**1,938,978**	2,320,479
Other payables and accruals		**603,226**	782,531
Advances from customers		**3,051,080**	3,569,147
Interest-bearing bank and other borrowings		**2,131,739**	2,213,181
Tax payable		**668,900**	677,684
Total current liabilities		**8,393,923**	9,563,022
Net current assets		**2,176,189**	1,872,909
Total assets less current liabilities		**11,876,518**	12,526,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing bank and other borrowings	**3,136,609**	3,981,662
Deferred tax liabilities	**1,028,774**	991,957
Total non-current liabilities	**4,165,383**	4,973,619
Net assets	**7,711,135**	7,552,766
Equity		
Equity attributable to owners of the parent		
Share capital	**220,811**	220,811
Reserves	**6,318,091**	6,189,412
	6,538,902	6,410,223
Non-controlling interests	**1,172,233**	1,142,543
Total equity	**7,711,135**	7,552,766

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

These consolidated 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 (the "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 and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED IFRSs

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

Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IFRSs	*Annual Improvements to IFRSs 2012-2014 Cycle*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*

The adoption of the above new and revised Standards has had no significant financial effect on these financial statements.

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 15	*Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
Amendments to IFRSs	*Annual Improvements to IFRSs Standards 2014-2016 Cycle*[5]
Amendments to IFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of interests in Other Entities*[1]
Amendments to IFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but available for adoption.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

3. OPERATING SEGMENT INFORMATION

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

(a) the residential segment develops and sells residential properties, and provides management and security services to residential properties in Mainland China and Canada;

(b) the commercial segment develops and sells commercial properties, leases investment properties, owns and a operates hotel and provides management and security services to commercial properties in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of profit/loss before tax from continuing operations. 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 2016	**Residential** *RMB'000*	**Commercial** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	**4,148,777**	**858,371**	**5,007,148**
Intersegment sales	**1,200**	**–**	**1,200**
	4,149,977	**858,371**	**5,008,348**
Reconciliation:			
Elimination of intersegment sales			**(1,200)**
Revenue from continuing operations			**5,007,148**
Segment results	**(16,495)**	**265,707**	**249,212**
Segment assets	**9,249,696**	**11,288,945**	**20,538,641**
Reconciliation:			
Elimination of intersegment receivables			**(268,200)**
Total assets			**20,270,441**
Segment liabilities	**6,692,487**	**5,946,886**	**12,639,373**
Reconciliation:			
Elimination of intersegment payables			**(80,067)**
Total liabilities			**12,559,306**
Other segment information:			
Share of losses of:			
a joint venture:	**–**	**15**	**15**
Impairment losses recognised in the statement of profit or loss	**(71,611)**	**–**	**(71,611)**
Depreciation	**7,868**	**13,090**	**20,958**
Investments in joint ventures	**–**	**759**	**759**
Capital expenditure	**13,601**	**117,328**	**130,929**

Year ended 31 December 2015	Residential *RMB'000*	Commercial *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	2,379,160	503,986	2,883,146
Intersegment sales	11,245	–	11,245
Sales to external customers	2,390,405	503,986	2,894,391
Reconciliation:			
Elimination of intersegment sales			(11,245)
Revenue from continuing operations			2,883,146
Segment results	(66,841)	1,075,435	1,008,594
Segment assets	10,861,577	11,293,164	22,154,741
Reconciliation:			
Elimination of intersegment receivables			(65,334)
Total assets			22,089,407
Segment liabilities	8,528,653	6,073,322	14,601,975
Reconciliation:			
Elimination of intersegment payables			(65,334)
Total liabilities			14,536,641
Other segment information:			
Share of profits and losses:			
Joint ventures	–	2,208	2,208
Impairment losses recognised in the statement of profit or loss	58,620	–	58,620
Depreciation	5,154	12,523	17,677
Investments in joint ventures	–	774	774
Capital expenditure	6,347	7,203	13,550

Geographical information

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

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the years ended 31 December 2016 and 2015.

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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, other income and gains is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**5,027,694**	2,882,015
Property leasing income	**62,040**	90,072
Property management fee income	**100,652**	41,686
Hotel operating income	**46,749**	48,107
Less: Business tax and surcharges*	**(229,987)**	(178,734)
	5,007,148	2,883,146

* Pursuant to the VAT reform in the PRC effective from 1 May 2016, all pre-sales of properties incurred after 1 May 2016 are subject to VAT. Accordingly, once the related revenue from these sales of properties is recognised, more revenue represents the net invoiced value of properties sold with VAT exclusive. Revenue in connection with the pre-sales incurred prior to 1 May 2016 is still subject to business tax, and the revenue represents the net invoiced value of properties sold with business tax exclusive.

	2016	2015
Other income		
Interest income from a joint venture	–	115,633
Bank interest income	**9,139**	27,310
Others	**8,173**	5,818
Subsidy income*	**12,007**	476
	29,319	149,237
Gains		
Gain on disposal of investment properties	–	1,397
Gain on disposal of joint ventures	–	125,954
Foreign exchange gain/(loss)	**874**	(244)
	874	127,107
	30,193	276,344

* There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

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

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings	**263,852**	359,005
Interest on other borrowings	**109,732**	188,703
Total interest expense	**373,584**	547,708
Less: Interest capitalised in properties under development	**(361,867)**	(513,439)
	11,717	34,269

6. PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of properties sold	**4,322,573**	2,317,028
Depreciation	**20,958**	17,677
Minimum lease payments under operating leases:		
– Office premises	**4,771**	4,072
Auditors' remuneration	**2,720**	2,320
Staff costs including directors' and chief executive's remuneration:		
– Salaries and other staff costs	**177,687**	154,505
– Pension scheme contributions	**20,179**	19,401
Foreign exchange differences, net	**(874)**	244
Direct operating expenses (including repairs and maintenance arising on investment properties)	**2,807**	5,095
Loss/(gain) on disposal of investment properties	**5,684**	(1,397)
Fair value (gain)/loss, net:		
Fair value gain upon transfer to investment properties	**–**	(796,581)
Changes in fair value of investment properties	**(123,908)**	(29,361)
Equity investments at fair value through profit or loss – held for trading	**67**	257
(Realise)/write-down of properties under development to net realisable value	**(71,611)**	58,620

7. INCOME TAX

The Group's subsidiaries incorporated in Hong Kong and Canada are not liable for income tax as they did not have any assessable profits arising in Hong Kong and Canada during the year (2015: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2015: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales 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.

	2016	2015
	RMB'000	*RMB'000*
Current – PRC corporate income tax for the year	**52,949**	64,819
Current – PRC LAT for the year	**23,644**	103,927
Deferred	**11,657**	246,546
Total tax charge for the year	**88,250**	415,292

8. 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 year attributable to ordinary equity holders of the parent of RMB125,272,000 (2015: RMB420,608,000) and the weighted average number of ordinary shares of 2,348,582,400 (2015: 2,348,582,400) in issue during the year, as adjusted to reflect the rights issued during the year.

The calculation of basic earnings per share is based on:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**125,272**	420,608

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year	**2,348,582,400**	2,348,582,400

The Group had no potentially dilutive ordinary shares during the years ended 31 December 2016 and 2015.

9. 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 were neither past due nor impaired and aged within one to three months.

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

10. TRADE PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Within six months	**1,682,979**	2,056,558
Over six months but within one year	**221,791**	206,986
Over one year	**34,208**	56,935
	1,938,978	2,320,479

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The audited consolidated revenue of the Group for 2016 was RMB5,007.1 million, representing an increase of about 73.7% from that of 2015. The gross profit for 2016 was RMB625.0 million, representing an increase of about 36.8% from that of 2015. The profit attributable to owners of the parent for 2016 was about RMB125.3 million, representing a decrease of about 70.2% from that in 2015. The basic earnings per share was RMB0.05 (2015: RMB0.18). The Board did not propose to declare a final dividend for the year ended 31 December 2016 (2015: nil).

Industry Review

In 2016, based on the national policy of destocking and affected by the loose monetary policy, the real estate industry in China achieved substantial upturn. Since the fourth quarter, the real estate market in China has cooled down gradually following the successive promulgation of control policies.

According to National Bureau of Statistics of China, the gross floor area (GFA) of residential properties sold in 2016 was recorded at about 1.58 billion sq.m., representing an increase of about 22.5% compared to that of 2015, which is substantially higher than the increment of about 6.5% recorded in 2015. According to the portal site of www.tmsf.com (杭州透明售房網), the GFA of residential properties sold in Hangzhou of the Zhejiang Province was about 20.81 million sq.m., representing an increase of about 49% as compared to that of 2015, whereas the average selling price per sq.m. was RMB17,280, representing an increase of about 8.1% as compared to that of 2015.

According to XL-House Institute, the GFA of residential properties sold in Hefei of the Anhui Province was about 8.20 million sq.m., representing a decrease of about 15.3% as compared to that of 2015. The average selling price per sq.m. was RMB11,069, representing an increase of about 28.5% as compared to that of 2015. According to www.hbfdc.gov.cn, the GFA of residential properties sold in Huaibei of the Anhui Province was about 1.01 million sq.m., representing an increase of about 10.9% as compared to that of 2015. The average selling price per sq.m. was RMB4,720, which was substantially the same compared to that of 2015. According to the portal site of www.eyuyao.com, the GFA of residential properties sold in Yuyao of the Zhejiang Province was about 1.176 million sq.m., representing an increase of about 54.5% as compared to that of 2015. The average selling price per sq.m. was RMB8,900, representing a decrease of about 4.3% as compared to that of 2015.

According to the portal site of www.house.zxip.com, the GFA of residential properties sold in Cixi of the Zhejiang Province was about 0.78 million sq.m., representing a decrease of about 19.4% as compared to that of 2015. The average selling price per sq.m. was RMB8,234, representing a decrease of about 9.7% as compared to that of 2015.

Business Review

The recognised revenue of properties sold and delivered by the Group in 2016 was about RMB5,027.7 million, representing an increase of about 74.5% compared to that of 2015. The rise was due to the increase in GFA of properties sold and delivered by the Group in 2016.

The GFA of properties sold and delivered by the Group in 2016 was about 623,230 sq.m. (2015: 249,673 sq.m.), representing an increase of about 149.6% as compared to that of 2015.

The recognised average selling price per sq.m. achieved by the Group in 2016 was about RMB8,067.2, representing a decrease of about 30.1% from RMB11,543.2 in the previous year. It is due to the greater increase in the portion of sales of properties with lower selling prices in the year under review.

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**	**Recognised revenue**	**Percentage of interest in the project attributable to the Group**
	sq. m.	*RMB million*	
Zhejiang Province			
Hangzhou			
Hidden Dragon Bay	183	2.9	67.6%
Jiarun Mansion	50,623	745.6	73.1%
Landscape Bay	25,469	298.9	92.6%
White Horse Manor	16,859	196.3	90.0%
Ideal Bay	198,700	1,270.8	45.9%
Others*	1,849	13.1	
Yuyao			
Dragon Bay	10,523	300.0	90.0%
Jade Mansion	98,545	828.1	93.0%
Zhong An Times Square (Phase II)	66,962	626.8	93.0%
Zhong An Landscape Garden, Cixi	74,299	335.2	90.0%
Anhui Province			
Hefei			
Green Harbour	9,631	97.6	84.2%
Huaibei			
Vancouver City	69,587	312.4	100.0%
	623,230	5,027.7	

* Including: Landscape Garden and White Horse Noble Mansion.

The average cost of properties sold per sq.m. of the Group was about RMB6,936 in 2016, representing a decrease of about 27.1% from RMB9,515 in the previous year. It was due to the lower development cost of relevant projects recognized for sale during the year.

Progress of development on the major projects

Hangzhou, Zhejiang Province

Landscape Bay

This is a residential project located on the south bank of Qiantang River, Xiaoshan District, Hangzhou, Zhejiang Province, which was completed in phases in previous years, with a total GFA of about 300,012 sq.m.. The project includes island-style townhouses, high-rise apartments with river view, car park lots and clubhouse. The entire project was completed in 2011. The volume of sales of this project during the year under review was within expectation.

Hidden Dragon Bay

This is an integrated commercial complex in Wenyan Town, Xiaoshan District, Hangzhou, Zhejiang Province with a total GFA of about 241,695 sq.m.. The project includes low-rise luxurious leisure mansions for corporations, high-rise serviced apartments, a shopping mall, street shops and car park lots. The project was completed in April 2013. The volume of sales of this project during the year under review was within expectation.

International Office Centre

This is a large-scale integrated commercial project in Qianjiang Century Town, Xiaoshan District, Hangzhou, Zhejiang Province with a total planned GFA of about 1,896,860 sq.m. in 3 phases, Phases A to C. Phase A of the International Office Centre includes two hotels, office buildings, a shopping mall, serviced apartments and underground car parking lots. The serviced apartments, a shopping mall and underground car parking lots of Plot A3 of Phase A, with a total GFA of about 327,996 sq.m., were completed. The development of Plot A2 of the International Office Centre is expected to be commenced in 2017.

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 residential townhouses situated at a hilly terrain with beautiful scenery and green vegetation. The townhouse units are built with American architectural design and on the terrain with spacious view. The project is in proximity to local universities and Xixi Wetland. The entire project was completed in December 2015. The volume of sales of the project during the year under review was within expectation.

Ideal Bay

This is a residential project in Linping, Yuhang District, Hangzhou, Zhejiang Province with a total GFA of about 538,856 sq.m.. The project consists of townhouses in British architectural design and high rise apartment units, which was fully completed in June 2016. The volume of sales of the project during the year under review was within expectation.

Chaoyang No. 8

This is a project with multi-storey residential apartments and commercial amenities in Shushan Town, Xiaoshan District, Hangzhou, Zhejiang Province and its total GFA is about 199,224 sq.m.. It is at the prime location with Hangzhou Metro Line No.2 terminal in the proximity. As at 31 December 2016, the construction was in progress. The project, as a whole, is expected to be completed in around December 2017. The pre-sale of the project during the year under review was within expectation.

Hangzhou Qiandao Lake Run Zhou Resort Hotel

This is a hotel project in Qiandaohu Town, Chunan County, Hangzhou, Zhejiang Province with a GFA of about 46,691 sq.m.. This hotel will be built at the shore of Qiandao Lake with a beautiful lake view and natural habitat. As at 31 December 2016, the construction was in progress. It is expected that the project will be completed in the first half of 2017.

College Square

This is a residential project located at Yuhang District, Hangzhou, Zhejiang Province and its total GFA is about 195,293 sq.m.. It consists of high rise residential apartments and shopping units. It is very close to the old city of Yuhang District and situated at the planned hi-tech center of Hangzhou. As at 31 December 2016, the construction was in progress and is expected to be completed in around the second quarter of 2018. The pre-sale of this project during the year under review was within expectation.

White Horse Palace

This is a residential project located at Xiaoshan District, Hangzhou, Zhejiang Province and its total GFA is about 68,345 sq.m.. It consists of high rise residential apartments and townhouses. It is at one of the core areas of Xiaoshan District. As at 31 December 2016, the construction was in progress and is expected to be completed in around the second quarter of 2018. The pre-sale of this project during the year under review was within expectation.

Jiangcun Parcel

It is located in Jiangcun Unit, Xihu District, Hangzhou and is in proximity to Xixi Wetland. The total site area of the project is 39,703 sq.m. and the total GFA is 59,555 sq.m. The project is expected to commence construction in 2017, which will become an integrated commercial complex comprising offices, serviced apartments and shops.

Yuyao, Zhejiang Province

Dragon Bay

This is a high-end low-density residential project in Yuyao, Zhejiang Province, which was completed in 2013, with a total GFA of 196,809 sq.m.. The project consists of French, European and Spanish-style low-rise residential buildings. The sale 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 292,807 sq.m.. The project consists of 3 phases with townhouses and residential apartments and it is next to the Dragon Bay. The construction of Phase I with townhouse was completed in 2014 and Phase III was completed in June 2016. The construction of Phase II started at the end of 2016. The volume of sales of this project during the year under review 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 628,408 sq.m. in 2 phases. It is next to the Dragon Bay and the Jade Mansion, which are projects spanning along a river. The project consists of 2 phases. Phase I is planned to include a shopping mall, a boutique hotel and two commercial office towers and underground car parking spaces while Phase II is planned to include two hotels, one Grade A office tower and six high-rise serviced apartment buildings, underground car parking spaces and street shops. Phase II of this project was completed in September 2016 and the construction of Phase I is still in progress, which is expected to be completed in around September 2017. The volume of sales of Phase II of this project during the year under review was within expectation.

Zhong An Landscape Garden, Cixi

This is a residential project with commercial portion which provides ancillary services to the local residents. The total GFA is about 510,125 sq.m.. It consists of multi-storey apartments and commercial block which will be constructed in phases. The first phase of the multi-storey apartments was completed in June 2016. The volume of sales of the multi-storey apartments during the year under review was within expectation.

Hefei, Anhui Province

Green Harbour

This is a low-density residential project in Hefei, Anhui Province, of which Phases 1B and 1C were completed in previous years. The volume of sales of this project during the year under review was within expectation.

Huaibei, Anhui Province

Vancouver City

This is a low density residential project in Huaibei, Anhui Province, which includes townhouses, multi-storey apartments and shopping units. The project is developed in phases, out of which six phases were completed as at 31 December 2016. The pre-sale during the year under review was within expectation.

The construction of a hotel, VC Hotel, with GFA of about 67,061 sq.m. in Phase 6D will be completed in the mid of 2017.

Tianjin

This is a land re-development project located in Hexi District, Tianjin. The reallocation and demolition works is expected to commence later. It is expected that this allocated land will, upon completion of the re-development project, be transferred to the local government. This re-development project is a part of the urban renewal project of the Tianjin government.

Overseas

Amber Rise

This project was set up in Vancouver, Province of British Columbia, Canada with a GFA of about 7,719 sq.m.. The site is located in wealthy district with about 20 minutes drive to downtown of Vancouver City. Totally 11 townhouses with individual swimming pools and deluxe design will be built in 2 phases. Construction was commenced in the fourth quarter of 2016 and it is expected that the entire project will be completed by end of 2018.

Contracted sales in 2016

As at 31 December 2016, the contracted GFA sold by the Group was about 504,176 sq.m. (2015: 375,188 sq.m.) with the amount of about RMB5,030.2 million (2015: RMB3,413.3 million). Set out below are the details of the contracted sales from the major projects:

Projects	**Contracted GFA sold** *(sq.m.)*	**Contracted amount** *(RMB million)*	**Percentage of interest in the project attributable to the Group**
Zhejiang Province			
Hangzhou			
Chaoyang No. 8	31,827	461.6	90%/65.8%
Hidden Dragon Bay	183	3.0	67.6%
Ideal Bay	84,095	646.7	45.9%
Jiarun Mansion	51,192	813.3	73.1%
Landscape Bay	22,988	301.4	92.6%
White Horse Manor	14,738	234.2	90.0%
White Horse Palace	11,921	352.3	90.0%
College Square	57,795	423.0	90.0%
Chaoyang Yinzuo	5,176	52.0	65.8%
Highlong Plaza	5,826	76.3	65.8%
Others*	1,980	18.6	
Yuyao			
Dragon Bay	8,911	243.4	90.0%
Jade Mansion	60,160	528.7	93.0%
Zhong An Times Square (Phase II)	24,849	242.1	93.0%/68.0%
Cixi			
Zhong An Landscape Garden, Cixi	28,189	145.1	90.0%/65.8%
Anhui Province			
Hefei			
Green Harbour	4,522	43.4	84.2%
Huaibei			
Vancouver City	89,824	445.1	100.0%
	504,176	5,030.2	

* Including: Landscape Garden and White Horse Noble Mansion.

It is expected that the GFA available for sale or lease or operation from the projects to be completed in 2017 would be about 1,029,182 sq.m., the details of which are as follows:

Projects	**GFA available for sale/lease/ operation** *(sq.m.)*	**Percentage of interest in the project attributable to the Group**	**Usage**
Chaoyang No.8	199,225	65.8%	For sale
VC Hotel (Vancouver City) (Phase 6D)	67,061	100.0%	For operation
Zhong An Landscape Garden, Cixi (Phase II)	50,109	90.0%	For sale
Zhong An Times Square (Phase I)	305,473	65.8%	For operation and sale
Hangzhou Qiandao Lake Run Zhou Resort Hotel	46,691	73.1%	For operation
International Office Centre (Plot A3)	139,681	73.1%	For sale/leasing
Hidden Dragon Bay	121,169	67.6%	For sale/leasing
Highlong Plaza	99,773	65.8%	For sale/leasing
Total	1,029,182		

Land bank

As at 31 December 2016, the total GFA of the Group's land bank was about 5,925,163 sq.m., out of which the total unsold or undelivered GFA of the completed properties projects was about 1,627,304 sq.m.. As at 31 December 2016, the average acquisition cost of the Group's overall land bank was about RMB1,183 per sq.m..

During the year under review, the GFA of properties of which the construction was newly commenced by the Group was about 350,334 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, is located next to the Highlong Plaza in Xiaoshan District, Hangzhou, Zhejiang Province. It is managed by Holiday Inn (China) Co., Limited, a well-known international hotel brand within the InterContinental Hotels Group. It recorded a revenue of about RMB46.7 million for 2016, which was slightly lower than the revenue of about RMB48.1 million recorded in 2015. The occupancy rate was about 57.7% (2015: 54.5%).

Leasing

The leasing revenue for 2016 was about RMB62.0 million, representing a decrease of about 31.1% compared to RMB90.1 million in 2015. It was mainly due to the decrease in rental as a result of the assets optimization and decoration works carried out in the Highlong Plaza during the year under review.

Currently, Highlong Plaza provides the main source of leasing income. This plaza consists of office buildings, a shopping centre, a hotel, serviced apartments and underground car parking lots. The serviced apartments at Highlong Plaza were sublet to and managed by independent operators, Ningbo Sanbi Hotel and Hangzhou Youbang Hotel. The performance of the operation was satisfactory.

The shopping units of Hidden Dragon Bay with GFA of about 24,211 sq.m. had contributed another source of rental income during the year.

The overall leasing rate was 79% (2015: 75%).

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 the provision of travel tours, housekeeping and nanny services, etc.. The provision of customer-oriented services and the wide variety of services offered have strengthened the Group’s 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 are provided by the Group. Such value-added downstream services will form an integral part of the Group's property development and management businesses, and are expected to further fortify the Group's corporate branding.

Awards and Recognitions

The Group had received the following awards and accolades from the PRC government and recognized authorities during the year under review:

Awarded by	**Awards**	**Awarded parties/projects**
Enterprise Research Institute of Development Research Center of State Council, Real Estate Research Institute of Tsinghua University and China Index Academy	Top 10 of China Real Estate Integrated Development Expert Pioneer Brand Value in 2016	Zhong An Real Estate Limited
Hong Kong renowned financial magazine "China Financial Market"	"Best Investment Value Award" in the 2016 China Financial Market Listed Companies Awards	China New City Commercial Development Limited
Hong Kong renowned financial magazine "China Financial Market"	"Listed Companies with the Most Growth Potential" in the 2016 China Financial Market Listed Companies Awards	Zhong An Real Estate Limited
China Property Management Institute, China Index Academy	2016 China Top 100 Property Management Companies	Zhejiang Zhong An Property Co.,Ltd.
Real Estate Research Institute in Anhui Province	2015 Top 50 Real Estate Listed Companies in terms of Comprehensive Strength in Anhui Province	Anhui Zhong An Real Estate Development Co.,Ltd.
Hefei Real Estate Administration Bureau	Demonstration Residential District in Hefei	Green Harbour
Housing and Urban Construction Department in Anhui Province, Housing and Urban and Rural Construction Information Center in Anhui Province	2016 Property Management Standardization Demonstration Project in Anhui Province	Anhui Zhong An Property Management Co., Ltd.

Human resources

As at 31 December 2016, the Group employed a total of 2,610 staff (2015: 2,247). In 2016, the staff cost of the Group was about RMB197.9 million (2015: about RMB173.9 million), representing an increase of about 13.8%. The increase was mainly due to the hiring of higher caliber and more staff during the year 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 on a yearly basis for its employees, the results of which are taken into account of in the 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 high calibre people and solidify the management of the Group, eligible participants (including employees of the Group) may be granted options to subscribe for shares in the Company pursuant to the share option scheme adopted by the Company. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness.

Dividend policy

The Board determines 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 2016, the Group recorded gross profit of about RMB625.0 million, representing an increase of about 36.8% as compared to that of about RMB457.0 million in the previous year. The increase in gross profit is the net effect of (i) the increase in recognised revenue from the properties sold and delivered and (ii) the relatively higher costs of the properties sold and delivered in the year under review.

Other income and gains

Other income and gains dropped by about 89.1% to about 30.2 million in 2016 from about RMB276.3 million in 2015. The decline was primarily caused by the fact that an interest income from interest-bearing loans to a joint venture and a gain on disposal of 33% indirect equity interest in a joint venture were recognized in 2015 and there were no such items in the year under review.

Selling and distribution expenses

Owing to the recovery of the market in 2016 and the more stringent cost control, selling and distribution expenses decreased by about 10.2% to about RMB187.5 million in 2016 from about RMB208.8 million in 2015. The amount of contracted sales achieved for 2016 increased by 47.4% from that of 2015.

Administrative expenses

Administrative expenses were up by about 4.0% to about RMB311.6 million in 2016 from about RMB299.8 million in 2015. This was primarily due to the increase of staff cost during the year under review.

Other expenses

Other expenses increased by about 2.4 times to about RMB19.0 million from about RMB5.6 million in 2015 which was mainly due to the result of loss in disposal of investment properties and the increase in charitable donations, fines and compensation payments made during the year under review.

Finance costs

Finance costs declined by about 65.8% to about RMB11.7 million in 2016 from about RMB34.3 million in 2015. This drop was mainly due to the decrease in bank loans in 2016.

Income tax expenses

Income tax expenses dropped by about 78.7% to about RMB88.3 million in 2016 from about RMB415.3 million in 2015. The primary reasons for the decline are: (i) there is a decrease in the amount of PRC land appreciation tax accounted for in the year under review and (ii) there is a deferred tax expense resulted from the fair value gain upon transfer of completed properties to investment properties in 2015 but there is no such item in the year under review.

Capital structure

As at 31 December 2016, the Group had total assets of approximately RMB20,270.4 million (2015: approximately RMB22,089.4 million) which were financed by current liabilities of approximately RMB8,393.9 million (2015: approximately RMB9,563.0 million), non-current liabilities of approximately RMB4,165.4 million (2015: approximately RMB4,973.6 million) and shareholders' equity of approximately RMB7,711.1 million (2015: approximately RMB7,552.8 million).

As at 31 December 2016, the Group had aggregate cash and cash equivalents and restricted cash of about RMB1,442.1 million (2015: RMB1,706.8 million).

As at 31 December 2016, the Group's interest-bearing bank and other borrowings amounted to approximately RMB5,268.3 million (2015: approximately RMB6,194.8 million). The decrease was mainly due to the increase in repayment of bank loans and borrowings in the year under review.

The maturity profile of the borrowings were as follows:

	As at 31 December 2016	As at 31 December 2015
	RMB'000	*RMB'000*
Within 1 year or on demand	**2,131,739**	2,213,181
Over 1 year but within 2 years	**1,439,609**	1,745,245
Over 2 years but within 5 years	**1,247,000**	1,756,417
Over 5 years	**450,000**	480,000
	5,268,348	6,194,843

Interest-bearing bank and other borrowings bear interest at fixed rates and floating rates. As at 31 December 2016, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from 2.11% to 12.00% per annum (2015: 2.02% to 12.00% per annum).

The denominated amounts of the borrowings were as follows:

	As at 31 December 2016	As at 31 December 2015
	RMB'000	RMB'000
Renminbi	**4,905,220**	5,853,507
Canadian dollars	**15,422**	13,929
Hong Kong dollars	**45,097**	43,990
United States dollars	**302,609**	283,417
	5,268,348	6,194,843

For the year under review, the total cost of borrowings of the Group was approximately RMB373.6 million (2015: approximately RMB547.7 million), and interests with an amount of approximately RMB361.9 million (2015: approximately RMB513.4 million) were capitalized.

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.26 (2015: approximately 1.20). The ratio of interest-bearing bank and other borrowings to total assets was 0.26 (2015: 0.28). The net gearing ratio of the Group (defined as net debt divided by total equity) was 0.50 (2015: 0.59) (net debt is defined as total interest-bearing bank and other borrowings less cash and cash equivalent and total restricted cash). The Group always adopts a conservative approach in its financial management.

Capital commitments

As at 31 December 2016, the Group had capital commitments of about RMB1,058.4 million (2015: RMB1,266.6 million) in respect of property development expenditure. It is expected that the Group will finance such commitments from its own funds and external financing (such as bank loans).

Contingent liabilities

As at 31 December 2016, the contingent liabilities of the Group was about RMB4,124.4 million (2015: RMB3,867.1 million), which were guarantees 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 2016, investment properties of the Group with carrying value of about RMB2,355.7 million (2015: RMB3,692.3 million), properties under development of about RMB2,599.5 million (2015: RMB2,741.7 million), completed properties held for sale of about RMB2,947.3 million (2015: RMB2,378.4 million), property and equipment of about RMB132.5 million (2015: RMB144.3 million), restricted cash of about RMB141.7 million (2015: RMB123.1 million) and 100% equity interest in a subsidiary of the Group with total equity of about RMB51.0 million (2015: RMB6 million) were pledged to secure the banking facilities and other borrowings for the Group.

Foreign exchange risk

As the sales, purchase and bank borrowings of the Group in 2016 and 2015 were made mainly in Renminbi, the foreign exchange risk exposed to the Group was relatively minor. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in 2016 and 2015.

Interest rate risk

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

On 11 January 2017, Zhejiang Zhongan Shenglong Commercial Co., Ltd. ("**Zhong An Shenglong**"), an indirect non-wholly owned subsidiary of China New City Commercial Development Limited ("**China New City**") (which is a subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**")), entered into a memorandum of understanding ("**MOU**") with Hangzhou Oriental Culture Tourism Group Co., Ltd ("**Hangzhou Oriental**") in relation to the proposed acquisition by Zhong An Shenglong of 42.5% of the entire equity interests in Zhejiang Xinnongdou Industrial Co., Ltd ("**Zhejiang Xinnongdou**") from Hangzhou Oriental ("**Proposed Acquisition**"). The proposed consideration for the Proposed Acquisition is expected to be about RMB700 million, which will be settled partly by cash and partly by the issue of new shares in China New City. The consideration for the Proposed Acquisition will be further negotiated, which is to be determined by reference to the net asset value of Zhejiang Xinnongdou as shown in its audited consolidated financial statements for the year ended 31 December 2016 (subject to adjustment by the parties based on the results of the due diligence review). Under the MOU, Zhong An Shenglong has paid a refundable earnest deposit in the amount of RMB127 million to Hangzhou Oriental. The principal activities of the Zhejiang Xinnongdou group are the development, construction and management of logistics center for agricultural products. The entering into of the MOU allows the Group to capture the business and development opportunities arising from the demand for modern logistics platform for agricultural products due to the continued urbanisation, economic growth and improvement in living standards of the residents in the Yangtze River Delta region and thereby may boost the revenue of the Group. Details of the Proposed Acquisition are set out in the announcement of the Company jointly issued with China New City dated 11 January 2017.

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.

Environmental, Social and Governance Aspects

The Group is always committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. A report on the environmental, social and governance aspects is being prepared with reference to Appendix 27 (Environmental, Social and Governance Reporting Guide) to the Listing Rules and will be published respectively on the website of the Company and the Stock Exchange in due course.

Prospects

Looking forward to 2017, it is believed that the PRC government will continue to adopt different policies in different cities as appropriate to their local conditions. It is expected that more stringent macro-control will be enacted and applied to the property market of the first and second tier-cities to suppress investment and speculative demand. Destocking is still the key theme for the third and fourth tier-cities. The Group has been benefited from the continued inflow of population and resources of the Yangtze River Delta region, the key development area of the Group with a solid economic foundation. After the implementation of destocking policy for over a year, the current stock-to-sales ratio for quality cities has reached a historical low. We believe the development of real estate market will maintain a steady uptrend in the coming year.

Moreover, it is expected that the central government of China will continue to maintain a sustainable GDP growth and promulgate various proactive policies to stimulate economic growth in 2017.

The Group will continue to adopt a prudent approach in acquiring land for development of projects which will be sold at a fair price and lead to quick cash inflow. This will, in turn, result in a quick asset turnover. Furthermore, the Group will continue to maintain sufficient cash flow and to achieve relative low finance cost through enhancing the financing structure of the Group.

Leveraging on the Group's capabilities in quality property management and the provision of other value-added services to the communities within the properties developed by the Group, corporate branding is expected to be enhanced further and synergetic results will be produced.

DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31 December 2016 (2015: nil).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

CORPORATE GOVERNANCE

During the year under review, the Company had applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules, save for the deviation from the code provision A.2.1 of the Code which states that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

The roles of the chairman and the chief executive officer of the Company are performed by Mr Shi Kancheng.

The Board considers that the taking of the roles of both chairman and chief executive officer by 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 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 (comprising all the independent non-executive Directors) had reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2016 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosure.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Thursday, 8 June 2017, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 2 June 2017.

LIST OF DIRECTORS

As at the date of this announcement, the executive Directors of the Company are Mr Shi Kancheng, Ms Shen Tiaojuan, Mr Zhang Jiangang and Mr Jin Jianrong 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
Zhong An Real Estate Limited
Shi Kancheng
Chairman

The PRC, 27 March 2017