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 2014

FINANCIAL HIGHLIGHTS

	Unaudited		
	For the six-month period ended 30 June		
	2014	2013	Percentage of increase/ (decrease)
Revenue (RMB'000)	**1,002,530**	1,182,389	(15.2)
Profit attributable to owners of the parent (RMB'000)	**381,724**	309,284	23.4
Earnings per share attributable to ordinary equity holders of the parent (RMB)	**0.16**	0.13	23.1

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 2014 (the "**period under review**") together with the comparative figures for the corresponding period in 2013.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six-month period ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**1,002,530**	1,182,389
Cost of sales		**(742,295)**	(734,938)
Gross profit		**260,235**	447,451
Other income and gains	*4*	**11,564**	11,564
Selling and distribution costs		**(62,541)**	(50,199)
Administrative expenses		**(145,194)**	(106,571)
Other expenses		**(5,301)**	(2,246)
Fair value gain upon transfer to investment properties		**513,507**	257,041
Increase in fair value of investment properties		**9,300**	45,533
Finance costs		**(4,966)**	(5,732)
Share of losses of joint ventures		**(553)**	(384)
Profit before tax	*5*	**576,051**	596,457
Income tax expense	*6*	**(198,978)**	(238,713)
Profit for the period		**377,073**	357,744
Attributable to:			
Owners of the parent		**381,724**	309,284
Non-controlling interests		**(4,651)**	48,460
		377,073	357,744
Earnings per share attributable to ordinary equity holders of the parent (RMB)	*7*		
Basic		**16 cents**	13 cents
Diluted		**16 cents**	13 cents

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**377,073**	357,744
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(3,039)**	7,795
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(3,039)**	7,795
Total comprehensive income for the period	**374,034**	365,539
Attributable to:		
Owners of the parent	**378,685**	317,079
Non-controlling interests	**(4,651)**	48,460
	374,034	365,539

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2014 RMB'000 (unaudited)**	31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment		**194,429**	202,133
Investment properties		**3,298,300**	2,501,000
Properties under development		**6,345,124**	6,078,296
Available-for-sale investments		**3,300**	3,300
Long term prepayments		**449,648**	48,584
Investments in joint ventures		**436,896**	412,448
Deferred tax assets		**157,227**	142,785
Restricted cash		**–**	95,750
Total non-current assets		**10,884,924**	9,484,296
CURRENT ASSETS			
Completed properties held for sale		**4,811,919**	4,386,355
Properties under development		**1,633,921**	1,430,161
Inventories		**9,508**	10,078
Trade and bills receivables	*8*	**37,874**	22,980
Prepayments, deposits and other receivables		**444,828**	241,004
Equity investment at fair value through profit or loss		**1,159**	1,077
Restricted cash		**253,490**	301,722
Cash and cash equivalents		**627,928**	1,234,975
Investment property classified as held for sale		**31,000**	31,000
Total current assets		**7,851,627**	7,659,352
CURRENT LIABILITIES			
Trade payables	*9*	**1,926,833**	1,794,221
Other payables and accruals		**455,012**	495,389
Advances from customers		**1,960,881**	1,871,993
Interest-bearing bank and other borrowings		**2,472,308**	835,890
Tax payable		**710,062**	783,047
Dividends payable		**42,617**	–
Total current liabilities		**7,567,713**	5,780,540
NET CURRENT ASSETS		**283,914**	1,878,812
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,168,838**	11,363,108

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**11,168,838**	11,363,108
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,969,928**	4,620,404
Deferred tax liabilities	**675,670**	553,102
Total non-current liabilities	**4,645,598**	5,173,506
NET ASSETS	**6,523,240**	6,189,602
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**222,319**	222,319
Reserves	**6,002,872**	5,621,966
Proposed final dividend	**–**	42,617
	6,225,191	5,886,902
NON-CONTROLLING INTERESTS	**298,049**	302,700
TOTAL EQUITY	**6,523,240**	6,189,602

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent												
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Share option reserve	Statutory surplus reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend	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*	*RMB'000*
At 1 January 2014	**222,319**	**2,983,238**	**39,318**	**(43,902)**	**157,707**	**221,087**	**8,239**	**(101,819)**	**2,358,098**	**42,617**	**5,886,902**	**302,700**	**6,189,602**
Profit for the period	–	–	–	–	–	–	–	–	**381,724**	–	**381,724**	**(4,651)**	**377,073**
Other comprehensive income for the period	–	–	–	–	–	–	–	**(3,039)**	–	–	**(3,039)**	–	**(3,039)**
Total comprehensive income for the period	–	–	–	–	–	–	–	**(3,039)**	**381,724**	–	**378,685**	**(4,651)**	**374,034**
Final 2013 dividend declared	–	–	–	–	–	–	–	–	–	**(42,617)**	**(42,617)**	–	**(42,617)**
Equity-settled share option arrangements	–	–	–	–	**2,221**	–	–	–	–	–	**2,221**	–	**2,221**
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	**(3,589)**	–	–	–	**3,589**	–	–	–	–
At 30 June 2014 (unaudited)	**222,319**	**2,983,238**	**39,318**	**(43,902)**	**156,339**	**221,087**	**8,239**	**(104,858)**	**2,743,411**	–	**6,225,191**	**298,049**	**6,523,240**
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Corporate information

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

The Company and its subsidiaries (the "**Group**") are 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**").

In the opinion of the Company's directors (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 Zhongan, Chairman and Chief Executive Officer of the Company.

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 2014 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 2013.

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 consolidated financial statements for the year ended 31 December 2013, except for the adoption of new and revised standards effective as of 1 January 2014, noted below:

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets-Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

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 following are new and revised standards that have been issued but are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted:

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 11 Amendments	Amendments to IFRS 11 *Joint Arrangements-Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits-Defined Benefit Plans: Employee Contributions*[1]
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible assets Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41-*Agriculture: Bearer Plants*[2]
IAS 27 Amendments	Amendments to IAS 27 *Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Operating segment information

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

(a) the property development segment which develops and sells properties in Mainland China;

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

(c) the hotel operations segment which owns and operates a hotel; and

(d) the others segment comprises, principally, the Group's property management services business, which provides management services to residential and commercial properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

The following tables presented revenue and profit information regarding the Group's operating segments for the six-month period ended 30 June 2014 and 2013, respectively.

Six-month period ended 30 June 2014 (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	**924,301**	**44,921**	**23,444**	**9,864**	**1,002,530**
Intersegment sales	**–**	**12,800**	**–**	**10,705**	**23,505**
	924,301	**57,721**	**23,444**	**20,569**	**1,026,035**
Reconciliation:					
Elimination of intersegment sales					**(23,505)**
Revenue					**1,002,530**
Segment results	**100,237**	**529,367**	**711**	**(53,694)**	**576,621**
Reconciliation:					
Interest income					**6,535**
Equity-settled share option expenses					**(2,221)**
Fair value gain, net:					
Equity investments at fair value through profit or loss					**82**
Finance costs					**(4,966)**
Profit before tax					**576,051**

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	296,197	332,176	2,970	(19,579)	611,764
Reconciliation:					
Interest income					2,754
Equity-settled share option expenses					(12,366)
Fair value gain, net:					
Equity investments at fair value through profit or loss					37
Finance costs					(5,732)
Profit before tax					596,457

The following table presents segment assets of the Group's operating segments as at 30 June 2014 and 31 December 2013:

As at 30 June 2014 (unaudited)	**Property development** *RMB'000*	**Property rental** *RMB'000*	**Hotel operations** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment assets	**14,733,674**	**3,343,580**	**444,676**	**1,243,973**	**19,765,903**
Reconciliation:					
Elimination of intersegment receivables					**(2,227,910)**
Corporate and other unallocated assets					**1,198,558**
Total assets					**18,736,551**

As at 31 December 2013 (audited)	Property development *RMB'000*	Property rental *RMB'000*	Hotel operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	12,517,936	2,538,865	426,710	1,839,388	17,322,899
Reconciliation:					
Elimination of intersegment receivables					(2,029,096)
Corporate and other unallocated assets					1,849,845
Total assets					17,143,648

Geographical Information

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

Information about a major customer

No revenue amounted to 10% or more of the Group's revenue was derived from sales to a single customer or a group of customers under the common control for the six-month periods ended 30 June 2014 and 2013.

4. Revenue, other income and gains

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

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

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Sale of properties	**980,266**	1,182,682
Property leasing income	**47,952**	39,511
Property management fee income	**10,770**	12,071
Hotel operating income	**24,836**	27,214
Less: Business tax and surcharges	**(61,294)**	(79,089)
	1,002,530	1,182,389
Other income		
Interest income	**6,535**	2,754
Subsidy income	**740**	150
Others	**2,252**	305
	9,527	3,209
Gains		
Foreign exchange gain	**2,037**	8,355
	11,564	11,564

5. **Profit before tax**

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

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of properties sold	**726,182**	717,225
Depreciation	**9,596**	9,672
Minimum lease payments under operating leases:		
– Office premises	**2,320**	2,301
Staff costs	**65,822**	68,341
Foreign exchange differences, net	**(2,037)**	(8,355)
Loss on disposal of investment properties	**–**	336
Fair value gain net:		
Fair value gain upon transfer to investment properties	**(513,507)**	(257,041)
Changes in fair value of investment properties	**(9,300)**	(45,533)
Equity investments at fair value through profit or loss	**(82)**	(37)

6. **Income tax expense**

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

The provision for the PRC income tax has been made at the applicable income tax rate of 25% (six-month period ended 30 June 2013: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

The PRC land appreciation tax ("**LAT**") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

	For the six-month period ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC income tax for the period	**49,144**	59,140
PRC land appreciation tax for the period	**41,037**	84,818
Deferred tax	**108,797**	94,755
Total tax charge for the period	**198,978**	238,713

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 RMB381,724,000 (six-month period ended 30 June 2013: RMB309,284,000) and the weighted average number of ordinary shares of 2,367,635,400 (six-month period ended 30 June 2013: 2,367,635,400 ordinary shares) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six-month period ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**381,724**	309,284
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,367,635,400**	2,367,635,400
Effect of dilution – weighted average number of ordinary shares:		
Share options	**14,495,827**	–
	2,382,131,227	2,367,635,400

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 reporting period are neither past due nor impaired.

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

9. Trade payables

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

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
Within six months	**1,602,889**	1,544,719
Over six months but within one year	**269,073**	190,125
Over one year	**54,871**	59,377
	1,926,833	1,794,221

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 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
Contracted, but not provided for:		
Properties under development	**1,538,914**	1,723,747

11. Contingent liabilities

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**2,268,420**	2,094,348

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 financial periods in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors of the Company consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

12. Dividends

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2014 (2013: nil).

13. Events after the reporting period

On 10 July 2014, the Company's subsidiary: China New City Commercial Development Limited completed its global offering of shares by issuing a total of 468,000,000 new shares of HK$0.10 each at an issue price of HK$1.30 per share, which were then listed on the Hong Kong Stock Exchange.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unaudited consolidated revenue of the Group was about RMB1,002,530,000 for the period under review, representing a decrease of about 15.2% from RMB1,182,389,000 for the corresponding period in 2013. The unaudited profit attributable to owners of the parent was about RMB381,724,000 for the period under review, an increase of about 23.4% from RMB309,284,000 for the corresponding period in 2013. The unaudited earnings per share for the period under review was RMB0.16 (corresponding period in 2013: RMB0.13), representing an increase of about 23.1% of the corresponding period in 2013.

The Board does not recommend the payment of interim dividend for the period under review (2013: nil).

The property market of China had been affected by the continuous implementation of regulatory measures set by the Chinese Central Government. The economic growth of China had appeared to slow down. In the wake of the increasing inventory level and worsening of liquidity of property developers in certain regions, there had been some adjustments to selling price and transaction volume recorded in the period under review.

In Zhejiang Province, the sales volume of the Hangzhou residential properties sold in the first half of 2014 as recorded was about 1,354,600 sq. m., representing a decrease of about 45.0% as compared with that of the corresponding period in 2013[1]. Whereas the average sales price of the Hangzhou residential properties sold in the first half of 2014 was about RMB21,570 per sq. m., a decrease of about 1.9% as compared to that of the corresponding period in 2013[1]. Whereas the sales volume of the Yuyao residential properties sold in the first half of 2014 as recorded was about 325,800 sq. m., representing a decrease of about 19.5% as compared with that of the corresponding period in 2013[2]. Whereas the average sales price of Yuyao residential properties sold in the first half of 2014 was about RMB10,881 per sq. m., a decrease of about 12.7% as compared to that of the corresponding period in 2013[2].

In Anhui Province, the sales volume of residential properties in Hefei in the first half of 2014 as recorded was about 4,665,100 sq. m., representing a decrease of about 29.1% as compared to that of the corresponding period in 2013[3]. The average sales price was about RMB7,499 per sq. m., representing an increase of about 9.0% as compared to that of the corresponding period in 2013[3]. Whereas the sales volume of residential properties in Huaibei in the first half of 2014 as recorded was about 848,700 sq. m., representing an increase of about 10.0% as compared to that of the corresponding period in 2013[4]. The average sales price was about RMB5,319 per sq. m., representing an increase of about 11.6% as compared to that of the corresponding period in 2013[4].

Revenue

During the period under review, the revenue generated from the sales of properties amounted to about RMB980,266,000 which represented a decrease of about 17.1% from RMB1,182,682,000 for the corresponding period in 2013. The reduction was due to lesser revenue recognised from the sales of properties, which were mostly townhouses subject to purchase restriction, in the period under review than that of the corresponding period in 2013 which derived mostly from sales of apartments.

Source:

1. China Index Academy
2. 余姚生活網房產數據中心(Data Center of Yuyao Lifestyle Network*)
3. "合肥市的365地產家居網"(365 Hefei Property Network* of Heifei) by 合肥房地產交易網(www.hfhouse.com, 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 RMB47,952,000 (corresponding period in 2013: RMB39,511,000), representing an increase of about 21.4%. The increase was mainly due to the increase in rental revenue from the shopping units of Hidden Dragon Bay rented out after its completion in April 2013 during the period under review. The hotel operation of the Group recorded a revenue of about RMB24,836,000 (corresponding period in 2013: RMB27,214,000), representing a decrease of about 8.7%. Whereas the Group's property management services recorded a revenue of about RMB10,770,000 (corresponding period in 2013: RMB12,071,000), representing a decrease of about 10.8%.

The average property sales price per sq. m. achieved by the Group for the period under review was about RMB12,211 (corresponding period in 2013: RMB9,559), representing an increase of about 27.7%. The average cost per sq. m. for the six-month period ended 30 June 2014 was about RMB9,046 (corresponding period in 2013: RMB5,797), representing an increase of about 56.0%. The primary reason was that the majority of sales came from the sales of the townhouses of Dragon Bay and Jade Mansion in Yuyao with higher selling price and cost of sales whereas that for the corresponding period in 2013 consisted of sales of apartments in Hangzhou and Huaibei with lower selling price and cost of sales.

Gross profit

Gross profit of the Group for the period under review amounted to about RMB260,235,000, representing a decrease of about 41.8% when compared with the corresponding period of last year. Gross profit margin was about 26.0%, down by about 11.8 percentage points when compared with the corresponding period in 2013. The decrease in gross profit was mainly due to the decrease in gross profit contributed from the property development segment of the Group during the period under review. The reduction in gross profit margin was mainly due to the fact that the projects with higher land cost and the selling price was subject to tough market condition.

Selling and distribution costs

During the period under review, the selling and distribution costs of the Group increased from RMB50,199,000 for the corresponding period in 2013 to about RMB62,541,000, representing an increase of about 24.6%. It was principally due to an increase in the selling and distributing activities for the presale of properties in a tough competitive market condition during the period under review comparing to the corresponding period in 2013.

Administrative expenses

During the period under review, the administrative expenses of the Group increased from RMB106,571,000 for the corresponding period in 2013 to about RMB145,194,000, representing an increase of about 36.2%. It was mainly due to the increase in the scale of operation and the one-off listing expenses incurred by the Group for a spin-off exercise during the period under review.

Earnings

The unaudited profit attributable to the owners of the parent was about RMB381,724,000 for the six-month period ended 30 June 2014 (corresponding period in 2013: RMB309,284,000), representing an increase of about 23.4%. This increment was mainly due to 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 2014 was about RMB522,807,000 (RMB392,105,000, net of relevant PRC corporate income tax), whereas the same was about RMB302,574,000 for the corresponding period in 2013 (RMB226,931,000 net of relevant PRC corporate income tax). The increase in the increment in fair value of investment properties for the six-month period ended 30 June 2014 was mainly due to the addition of certain investment properties from the completion of Phase A3 of International Office Centre in Hangzhou, Zhejiang Province, during the period under review.

Contracted sales

Up to 30 June 2014, the contracted GFA (gross floor area) sold by the Group was about 121,941 sq. m. with the amount of about RMB1,007,410,000. Set out below are the details of the contracted GFA sold from the Group's projects:

City	**Project**	**Percentage of interest in the project attributable to the Group**	**Contracted GFA**	**Amount**
			(sq.m.)	*(RMB million)*
Hangzhou	Landscape Bay	92.65	6,861	80.3
Hangzhou	Hidden Dragon Land	92.50	5,637	46.8
Hangzhou	White Horse Manor	90.00	20,421	260.2
Hangzhou	Others*		–	10.3
Hangzhou	Ideal Bay	45.90	15,735	96.9
Yuyao	Dragon Bay	90.00	939	6.3
Yuyao	Jade Mansion	93.00	10,771	116.1
Yuyao	Zhong An Times Square II	93.00	1,034	36.1
Cixi	Zhong An Landscape Garden	90.00	14,901	67.2
Hefei	Green Harbour	84.16	8,309	77.9
Huaibei	Vancouver City	100.00	37,333	209.3
			121,941	1,007.4

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

Booked sales

Up to 30 June 2014, the booked GFA sold was about 80,276 sq. m. with the amount of RMB980,266,000. Set out below are the booked GFA sold from these projects:

City	Project	Percentage of interest in the project attributable to the Group	Booked GFA	Amount
			(sq.m.)	*(RMB million)*
Hangzhou	Landscape Bay	92.65	14,215	157.5
Hangzhou	Hidden Dragon Land	92.50	5,033	42.2
Hangzhou	Others*		–	10.0
Yuyao	Dragon Bay	90.00	3,104	111.4
Yuyao	Jade Mansion	93.00	22,275	455.5
Hefei	Green Harbour	84.16	6,563	49.3
Huaibei	Vancouver City	100.00	29,086	154.4
			80,276	980.3

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

Land reserve

During the period under reivew, the Group acquired a plot of land in Chaoyang Community of Xiaoshan District, Hangzhou, Zhejiang Province for residential and commercial uses at a total consideration of about RMB736 million with a total GFA of about 138,147 sq. m.. The average land cost is about RMB5,328 per sq. m..

As of 30 June 2014, the total GFA of the Group's land bank in Zhejiang Province, Anhui Province and Jiangsu Province was about 4,625,226 sq. m., 1,715,002 sq. m. and 251,391 sq. m. respectively, which was about 6,591,619 sq. m. in total.

Location	*GFA (sq. m.)*	*%*
Zhejiang Province		
Greater Hangzhou	3,171,230	48%
Others	1,453,996	22%
Anhui Province		
Hefei	747,913	11%
Huaibei	967,089	15%
Jiangsu Province		
Suzhou	251,391	4%
Total	6,591,619	

This sizable land bank is sufficient for development by the Group in more than five years. There is an outstanding land premium payable of about RMB368 million as of 30 June 2014 (corresponding period of 2013: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As of 30 June 2014, the Group employed 2,102 staff (30 June 2013: 1,731 staff). For the six-month period ended 30 June 2014, the unaudited staff cost of the Group was about RMB65,822,000 (corresponding period of 2013: RMB68,341,000), representing a decrease of about 3.7%. The decrease was due to the net effect of increase in staff cost from the increase of the headcounts and the reduction in amortisation of share option expense 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 high-calibre persons and stabilize the management, eligible participants (including employees of the Group) may be granted options to subscribe for shares in 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 2014, the Group had aggregate cash and cash equivalents and restricted cash of about RMB881,418,000 (31 December 2013: RMB1,632,447,000). The decrease was due to the increase in fund used in the development of projects during the period under review.

The current ratio as at 30 June 2014 was 1.04 (31 December 2013: 1.33). The decrease was due to the increase in bank and other borrowings which will due in one year.

As at 30 June 2014, the bank loans and other borrowings of the Group repayable within one year and after one year were about RMB2,472,308,000 and RMB3,969,928,000 respectively (31 December 2013: RMB835,890,000 and RMB4,620,404,000 respectively). The increase was due to the increase of bank loans for property development during the period under review.

The unaudited consolidated interest expenses for the six-month period ended 30 June 2014 amounted to about RMB4,966,000 (corresponding period in 2013: RMB5,732,000) in total. In addition, for the six-month period ended 30 June 2014, interests with an unaudited amount of about RMB241,207,000 (corresponding period in 2013: RMB193,546,000) were capitalized. Interest cover (including amount of interests capitalized) was 0.29 times (corresponding period in 2013: 1.61 times).

As at 30 June 2014, the ratio of total liabilities to total assets of the Group was 0.65 (31 December 2013: 0.64).

As at 30 June 2014, the ratio of net debt (bank loans and other borrowings net of cash and cash equivalent and restricted cash) to total equity of the Group was 0.85 (31 December 2013: 0.62). The ratio of bank loans and other borrowings to total assets was 0.34 (31 December 2013: 0.32). The increase was due to the increase in bank loans granted in the period under review.

CAPITAL COMMITMENTS

As at 30 June 2014, the capital commitments of the Group were about RMB1,538,914,000 (31 December 2013: RMB1,723,747,000), 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 2014, the contingent liabilities of the Group was about RMB2,268,420,000 (31 December 2013: RMB2,094,348,000), 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 2014, the Group had pledged investment properties of about RMB2,073,354,000 (31 December 2013: RMB1,576,589,000), properties under development of approximately RMB2,803,719,000 (31 December 2013: RMB2,134,865,000), completed properties of about RMB2,174,781,000 (31 December 2013: 1,841,098,000), properties under the category of property and equipment of about RMB153,682,000 (31 December 2013: RMB31,472,000) and time deposits of about RMB95,750,000 (31 December 2013: about RMB247,750,000) to secure the banking facilities of the Group.

FOREIGN EXCHANGE RISK

As the sales, purchase and bank borrowings of the Group in the first half of 2014 and the corresponding period in 2013 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 2014 and the corresponding period in 2013.

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

Subsequent to the reporting period, the spin-off of the Company's interest in China New City Commercial Development Limited (中國新城市商業發展有限公司) ("**CNC**") by way of a separate listing of ordinary shares in the share capital of CNC (the "**CNC Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the proposed issue and offer for subscription of the CNC Shares to the public in Hong Kong and the international placing of the CNC Shares to professional, institutional and other investors had taken place successfully as disclosed in the announcement of the Company dated 10 July 2014.

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

PROSPECTS AND OUTLOOK

Looking forward into the second half of 2014, the Chinese economy will still face challenges amidst uncertainties in the global market, and the ongoing economic reforms and structural adjustments may hamper the growth momentum in the short term. The regulatory controls over the real estate market are expected to loose gradually. Furthermore, the stable implementation of the new urbanization policy by the Central Government will provide room for continued growth of the real estate industry. Therefore, the demands for value-for-money and end-user's products with potential appreciation will be strengthened gradually.

The Group will remain prudent in the near term and is optimistic in the long term. We will proactively seize market opportunities and adjust marketing and pricing strategies and product mix to maintain sustainable development of the Group so as to bring satisfactory return to our shareholders. The Group will continue to promote its business model of 'acquiring land and selling products at a fair price; developing projects and receiving sales proceeds in a quick process', develop more quick-sale products targeting end users and high value-added, low-density residential units in order to accelerate asset turnover. We will continue to fully leverage on our strong brand name and optimize marketing strategy with active marketing as the dominant mode for more rapid growth of sales.

As one of the main target regions for new urbanization and modern town development, the Yangtze River Delta Region will set its eye for building a world-class city cluster. Focusing on the urbanization development of the Yangtze River Delta Region, Zhong An has accumulated extensive experience in the development of complex real estate projects in the region and has built up its own premium brand advantage.

Accordingly, the Group will continue its established development strategy of seeking investment opportunities in the affluent second- and third-tier cities in the Yangtze River Delta Region and the Top 100 counties across the country, strengthening cooperation with its strategic partners to further expand its market share and maintaining its competitive edge in the industry.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2014 (2013: nil).

CORPORATE GOVERNANCE

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, 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 had adopted a code of conduct regarding the Directors' 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 2014 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 any of the Company's listed securities (corresponding period in 2013: nil).

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 despatched 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
Zhong An Real Estate Limited
Shi Kancheng
Chairman

The PRC, 27 August 2014

* *For identification purposes only*