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 2016

FINANCIAL HIGHLIGHTS

	Unaudited		
	For the six-month period ended 30 June		
	2016	2015	Percentage
	(RMB' million)	*(RMB' million)*	of increase
Revenue	**1,889.7**	832.2	127.1%
Profit for the period	**34.5**	1.1	3,036.4%
Profit/(loss) attributable to owners of the parent	**24.1**	(15.0)	
Earnings per share attributable to ordinary equity holders of the parent (RMB)	**1 cent**	(1) cent	

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 2016 (the "**period under review**") together with the comparative amounts for the corresponding period in 2015.

INTERIM CONSOLIDATED INCOME STATEMENT

	Notes	For the six-month period ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	4	**1,889,749**	832,151
Cost of sales		**(1,612,858)**	(669,489)
Gross profit		**276,891**	162,662
Other income and gains	4	**21,450**	114,658
Selling and distribution costs		**(83,847)**	(64,041)
Administrative expenses		**(152,071)**	(139,663)
Other expenses		**(3,509)**	(1,657)
Changes in fair value of investment properties		**16,057**	26,978
Finance costs		**(12,370)**	(22,706)
Share of losses of joint ventures		**(3)**	(1,147)
Profit before tax	5	**62,598**	75,084
Income tax expenses	6	**(28,105)**	(73,976)
Profit for the period		**34,493**	1,108
Attributable to:			
Owners of the parent		**24,124**	(15,043)
Non-controlling interests		**10,369**	16,151
		34,493	1,108
Earnings per share attributable to owners of the parent (RMB)	7		
Basic		**1 cent**	(1) cent
Diluted		**1 cent**	(1) cent

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**34,493**	1,108
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of foreign subsidiaries	**8,932**	(18,457)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**8,932**	(18,457)
Total comprehensive income/(loss) for the period	**43,425**	(17,349)
Attributable to:		
Owners of the parent	**33,056**	(33,500)
Non-controlling interests	**10,369**	16,151
	43,425	(17,349)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016** **RMB'000** **(Unaudited)**	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment		**173,076**	182,711
Investment properties		**5,279,000**	5,244,100
Properties under development		**4,550,708**	4,588,912
Available-for-sale investments		**28,300**	3,300
Investments in joint ventures		**771**	774
Long term prepayments		**515,754**	359,321
Restricted cash		**117,050**	90,100
Deferred tax assets		**164,964**	184,258
Total non-current assets		**10,829,623**	10,653,476
CURRENT ASSETS			
Completed properties held for sale		**7,518,136**	4,506,299
Properties under development		**1,564,143**	4,661,802
Inventories		**11,406**	10,628
Trade and bills receivables	*8*	**92,961**	72,198
Prepayments, deposits and other receivables		**598,888**	537,972
Equity investment at fair value through profit or loss		**493**	558
Restricted cash		**362,780**	162,216
Cash and cash equivalents		**919,927**	1,454,458
Investment property classified as held for sale		**19,500**	29,800
Total current assets		**11,088,234**	11,435,931
CURRENT LIABILITIES			
Trade payables	*9*	**2,009,301**	2,320,479
Other payables and accruals		**662,335**	782,531
Advances from customers		**3,848,587**	3,569,147
Interest-bearing bank and other borrowings		**2,193,160**	2,213,181
Tax payable		**651,003**	677,684
Total current liabilities		**9,364,386**	9,563,022
NET CURRENT ASSETS		**1,723,848**	1,872,909
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,553,471**	12,526,385

INTRERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**12,553,471**	12,526,385
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**3,973,131**	3,981,662
Deferred tax liabilities	**990,810**	991,957
Total non-current liabilities	**4,963,941**	4,973,619
Net assets	**7,589,530**	7,552,766
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**220,811**	220,811
Reserves	**6,219,094**	6,189,412
	6,439,905	6,410,223
Non-controlling interests	**1,149,625**	1,142,543
Total equity	**7,589,530**	7,552,766

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent												
	Share 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 2016	**220,811**	**2,966,252**	**39,318**	**272,161**	**152,753**	**205,978**	**8,239**	**(110,772)**	**2,655,483**	**–**	**6,410,223**	**1,142,543**	**7,552,766**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,124**	**–**	**24,124**	**10,369**	**34,493**
Other comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,932**	**–**	**–**	**8,932**	**–**	**8,932**
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,932**	**24,124**		**33,056**	**10,369**	**43,425**
Disposal of non-controlling interests	**–**	**–**	**–**	**(3,439)**	**–**	**65**	**–**	**–**	**–**	**–**	**(3,374)**	**(3,287)**	**(6,661)**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**–**	**–**	**(604)**	**–**	**–**	**–**	**604**	**–**	**–**	**–**	**–**
At 30 June 2016 (Unaudited)	**220,811**	**2,966,252**	**39,318**	**268,722**	**152,149**	**206,043**	**8,239**	**(101,840)**	**2,680,211**		**6,439,905**	**1,149,625**	**7,589,530**
At 1 January 2015	220,811	2,966,252	39,318	272,161	156,325	202,306	8,239	(97,839)	2,234,975	–	6,002,548	990,849	6,993,397
(Loss)/profit for the period	–	–	–	–	–	–	–	–	(15,043)	–	(15,043)	16,151	1,108
Other comprehensive loss for the period	–	–	–	–	–	–	–	(18,457)	–	–	(18,457)	–	(18,457)
Total comprehensive (loss)/income for the period	–	–	–	–	–	–	–	(18,457)	(15,043)	–	(33,500)	16,151	(17,349)
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	(3,572)	–	–	–	3,572	–	–	–	–
At 30 June 2015 (Unaudited)	220,811	2,966,252	39,318	272,161	152,753	202,306	8,239	(116,296)	2,223,504	–	5,969,048	1,007,000	6,976,048

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Corporate information

The Company is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 under the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is principally engaged in property development, leasing and hotel operation. The Group's property development projects during the period are all located in Zhejiang and Anhui provinces, the People's Republic of China (the "**PRC**"), and Province of British Columbia, Canada. There were no significant changes in the nature of the Group's principal activities during the period under review.

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

This unaudited condensed consolidated interim financial information was approved by the Board for issue on 26 August 2016.

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 2016 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 2015.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") and interpretations as of 1 January 2016, noted below:

Amendments to IFRS 10 *and IAS 28*	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

3 No mandatory effective date yet determined but is available for adoption

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

2.3 Impact of issued but not yet effective IFRSs

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

IFRS 9	*Financial Instruments*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

[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

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 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; and

(b) the commercial segment develops and sells commercial properties, leases investment properties owns and operates a 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 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 periods ended 30 June 2016 and 2015, respectively.

Six-month period ended 30 June 2016 (Unaudited)	**Residential** *RMB'000*	**Commercial** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	**1,403,643**	**486,106**	**1,889,749**
Revenue			**1,889,749**
Segment results	**(54,356)**	**116,954**	**62,598**
Profit before tax			**62,598**

Six-month period ended 30 June 2015 (Unaudited)	Residential *RMB'000*	Commercial *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	633,746	198,405	832,151
Revenue			832,151
Segment results	(71,345)	146,429	75,084
Profit before tax			75,084

The following table presents segment assets of the Group's operating segments as at 30 June 2016 and 31 December 2015:

As at 30 June 2016 (Unaudited)	**Residential**	**Commercial**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment assets	**10,926,500**	**11,047,988**	**21,974,488**
Reconciliation:			
Elimination of intersegment receivables			**(56,631)**
Total assets			**21,917,857**
Segment liabilities	**8,608,306**	**5,776,652**	**14,384,958**
Reconciliation:			
Elimination of intersegment payables			**(56,631)**
Total liabilities			**14,328,327**

As at 31 December 2015 (Audited)	Residential	Commercial	Total
	RMB'000	*RMB'000*	*RMB'000*
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

Geographical Information

(a) Revenue from external customers

	For the six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China	**1,889,749**	832,151

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**10,384,605**	10,343,505
Canada	**133,933**	121,639
	10,518,538	10,465,144

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

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 2016 and 30 June 2015.

4. Revenue and other income

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

An analysis of revenue and other income is as follows:

	For the six-month period ended 30 June	
	(Unaudited)	(Unaudited)
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**1,877,555**	808,147
Property leasing income	**38,002**	46,187
Property management fee income	**41,837**	13,630
Hotel operating income	**22,548**	23,970
Less: Business tax and surcharges	**(90,193)**	(59,783)
	1,889,749	832,151
Other income		
Interest income from a joint venture	–	98,088
Bank interest income	**1,529**	14,033
Subsidy income	**10,661**	24
Others	**6,801**	1,116
	18,991	113,261
Gains		
Gain on disposal of investment properties	**1,538**	1,397
Foreign exchange gain	**921**	–
	21,450	114,658

5. Profit before tax

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

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**1,605,998**	652,139
Depreciation	**9,661**	8,997
Minimum lease payments under operating leases:		
– Office premises	**4,444**	2,564
Staff costs	**105,482**	83,771
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)	**1,335**	2,119
Foreign exchange differences, net	**921**	186
Gain on disposal of investment properties	**(1,538)**	(1,397)
Write-down of properties under development to net realisable value	**9,318**	22,148
Fair value loss/(gain) net:		
Changes in fair value of investment properties	**(16,057)**	(26,978)
Equity investments at fair value through profit or loss	**65**	9

6. Income tax expenses

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

The provision for the PRC income tax has been made at the applicable income tax rate of 25% (six-month period ended 30 June 2015: 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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC income tax for the period	**28,315**	38,820
PRC land appreciation tax for the period	**(18,357)**	41,131
Deferred tax	**18,147**	(5,975)
Total tax charge for the period	**28,105**	73,976

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 RMB24,124,000 (six-month period ended 30 June 2015: RMB15,043,000) and the weighted average number of ordinary shares of 2,348,582,400 (six-month period ended 30 June 2015: 2,348,582,400) 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	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit /(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**24,124**	(15,043)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,348,582,400**	2,348,582,400
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
	2,348,582,400	2,348,582,400

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 period are neither past due nor impaired.

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

9. Trade payables

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within six months	**1,545,083**	2,056,558
Over six months but within one year	**417,689**	206,986
Over one year	**46,529**	56,935
	2,009,301	2,320,479

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 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Properties under development	**893,011**	1,266,578

11. Contingent liabilities

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**3,479,279**	3,867,074

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 banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchasers' collateral agreements.

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

12. Events after the reporting period

There are no events to cause material impact on the Group after 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The unaudited consolidated revenue of the Group for the period under review was about RMB1,889.7 million, representing an increase of about 127.1% from RMB832.2 million for the corresponding period in 2015. The profit for the period under review was about RMB34.5 million, an increase of about 30 times from RMB1.1 million for the corresponding period in 2015. The unaudited profit per share for the period under review was RMB0.01 (loss per share of corresponding period in 2015: RMB0.01).

The Board does not recommend the payment of interim dividend for the period under review (2015: nil).

In Zhejiang Province, the sales volume of the Hangzhou residential properties sold in the first half of 2016 as recorded was about 11,726,000 sq. m., representing an increase of about 100.9% as compared with that of the corresponding period in 2015[1]. Whereas the average sales price of the Hangzhou residential properties sold in the first half of 2016 was about RMB15,608 per sq. m., a decrease of about 4.0% as compared to that of the corresponding period in 2015[1]. The sales volume of the Yuyao residential properties sold in the first half of 2016 as recorded was about 445,800 sq. m., representing an increase of about 23.5% as compared with that of the corresponding period in 2015[2]. Whereas the average sales price of Yuyao residential properties sold in the first half of 2016 was about RMB8,979 per sq. m., a decrease of about 1.9% as compared to that of the corresponding period in 2015[2]. The sales volume of the Cixi residential properties sold in the first half of 2016 as recorded was about 384,243 sq. m., representing a decrease of about 31.5% as compared with that of the corresponding period in 2015[3]. Whereas the average sales price of Cixi residential properties sold in the first half of 2016 was about RMB8,399 per sq. m., a decrease of about 13.6% as compared to that of the corresponding period in 2015[3].

In Anhui Province, the sales volume of residential properties in Hefei in the first half of 2016 as recorded was about 5,226,700 sq. m., representing an increase of about 21.1% as compared to that of the corresponding period in 2015[4]. The average sales price was about RMB10,074 per sq. m., representing an increase of about 22.0% as compared to that of the corresponding period in 2015[4]. The sales volume of residential properties in Huaibei in the first half of 2016 as recorded was about 556,500 sq. m., representing an increase of about 24.9% as compared to that of the corresponding period in 2015[5]. The average sales price was about RMB4,705 per sq. m., representing an increase of about 0.7% as compared to that of the corresponding period in 2015[5].

Sources:

1. 杭州透明售房網 (http://www.tmsf.com)
2. 余姚生活網房產 (http://fang.eyuyao.com)
3. 慈溪房產網 (http://house.zxip.com)
4. 合肥萬家房產網 (http://365jia.cn)
5. 搜房網淮北站 (http://news.huaibei.fang.com)

Revenue

During the period under review, the revenue generated from the sales of properties amounted to about RMB1,877.6 million which represented an increase of about 132.3% from RMB808.1 million for the corresponding period in 2015. The increase was due to the rise in revenue recognised from the properties sold and delivered as a result of improvement of market conditions in previous years when such properties were sold.

The revenue property leasing amounted to about RMB38.0 million (corresponding period in 2015: RMB46.2 million), representing a decrease of about 17.7%. The decrease was due to the extensive refurbishment of the shopping mall of the main investment property of the Group, Highlong Plaza, in the first half of the year that led to the temporary closing of a significant portion of the shopping units. The hotel operation of the Group recorded a revenue of about RMB22.5 million (corresponding period in 2015: RMB24.0 million), representing a decrease of about 6.3%. Whereas the Group's property management services recorded a revenue of about RMB41.8 million (corresponding period in 2015: RMB13.6 million), representing an increase of about 207.4%. The increase was due to the surge in revenue from current residential communities as a result of a significant increase in properties delivered in 2015 and 2016 and new property management contracts of other residential communities during the period under review. These business segments had improvements to a certain extent when compared with those in corresponding period in 2015.

The average property sales price per sq. m. achieved by the Group for the period under review was about RMB9,187 (corresponding period in 2015: RMB10,977), representing a decrease of about 16.3%. The average cost per sq. m. for the six-month period ended 30 June 2016 was about RMB7,811 (corresponding period in 2015: RMB8,364), representing a decrease of about 6.6%. The primary reason was due to a lesser proportion of townhouse, which selling price and cost were higher than those of residential apartments sold during the period under review, were sold compared to that of corresponding period in 2015.

Gross profit

Gross profit of the Group for the period under review amounted to about RMB276.9 million, representing an increase of about 70.2% when compared with that of the corresponding period of last year. Gross profit margin was about 14.7%, down by about 4.8 percentage points when compared with that of the corresponding period in 2015. The increase in gross profit was mainly due to the increase in gross profit contributed from the property development segment of the Group during the period under review with a significant increase in properties sold and delivered. The reduction in gross profit margin was mainly due to the fact that the projects concerned were subject to tough market condition.

Other income

During the period under review, other income decreased from RMB114.7 million for the corresponding period in 2015 to about RMB21.5 million, representing a decrease of about 81.3%. The decrease was primarily due to non-recurrence of the interest income earned from a joint venture, which was disposed in December 2015.

Selling and distribution costs

During the period under review, the selling and distribution costs of the Group increased from RMB64.0 million for the corresponding period in 2015 to about RMB83.8 million, representing an increase of about 30.9%. It was principally due to an increase in the selling and distributing activities for the pre-sale of properties during the period under review comparing to the corresponding period in 2015.

Administrative expenses

During the period under review, the administrative expenses of the Group increased from RMB139.7 million for the corresponding period in 2015 to about RMB152.1 million, representing an increase of about 8.9%. It was mainly due to the increase in headcounts during the period under review.

Changes in fair value of investment properties

During the period under review, the changes in fair value of investment properties of the Group decreased from RMB27.0 million for the corresponding period in 2015 to about RMB16.1 million, representing a decrease of about 40.4%.

Finance costs

During the period under review, the finance costs decreaed from RMB22.7 million for the corresponding period in 2015 to about RMB12.4 million, representing a decrease of 45.4%. The decrease was due to the continuous reduction of loan since the corresponding period in 2015.

Earnings

The unaudited profit for the period under review was about RMB34.5 million for the six-month period ended 30 June 2016 (corresponding period in 2015: RMB1.1 million), representing an increase of about 30 times. This increase was mainly due to increase in revenue of properties sold and delivered during the period under review.

Contracted sales

Up to 30 June 2016, the contracted GFA (gross floor area) sold by the Group was about 194,305 sq. m. with the amount of about RMB2,012.4 million. Set out below are the details of the contracted GFA sold from the Group's projects:

Projects	**Percentage of interest in the project attributable to the Group**	**Contracted GFA**	**Amount**
		(sq. m.)	*(RMB million)*
Hangzhou			
Chaoyang No.8	90.0	22,626	302.0
Jiarun Mansion	73.2	35,575	548.2
Ideal Bay	45.9	26,074	162.6
Landscape Bay	92.6	14,491	183.6
White Horse Manor	90.0	3,061	37.9
others *		1,770	15.7
Yuyao			
Dragon Bay	90.0	4,856	127.1
Jade Mansion	93.0	27,488	265.2
Zhong An Times Square (Phase II)	93.0	14,763	138.1
Cixi			
Zhong An Landscape Garden	90.0	7,186	33.6
Hefei			
Green Harbour	84.2	4,522	43.4
Huaibei			
Vancouver City	100.0	31,893	155.0
		194,305	2,012.4

* including: Hidden Dragon Land, Landscape Garden and White Horse Noble Mansion

Booked sales

Up to 30 June 2016, the booked GFA sold was about 204,381 sq. m. with the amount of about RMB1,877.6 million. Set out below are the booked GFA sold from these projects:

Projects	Percentage of interest in the project attributable to the Group	Booked GFA	Amount
		(sq. m.)	*(RMB million)*
Hangzhou			
Jiarun Mansion	73.2	30,676	441.4
Ideal Bay	45.9	7,176	43.5
Landscape Bay	92.6	9,941	113.5
White Horse Manor	90.0	8,958	81.9
others *		1,850	15.6
Yuyao			
Dragon Bay	90.0	6,128	170.0
Jade Mansion	93.0	42,440	547.2
Cixi			
Zhong An Landscape Garden	90.0	60,822	273.6
Hefei			
Green Harbour	84.2	7,390	71.5
Huaibei			
Vancouver City	100.0	29,000	119.4
		204,381	1,877.6

* including: Hidden Dragon Land, Landscape Garden and White Horse Noble Mansion

Land reserve

During the period under review, the Group acquired a plot of allocated land in Xiaoshan District, Hangzhou, Zhejiang Province, the PRC with GFA of about 114,788 sq. m. at the consideration of RMB673 million on 21 January 2016.

As of 30 June 2016, the total GFA of the Group's land bank was about 6.3 million sq. m. in total.

Location	**GFA** *(sq. m.)*	*%*
China		
Zhejiang Province		
Hangzhou	3,366,928	53.4%
Yuyao	873,011	13.9%
Cixi	449,303	7.1%
Anhui Province		
Hefei	702,669	11.2%
Huaibei	878,436	14.0%
Tianjin	17,282	0.3%
Canada		
Province of British Columbia Vancouver	7.719	0.1%
Total	6,295,348	

This sizable land bank is sufficient for development by the Group in more than five years. There was an outstanding land premium payable of RMB168.3 million as at 30 June 2016 (corresponding period of 2015: RMB75.0 million).

HUMAN RESOURCES AND REMUNERATION POLICY

As of 30 June 2016, the Group employed 2,455 staff (30 June 2015: 2,225 staff). For the six-month period ended 30 June 2016, the unaudited staff cost of the Group was about RMB105.5 million (corresponding period of 2015: RMB83.8 million), representing an increase of about 25.9%. The increase was mainly due to the increase in staff cost from the increase of the headcounts during the period under review.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. To attract talented persons and stabilize the management, eligible participants (including employees of the Group) may be granted options to subscribe for shares of the Company pursuant to its 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 operating subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to the 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 2016, the Group had aggregate cash and cash equivalents and restricted cash of about RMB1,399.8 million (31 December 2015: RMB1,706.8 million). The decrease was mainly due to the acquisition of land during the period under review.

The current ratio as at 30 June 2016 was 1.18 (31 December 2015: 1.20).

As at 30 June 2016, the bank loans and other borrowings of the Group repayable within one year and after one year were about RMB2,193.2 million and RMB3,973.1 million respectively (31 December 2015: RMB2,213.2 million and RMB3,981.7 million respectively). The decrease was due to the repayment of bank loans during the period under review.

The unaudited consolidated interest expenses for the six-month period ended 30 June 2016 amounted to about RMB12.4 million (corresponding period in 2015: RMB22.7 million) in total. In addition, for the six-month period ended 30 June 2016, interests with an unaudited amount of about RMB229.8 million (corresponding period in 2015: RMB258.1 million) were capitalized. Interest cover (including amount of interests capitalized) was 0.32 times (corresponding period in 2015: 0.36 times).

As at 30 June 2016, the ratio of total liabilities to total assets of the Group was 0.65 (31 December 2015: 0.66).

As at 30 June 2016, 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 0.63 (31 December 2015: 0.59). The ratio of bank loans and other borrowings to total assets was 0.28 (31 December 2015: 0.28).

CAPITAL COMMITMENTS

As at 30 June 2016, the capital commitments of the Group were about RMB 893 million (31 December 2015: RMB1,266.6 million), 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 2016, the contingent liabilities of the Group was about RMB 3,479.3 million (31 December 2015: RMB3,867.1 million), 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 2016, the Group had pledged the following assests so as to secure the banking facilities and other borrowings of the Group.

Pledged assets	**30 June 2016 (Unaudited)** *RMB million*	31 December 2015 (Audited) *RMB million*
Property and equipment	**139.5**	144.3
Investment properties	**2,395.9**	3,692.3
Properties under development	**2,560.9**	2,741.7
Completed properties held for sale	**2,878.0**	2,378.4
Restricted cash	**262.0**	123.1
100% equity interest in a subsidiary of the Group	**57.0**	6.0
	8,293.3	9,085.8

FOREIGN EXCHANGE RISK

As the sales, purchase and bank borrowings of the Group in the first half of 2016 and the corresponding period in 2015 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 2016 and the corresponding period in 2015.

INTEREST RATE RISKS

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

EVENTS AFTER THE REPORTING PERIOD

There are no events to cause material impact on the Group after 30 June 2016 and up to the date of this announcement.

PROSPECTS AND OUTLOOK

Looking forward into the second half of 2016, the Chinese economy will still face challenges amidst uncertainties in the global market, especially the exit of Britain from the European Union.

Nevertheless, the Central Government has been taking the monetary measures to increase the liquidity of the money market and implement adjustments to the policies so as to maintain a stable development of the property market. As a result, the inventory pressure in properties of second- and third-tier cities has been alleviated to various extent. Furthermore, with the continuation of implementation of the urbanization policy by the Central Government, the pronouncement of second child policy and 6.8% growth in GDP in 2016, it is expected that there will be continuous growth in the real estate industry in China.

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 the 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.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six-month period ended 30 June 2016 (2015: 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 of Hong Kong Limited (the "**Stock Exchange**"), except for the deviation from the code provision A.2.1 in which Mr Shi Kancheng (alias Mr Shi Zhongan) acts as both the chairman and chief executive officer of the Company since the listing of the Company's shares on the Stock Exchange in November 2007.

The Board considers that this management structure will not impair the balance of power and authority of the Board but will provide the Company with consistent leadership and enables the Company to carry out the planning and implementation of business plans and decisions efficiently. This is beneficial to the management and development of the Group's businesses.

The Board would review the management structure of the Group from time to time and consider the segregation of the roles of the chairman and chief executive officer if and when desirable.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has 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.

Following specific enquiries by the Company, all Directors confirmed with the Company that they had complied with the required standards set out in the Model Code and the code of conduct regarding the Directors' securities transactions during the period under review.

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 six-month period ended 30 June 2016 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 had purchased, sold or redeemed any of the Company's listed securities (corresponding period in 2015: 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, Mr Zhang Jiangang and Mr Jin Jianrong 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, 26 August 2016