

新澤控股有限公司 New Heritage Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 95)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

RESULTS

The board of directors (the “Directors” or the “Board”) of New Heritage Holdings Ltd. (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007

	<i>Notes</i>	Six months ended 30 June	
		2007 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited) (restated)
Revenue	3	12,775	3,526
Cost of sales		<u>(6,897)</u>	<u>(2,646)</u>
Gross profit		5,878	880
Other income	3	24,071	1,274
Selling expenses		(2,777)	(1,559)
Administrative expenses		(15,859)	(15,705)
Finance costs	5	(3,361)	(2,643)
Share of results of associates		<u>9,584</u>	<u>8,473</u>
Profit/(loss) before taxation	6	17,536	(9,280)
Taxation	7	<u>(293)</u>	<u>1,306</u>
Profit/(loss) for the period		<u>17,243</u>	<u>(7,974)</u>

		Six months ended 30 June	
		2007	2006
		HK\$'000	HK\$'000
<i>Notes</i>		(Unaudited)	(Unaudited)
			(restated)
Attributable to:			
Equity holders of the Company		18,352	(7,841)
Minority interests		(1,109)	(133)
		<u>17,243</u>	<u>(7,974)</u>
Dividend	8	<u>—</u>	<u>—</u>
Earnings/(losses) per share for profit/(loss)			
attributable to the equity holders of the			
Company during the period	9		
— Basic		<u>HK\$0.03</u>	<u>(HK\$0.01)</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2007

	At 30 June 2007 HK\$'000 (Unaudited)	At 31 December 2006 HK\$'000 (Audited)
ASSETS AND LIABILITIES		
Non-current assets		
Goodwill	37,048	37,048
Property, plant and equipment	16,065	15,442
Investment properties	193,722	180,475
Interests in associates	88,058	97,223
	334,893	330,188
Current assets		
Properties held under development	334,425	82,956
Properties held for sale	14,509	20,109
Inventories	123	115
Deposits paid, prepayments and other receivables	15,499	11,087
Pledged bank deposits	284	25,776
Cash at banks and in hand	102,380	129,472
	467,220	269,515
Current liabilities		
Accounts payable	15,277	15,960
Accruals, deposits received and other payables	28,143	24,682
Dividend payable	7,135	—
Provision for tax	1,162	17,792
Borrowings	20,000	25,327
	71,717	83,761
Net current assets	395,503	185,754
Total assets less current liabilities	730,396	515,942
Non-current liabilities		
Borrowings	151,089	20,000
Deferred taxation	26,782	26,782
	177,871	46,782
Net assets	552,525	469,160

	At 30 June 2007 HK\$'000 (Unaudited)	At 31 December 2006 HK\$'000 (Audited)
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	7,412	7,135
Reserves	471,213	444,236
Proposed final dividend	—	7,135
	<hr/>	<hr/>
	478,625	458,506
Minority interests	73,900	10,654
	<hr/>	<hr/>
Total equity	552,525	469,160
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2007 (the “period”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 27 September 2007.

These condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2006 (“2006 Annual Report”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and hotel properties which are stated at fair value. The accounting policies adopted are consistent with those used in the preparation of the 2006 Annual Report.

From 1 January 2007, the Group has adopted all of the new and amended Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA which are first effective on 1 January 2007 and relevant to the Group.

The adoption of these new and amended HKFRS did not result in significant changes to the Group’s accounting policies but gave rise to additional disclosures.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such standards and interpretations will not result in material financial impact on the Group’s financial statements.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions ²
HK(IFRIC) — Int 12	Service Concession Arrangements ³
HK(IFRIC) — Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) — Int 14	HKAS19 — The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

3. REVENUE AND OTHER INCOME

Revenue, which includes the Group's turnover and other revenue, and other income recognised during the period are as follows:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
<u>Turnover</u>		
Proceeds from sale of properties held for sale	10,150	—
Rental income	2,394	609
Management fee income	231	2,817
	12,775	3,426
<u>Other revenue</u>		
Laundry service income	—	100
	12,775	3,526
Other income		
Gain on partial disposal of interests in subsidiaries, net	22,204	—
Interest income	1,749	1,236
Others	118	38
	24,071	1,274

4. SEGMENT INFORMATION

Property development and investment is the only business segment of the Group throughout the period. No geographical segment analysis is presented as less than 10% of the Group's revenue and contribution to operating profit is attributable to markets located outside the People's Republic of China ("PRC") for the period. Accordingly, no separate business and geographical segment information is prepared.

5. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charges on:		
Bank loans wholly repayable within five years	2,050	1,881
Bank overdrafts	465	762
Imputed interest expense on loans from minority shareholders	846	—
	<u>3,361</u>	<u>2,643</u>

6. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) before taxation is arrived at after charging:		
Cost of properties held for sale recognised as expense	5,718	—
Depreciation of property, plant and equipment	1,071	797
Less : amount capitalised in properties held under development	(18)	(275)
	<u>1,053</u>	<u>522</u>
Outgoings in respect of investment properties		
that generated rental income during the period	395	173
Operating lease charges in respect of land and buildings	986	761
Loss on disposal of property, plant and equipment	2	2
Staff costs, including directors' emoluments and retirement benefits cost	17,395	8,112
Employee share-based payment expense	—	7,628
Less: amount capitalised in properties held under development	(4,105)	(2,957)
	<u>13,290</u>	<u>12,783</u>
Amount recognised as expense for retirement benefits cost	845	601
Exchange loss	10	178
and crediting:		
Rental income less outgoings	<u>1,999</u>	<u>436</u>

Employee share-based payment expense which included in "Other operating expenses" for the period ended 30 June 2006 was restated to "Administrative expenses" to make it consistent with the classification of staff costs.

7. TAXATION

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — PRC income tax		
Under provision in respect of prior years	293	6
Deferred tax credit	—	(1,312)
	<u>293</u>	<u>(1,306)</u>

No Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the period (six months ended 30 June 2006: Nil).

PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate was 33% for the period (six months ended 30 June 2006: 33%).

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. The impact of such change of enterprise income tax rate on the Group will depend on detailed pronouncements that will be subsequently issued. Since the detailed implementation measure on transitional policy of preferential tax rate granted according to current tax law and administrative regulations has not yet been announced, the Group cannot reasonably estimate the financial impact of the new tax law to the Group at this stage.

Deferred taxations are calculated based on the balance sheet liability method using the applicable tax rates at the balance sheet date.

8. DIVIDEND

(a) Dividend attributable to the period

No dividend has been paid or declared by the Company in respect of the period (six months ended 30 June 2006: Nil).

(b) Dividend attributable to the previous financial year, approved and paid during the period

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2006	7,135	—
Final dividend for the year ended 31 December 2005	—	11,526
	<u>7,135</u>	<u>11,526</u>

9. EARNINGS/(LOSSES) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company of approximately HK\$18,352,000 (six months ended 30 June 2006: losses of approximately HK\$7,841,000) and on weighted average of 727,936,435 (six months ended 30 June 2006: 654,591,764 (restated)) ordinary shares in issue during the period. When calculating the earnings per share amount for the six months ended 30 June 2006, the number of ordinary shares in issue was adjusted as if 14,270,364 bonus shares had been issued on 1 January 2006.

No diluted earnings/(losses) per share are calculated for the both of six months ended 30 June 2006 and 2007 since the exercise price of the Company's options was higher than the average market price. Diluted earnings per share for the six months ended 30 June 2007 was not presented as there was no dilutive potential shares.

10. SUBSEQUENT EVENTS

On 17 August 2007, the Company proposed to raise not less than approximately HK\$145.1 million and not more than approximately HK\$171.8 million before expenses by way of a rights issue of not less than 278,969,843 and not more than 330,371,300 new ordinary shares in respect of rights issue ("Rights Share") at a price of HK\$0.52 per Rights Share on the basis of three Rights Shares for every eight existing shares held on 7 September 2007. Details of the rights issue were disclosed in the announcement dated 17 August 2007 and the prospectus dated 10 September 2007.

On 10 August 2007, the Company entered into a convertible note subscription agreement (the "CN Agreement") with Asia Financial Holdings Limited ("AFH") and Asia Insurance Company, Limited ("AICL"). Mr. Chan Bernard Charnwut, a non-executive director of the Company is a director of AFH and AICL. Pursuant to the CN Agreement, AFH and AICL agreed to acquire the convertible note in sum of the principal amount of approximately HK\$75 million. Details of the agreements were disclosed in the announcement dated 17 August 2007 and the circular dated 10 September 2007.

On 31 August 2007, 76,636,553 ordinary shares of the Company were issued to Peeli Limited and Belbroughton Limited at the price of HK\$0.6405 per share pursuant to the master transfer agreement dated 17 October 2006 and entered into between certain connected persons of the Company (the "Vendors") and the Company in relation to the transfers of certain properties in Suzhou Garden Villa and the subscription of new shares of the Company by the Vendors.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the period under review, the Group continued to explore opportunities and engage in property development and property investment business in the cities of Suzhou, Shanghai and Beijing, as well as other cities in Jiangsu Province, the PRC, constantly striving to implement its primary commercial objective of providing its customers with properties of the best value and the highest quality.

The Group continues to leverage on its proven experience, strong management expertise and insightful vision to identify and target high-potential sites and development opportunities for acquisition. The Group's enhanced financial position has enabled it to be more competitive in securing promising sites.

Investment in an associate (Beijing Landmark Towers Co., Ltd.)

Beijing Landmark Towers Co., Ltd. ("BLTCL"), the Group's associate company in Beijing, holds two office towers of 23 and 28 storeys respectively, a 466-room hotel, a 248-unit serviced apartment block, and a retail arcade. During the period under review, BLTCL contributed profit of approximately HK\$9.6 million, a 13% increase over its contributed profit for the same period last year. With the forthcoming hosting of the 2008 Olympic Games in Beijing, the Group expects BLTCL to achieve ongoing growth in revenue.

Disposal of a minority interest in New Heritage Development Limited ("NHDL")

During the period under review, the Group disposed of 15 shares in NHDL, representing a 9.615% interest, for a consideration of HK\$45 million. After the deduction of relevant expenses, a gain on disposal of approximately HK\$23.3 million was generated and recognised.

Subscription of Convertible Note

On 28 May 2007, a subsidiary of the Company entered into a convertible note subscription agreement (the "Agreement") with Key Apex Limited ("Key Apex"), a company in which Mr. Chan Bernard Charnwut, a non-executive director of the Company, has beneficial interest. Pursuant to the Agreement, Key Apex agreed to issue to the subsidiary the convertible note (the "Note") in the principal amount of US\$5.5 million (equivalent to approximately HK\$42.9 million).

The Note is not transferable and will be mandatorily and automatically converted into 10% of the enlarged issued share capital of Key Apex within three days after the date when a subsidiary of Key Apex has obtained the land use right certificate of a piece of land in Jiading District, Shanghai, the PRC. The Note was subscribed by the subsidiary on 18 July 2007. Details of the Agreement was disclosed in the circular of the Company dated 20 June 2007.

FINANCIAL REVIEW

Overall Performance

For the first six months of 2007, the Group launched pre-sale booking of its development projects which represents a gross floor area of 11,505 sq. m.. The corresponding booking of this sales turnover is restricted by the international accounting standard, which only allows recognition of revenue arising from property sales when such properties are actually transferred to customers and handover confirmations have been executed. Once the sold units have been delivered to buyers in the fourth quarter of this year, the income contributed by the development project will be reported in the accounts for the full year 2007. Meanwhile, the Group's gross profit margin stood at around 46%, a level that is sustaining a sound financial structure and a healthy cash flow.

Operating Results

During the period under review, the Group's turnover amounted to approximately HK\$12.8 million (first half of 2006: HK\$3.5 million). This increase in turnover was attributable to the proceeds of property sales from Suzhou Garden Towers, which generated revenue of approximately HK\$10.2 million. Consolidated profit attributable to equity holders of the Company was approximately HK\$18.4 million, as compared with the net loss attributable to equity holders of HK\$7.8 million for the same period in the previous year. The increase in consolidated profit was due to the sale of units at Suzhou Garden Towers, and also from the net gain on disposal of part of the Group's interest in subsidiaries during the first half of the year. Basic earnings per share amounted to HK\$0.03, compared to losses per share of HK\$0.01 in the first half of 2006.

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 30 June 2007 amounted to HK\$102.4 million (first half of 2006: HK\$156.2 million).

As at 30 June 2007, the Group had total borrowings of approximately HK\$171.1 million (as at 31 December 2006: HK\$45.3 million). Of these borrowings, bank borrowings amounted to approximately HK\$90 million, and loans from minority shareholders of the Group's subsidiaries amounted to approximately HK\$81.1 million. Borrowings repayable within one year amounted to approximately HK\$20 million (as at 31 December 2006: HK\$25.3 million), and the Group's gearing ratio as at 30 June 2007 was 18.8% (as at 31 December 2006: 9.8%), calculated based on the ratio of interest-bearing borrowings to total shareholder's fund.

As at 30 June 2007, the Group had current assets of approximately HK\$467.2 million (as at 31 December 2006: HK\$269.5 million) and current liabilities of approximately HK\$71.7 million (as at 31 December 2006: HK\$83.8 million). The Group had total assets and total liabilities of approximately HK\$802.1 million and HK\$249.6 million respectively, representing a debt ratio (total liabilities over total assets) of 31.1% (as at 31 December 2006: 21.7%).

Management is confident that, as opportunities for acquiring further land bank resources arise in the future which require additional funds, the Group will be able to utilise its internal reserves and obtain debt financing to meet its funding requirements. In view of its current gearing position, management also believes that the Group is in a good position to obtain further debt financing on favourable terms.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars, US dollars and Renminbi. During the period under review, there was no significant fluctuation in the exchange rates of the Hong Kong dollar and the US dollar. The appreciation in the currency value of the Renminbi contributed positively to the Group's bottom line. The Group did not engage in any derivative activities, and did not commit to any financial instruments to hedge its balance sheet exposure in the first half of 2007.

Charges on Assets

As at 30 June 2007, a bank loan of approximately HK\$60 million was secured by leasehold interest in land use right in properties held under development of approximately HK\$78.4 million.

Contingent Liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on prudent risk management and transactions that are directly related to the underlying business of the Group.

Employees

As at 30 June 2007, the Group had a staff force of 102 people. Of these, approximately 80 were stationed in the PRC, with a further 22 in Hong Kong. Remuneration of employees was in line with market trends, and commensurable with levels of pay within the industry in the PRC and Hong Kong respectively. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives. Share options have also been granted to certain directors and employees of the Company and its subsidiary.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate practices and procedures. The corporate governance principles of the Company emphasise a quality board, transparency and accountability to all shareholders of the Company.

In the opinion of the Board, the Group has complied with the code provisions set out in Appendix 14, Code on Corporate Governance Practices, of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2007.

REVIEW OF INTERIM FINANCIAL REPORT

The auditors of the Company, Grant Thornton have performed an independent review on the interim financial report for the six months ended 30 June 2007 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by HKICPA. On the basis of their review, which does not constitute an audit, Grant Thornton confirmed in writing that they are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2007. The interim results of the Group for the period ended 30 June 2007 have also been reviewed by the members of the Audit Committee before submission to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Other than the issue of 27,651,021 shares (including 14,270,364 bonus shares) by the Company during the period, neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

GENERAL INFORMATION

As at the date of this announcement, the board of directors of the Company comprises Mr. TAOCHAIFU Choofuang (Chairman), Mr. TAO Richard (Vice Chairman), Mr. TAO Paul (Managing Director), Mr. KONG Mui Sum Lawrence and Mr. YIM Chun Leung as Executive Directors; Mr. CHAN Bernard Charnwut as Non-executive Director; and Mr. WONG Gary Ka Wai, Mr. SUN Leland Li Hsun and Mr. CHAN Norman Enrique as Independent Non-executive Directors.

This interim results announcement only gives a summary of the information and particulars of the Interim Report 2007 from which the contents of this announcement are derived.

By Order of the Board
New Heritage Holdings Ltd.
TAO Richard
Vice Chairman

Hong Kong, 27 September 2007

Company's Website: www.nh-holdings.com