



# 新澤控股有限公司

## New Heritage Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 95)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### RESULTS

The board of directors (the “Directors” or the “Board”) of New Heritage Holdings Ltd. (the “Company” or “New Heritage”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006 together with comparative figures for the previous year as follows:—

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
<b>Revenue</b>	3	<b>207,957</b>	149,089
Cost of sales		(129,927)	(78,416)
<b>Gross profit</b>		<b>78,030</b>	70,673
Other income	3	<b>4,141</b>	6,702
Selling expenses		(3,121)	(1,582)
Administrative expenses		(31,735)	(12,925)
Other operating income		<b>50,620</b>	17,331
Finance costs	5	(5,180)	(3,219)
Share of results of associates		<b>19,147</b>	8,018
<b>Profit before taxation</b>	6	<b>111,902</b>	84,998
Taxation	7	(34,752)	(26,086)
<b>Profit for the year</b>		<b>77,150</b>	58,912
<b>Attributable to:</b>			
Equity holders of the Company		<b>73,316</b>	55,934
Minority interests		<b>3,834</b>	2,978
		<b>77,150</b>	58,912
<b>Dividends</b>	8	<b>7,135</b>	11,526
<b>Earnings per share</b>	9		
— Basic		<b>11.1 HK cents</b>	24.6 HK cents
— Diluted		<b>N/A</b>	N/A

#### CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Goodwill		<b>37,048</b>	37,048
Property, plant and equipment		<b>15,442</b>	14,106
Investment properties		<b>180,475</b>	110,073
Interests in associates		<b>97,223</b>	87,760
		<b>330,188</b>	248,987
<b>Current assets</b>			
Properties held under development		<b>82,956</b>	51,694
Properties held for sale		<b>20,109</b>	1,838
Inventories		<b>115</b>	282
Deposits paid, prepayments and other receivables		<b>11,087</b>	37,787
Amount due from a director		—	2,725
Pledged bank deposits		<b>25,776</b>	44,371
Cash at banks and in hand		<b>129,472</b>	104,551
		<b>269,515</b>	243,248
<b>Current liabilities</b>			
Accounts payable	10	<b>15,960</b>	6,747
Accruals, deposits received and other payables		<b>24,682</b>	21,658
Provision for tax		<b>17,792</b>	15,175
Borrowings		<b>25,327</b>	78,458
		<b>83,761</b>	122,038
<b>Net current assets</b>		<b>185,754</b>	121,210
<b>Total assets less current liabilities</b>		<b>515,942</b>	370,197
<b>Non-current liabilities</b>			
Borrowings		<b>20,000</b>	24,960
Deferred taxation		<b>26,782</b>	5,052
		<b>46,782</b>	30,012
<b>Net assets</b>		<b>469,160</b>	340,185
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		<b>7,135</b>	6,403
Reserves		<b>444,236</b>	314,280
Proposed final dividend		<b>7,135</b>	11,526
		<b>458,506</b>	332,209
<b>Minority interests</b>		<b>10,654</b>	7,976
<b>Total equity</b>		<b>469,160</b>	340,185

Notes:

#### 1. Basis of preparation

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, hotel properties and certain financial assets and liabilities.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

#### 2. Adoption of new and amended HKFRSs

Adoption of new and amended HKFRSs effective on or after 1 January 2006

From 1 January 2006, the Group have adopted all the new and amended HKFRSs which are first effective on 1 January 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group’s accounting policies on financial guarantee contracts.

*HKAS 39 & HKFRS 4 (Amendment) Financial Instruments : Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts*

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

- the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies; and
- the amount of the obligation under the contract, as determined in accordance with HKAS 37 “Provision, Contingent Liabilities and Contingent Assets” (“HKAS 37”).

The adoption of financial guarantee contracts has no impact on the Group’s consolidated financial statements.

Other than the above, the adoption of these new and amended HKFRSs did not result in any significant changes in the Group’s and Company’s accounting policies.

New or amended HKFRSs that have been issued but not yet effective

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

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments — Disclosures <sup>1</sup>
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC) — Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007

Adoption of other accounting standards during the year

*HKFRS 2 Share-based payment*

During the year, share options were granted to the employees of the Group and the Group adopted the accounting policy on such share-based employee compensation. HKFRS 2 requires all goods and services received in the course of share-based payment transactions to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash. When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in profit or loss.

The effects of adoption of accounting policies for the year ended 31 December 2006 is summarised below:

(a) Consolidated income statement	HK\$'000
Increase in administrative expenses	
— Employee share-based payment expense	(7,628)
Total decrease in profit	(7,628)
Attributable to :	
Equity holders of the Company	(7,628)
Decrease in basic earnings per share	(1.15 HK cents)
(b) Consolidated balance sheet	HK\$'000
Increase/(Decrease) in equity	
— Share option reserves	7,628
— Retained profits	(7,628)

#### 3. Revenue and Other Income

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

	2006 HK\$'000	2005 HK\$'000
<b>Revenue</b>		
<u>Turnover</u>		
Proceeds from sale of properties held for sale	<b>201,135</b>	141,749
Rental income	<b>1,293</b>	1,724
Management fee income	<b>5,363</b>	5,319
	<b>207,791</b>	148,792
<u>Other revenue</u>		
Club house income	—	101
Laundry service income	<b>166</b>	196
	<b>166</b>	297
	<b>207,957</b>	149,089
<b>Other income</b>		
Interest income	<b>3,322</b>	704
Write back of accounts payable	—	5,147
Exchange gain	—	592
Others	<b>819</b>	259
	<b>4,141</b>	6,702

#### 4. Segment Information

Property development and investment is the only business segment of the Group throughout the year. 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 year. Accordingly, no separate business and geographical segment information is prepared.

#### 5. Finance Costs

	2006 HK\$'000	2005 HK\$'000
Interest charges on:		
Bank loans wholly repayable within five years	<b>4,089</b>	1,933
Bank overdraft	<b>1,091</b>	1,084
Loan from a related company	—	202
	<b>5,180</b>	3,219

6. Profit before Taxation

	2006 HK\$'000	2005 HK\$'000
Profit before taxation is arrived at after charging:		
Cost of properties held for sale recognised as expense	104,027	65,578
Land Value Added Tax ("LVAT") (Note (a))	9,141	—
Depreciation of property, plant and equipment	1,429	971
Less: amount capitalised in properties held under development	(694)	(360)
	735	611
Outgoings in respect of investment properties that generate rental income during the year	395	505
Operating lease charges in respect of land and buildings	1,068	920
Loss on disposal of property, plant and equipment	1,425	116
Staff costs, including directors' emoluments and retirement benefits cost	18,852	6,435
Employee share-based payment expense	7,628	—
Staff redundancy cost	4,083	—
Less: amount capitalised in properties held under development	(6,766)	(1,049)
	23,797	5,386
Amount recognised as expense for retirement benefits cost	977	573
Write off of an investment property upon re-development (Note (b))	—	3,774
Exchange loss	39	—
and crediting:		
Rental income less outgoings	898	1,219
Exchange gain	—	592
Fair value adjustments on investment properties (Note (b))	50,620	21,105

Notes:

- (a) Under the Provisional Rules on LVAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LVAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including all borrowing costs and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.
- During the year, the Group incurred LVAT as disclosed above and which was charged to the consolidated income statement as cost of sales. The directors considered the amount charged to the consolidated income statement to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LVAT.
- (b) The amounts are included in "Other operating income" on the face of the consolidated income statement.

7. Taxation

	2006 HK\$'000	2005 HK\$'000
Current tax — PRC		
— Income tax, current year	17,299	21,034
— Tax refund (note (a))	(3,866)	—
	13,433	21,034
Deferred tax	21,319	5,052
Total tax charge for the year	34,752	26,086

Notes:

- (a) According to approval documents dated 1 September 2006 issued by 蘇州高新技術產業開發區國家稅務局, New Heritage Development Limited ("NH Development"), a subsidiary of the Company, received amounts of approximately RMB3,979,000. The amount represented tax refund obtained by NH Development under the reinvestment tax refund scheme in accordance with the relevant laws and regulations in the PRC.
- No Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the year (2005: Nil).
- The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate was 33% for the year (2005: 33%).

8. Dividends

Dividends attributable to the year:

	2006 HK\$'000	2005 HK\$'000
Proposed final dividend of 1 HK cent per ordinary share (2005: 1.8 HK cents per ordinary share)	7,135	11,526

A bonus share of 1 ordinary share per 50 ordinary shares in issue is also proposed after the balance sheet date for the year ended 31 December 2006.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained earnings for the year.

9. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$73,316,000 (2005: HK\$55,934,000) and on weighted average of 662,706,132 (2005: 227,828,791) ordinary shares in issue during the year.

No diluted earning per share is calculated for the year ended 31 December 2006 since the exercise price of the Company's options was higher than the average market price for the year. Diluted earnings per share for the year ended 31 December 2005 was not presented as there were no dilutive potential shares.

10. Accounts Payable

The aging analysis of the accounts payable is as follows:

	Notes	2006 HK\$'000	2005 HK\$'000
Below 30 days		1,205	964
30-60 days		61	220
61-90 days		162	139
91-365 days		587	375
Over 365 days		338	170
Rent received on behalf of landlords	(a)	2,353	1,868
Accrued construction cost and other project-related expenses	(b)	13,607	4,879
		15,960	6,747

Notes:

- (a) Rent received on behalf of landlords comprise net rental received from tenants after net off management fee charged to them for the services provided.
- (b) Included in the above amounts are construction cost and other project-related expense payable amounted to approximately HK\$13,607,000 at 31 December 2006 which was accrued based on the terms of the relevant agreements and project progress and were not due for payment at 31 December 2006 (2005: HK\$4,879,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

Our focus on the strategy of engaging in property development and investment businesses in the cities of Suzhou and Beijing has successfully served to enable us to deliver the best value and quality in properties to our customers.

In 2006, New Heritage reported a revenue of approximately HK\$208 million, up 40% from the corresponding period last year on the back of an increase in the number of residential units sold, primarily from Suzhou Garden Towers, which were completed and handed over to customers before the end of the year.

Total gross floor area of development properties sold and delivered amount to 29,517 square metres (which included units in Suzhou Garden Towers) representing an increase of 52% as compared to a total of 19,398 square metres of development properties sold a year earlier.

The Average selling price per square metre in 2006 was approximately RMB6,700.

In September 2006, Spinnaker Capital Group ("Spinnaker"), the manager of more than US\$4 billion of funds targeting emerging markets, became a 9.11% shareholder when it subscribed to 65,000,000 shares of the Company, raising approximately HK\$39 million for the Group. Furthermore, Spinnaker's commitment to investing in 40% of one of the Group's wholly owned subsidiaries

for the purpose of developing a residential project in the up and coming Wuzhong District reflects the confidence of the investor community in New Heritage's property development philosophy. In September 2006, New Heritage released an announcement on a discloseable transaction involving its participation through a 36% associated company called China Malls Limited, which is in turn the 60% shareholder of a joint venture company, for the application of master developer status for an "old commercial street" district in Nanjing City, Jiangsu Province.

In November 2006, the Group received a further boost to its investment property portfolio and returns potential when approval was successfully won from independent shareholders at an extraordinary general meeting for an asset acquisition involving a leased residential tower in the Group's Suzhou Garden Villa project. At the same time, the independent shareholders also approved the subscription of not more than 90,017,210 new shares of the Company by the vendors of Suzhou Garden Villa which will be proceeded after the finalization of the asset acquisition project.

Subsequent to the year ended 31 December 2006, the Group has successfully acquired land of approximately 131,445 square metres situated at Guangfu Town of Wuzhong District, Suzhou. In March 2007, the Group has also entered into an agreement with Spinnaker to jointly develop the project which will be held as to 60.8% by the Group and as to 39.2% by Spinnaker. The Group intends to use the land for low-rise residential property development.

FINANCIAL REVIEW

Overall Performance

In 2006, the Group's total gross floor area of development properties sold and delivered stood at 29,517 square metres. Gross profit margin was 37.5% this year as compared to 47.4% last year. This is mainly due to majority of property sold in 2006 comprised of high rise apartments, the profit margin of which were comparatively lower than villas. Even though the austerity measures implemented by the Chinese authorities have exerted an impact on the market, our prudent cost management and good risk management allowed the Group to continue to maintain its EBITDA margin and net profit margin at relatively high levels. The Group established and maintained a sound financial structure and healthy cash flow. Basic earnings per share was 11.1 HK cents.

Operating Results

During 2006, turnover of the Group was approximately HK\$208 million (2005: HK\$149 million). The increase in turnover was mainly attributable to an increase in revenues generated from the sales of properties. In 2006, the Group sold over 202 apartments and 61 carparks in Suzhou Garden Towers which generated revenues of approximately HK\$201 million.

Due to prevailing market conditions and effective cost control measures, the Group managed to achieve a gross profit margin of 37.5% (2005: 47.4%).

In 2006, the net profit attributable to the equity holders of the Group was approximately HK\$73 million (2005: HK\$56 million).

Liquidity, Financial Resources and Gearing

Since there is on-going competition of property development in China, we have to further strengthen our financial resources to cope with future expansion. Additional banking facility was obtained during 2006 and our intention is to continue to obtain more facilities for our future projects. As a result, the gearing ratio will be increased but still within the safety level of below 50%. Cash and cash equivalents as at 31 December 2006 amounted to approximately HK\$132 million (2005: HK\$85 million).

The Group had total borrowings of approximately HK\$45 million as at 31 December 2006 (2005: HK\$103 million). The borrowings to be repayable within one year were approximately HK\$25 million (2005: HK\$79 million), and the Group's gearing ratio as at 31 December 2006 was 9.8% (2005: 31.1%), which was calculated based on interest bearing borrowings to total shareholders' funds.

As at 31 December 2006, the Group had current assets of approximately HK\$270 million (2005: HK\$243 million) and current liabilities of approximately HK\$84 million (2005: HK\$122 million). The Group had total assets of approximately HK\$600 million and total liabilities of approximately HK\$131 million, representing a debt ratio (total liabilities over total assets) of 21.7% as at 31 December 2006 (2005: 30.9%).

Management is confident that when opportunities of land bank acquisition arise in future and require additional funding, the Group is able to utilise its internal reserve and debt financing to satisfy necessary funding requirement. In view of the current gearing position, management also believes that the Group is in a good position to obtain debt financing on favourable terms.

Charge on Assets

As at 31 December 2006, bank overdrafts of approximately HK\$15 million was secured by the Group's certain bank deposits of approximately HK\$18 million.

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 year, there was no significant fluctuation in the exchange rates of the Hong Kong dollars and US dollars. 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 2006.

Contingent Liabilities

As at 31 December 2006, 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 risk management and transactions that are directly related to the underlying business of the Group.

Employees

As at 31 December 2006, the Group had a staff force of 110, of this 90 employees were based in the Chinese Mainland and 20 employees in Hong Kong. The remuneration of employees was in line with the market trend and commensurate to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives. Total staff costs incurred in 2006 was approximately HK\$31 million.

FINAL DIVIDEND AND BONUS SHARE ISSUE

The Directors have recommended the payment of a final dividend of 1 HK cent per share for the year ended 31 December 2006, which will be satisfied by allotment of new shares of Company, by way of scrip dividend, with an alternative to shareholders of the Company to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment (the "Scrip Dividend Scheme"). The Directors also propose to make a bonus issue of one new share of HK\$0.01 credited as fully paid for every 50 shares held on the register of members of the Company on 1 June 2007.

This Scrip Dividend Scheme and the issue of bonus shares are conditional upon the passing of the relevant resolution at the Annual General Meeting, and the Listing Committee of the Stock Exchange granting approval to the listing of and permission to deal in the new shares. The share certificates for bonus shares will be sent to shareholders of the Company by ordinary mail on or about 11 June 2007. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders of the Company by ordinary mail on or about 4 July 2007. Details of the scrip dividend and the election form will be sent to shareholders of the Company on or about 4 June 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 May 2007 to 1 June 2007, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the 2006 final dividend and bonus shares, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 29 May 2007.

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.

Throughout the year ended 31 December 2006, the Group has complied with the code provisions set out in Appendix 14, the Code on Corporate Governance Practices, of the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2006.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2006. The consolidated financial statements have been audited by the Company's auditors, Grant Thornton. The unqualified auditors' report will be included in the Annual Report to shareholders.

PURCHASE, SALE OF REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Other than the issue of 73,196,818 shares (including 8,196,818 shares issued as scrip dividend) by the Company during the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkex.com.hk. The Annual Report and the notice of Annual General Meeting will be despatched to shareholders on or around 11 April 2007.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises Mr. TAOCHAIFU Choojuang (Chairman), Mr. TAO Richard (Vice Chairman), Mr. TAO Paul (Managing Director), Mr. KONG Mui Sum Lawrence and Mr. YIM Chun Leung as Executive Directors; The Hon. 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.

By Order of the Board  
New Heritage Holdings Ltd.  
TAOCHAIFU Choojuang  
Chairman

Hong Kong, 30 March 2007