



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 2005

RESULTS

The board of directors (the “Directors” or the “Board”) of New Heritage Holdings Ltd. (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2005 together with comparative figures for the previous year as follows:—

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
	<i>Notes</i>		
Revenue	3	149,089	197,710
Cost of sales		(78,416)	(146,481)
Gross profit		70,673	51,229
Other income	3	6,702	1,172
Selling expenses		(1,582)	(3,852)
Administrative expenses		(12,925)	(7,004)
Other operating expenses			
Fair value adjustments on investment properties		21,105	7,725
Write off of an investment property upon re-development		(3,774)	—
Finance costs	6	(3,219)	—
Share of profits of an associate		8,018	—
Profit before taxation	5	84,998	49,270
Taxation	7	(26,086)	(16,195)
Profit for the year		58,912	33,075
Attributable to:			
Equity holders of the Company		55,934	31,389
Minority interests		2,978	1,686
		58,912	33,075
Dividends	8	11,526	—
Earnings per share for profit attributable to the equity holders of the Company during the year	9		
— Basic		HK24.6 cents	HK\$62,778
— Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		37,048	—
Property, plant and equipment		14,106	11,848
Investment properties		110,073	78,722
Investment in securities		—	156
Interest in an associate		87,760	—
		248,987	90,726
Current assets			
Properties held under development		51,694	60,943
Properties held for sale		1,838	14,321
Inventories		282	402
Deposits paid, prepayments and other receivables		37,787	12,799
Amounts due from related parties		2,725	3,250
Pledged bank deposits		44,371	2,272
Cash at banks and in hand		104,551	21,909
		243,248	115,896
Current liabilities			
Accounts payable	10	6,747	44,720
Accruals, deposits received and other payables		21,658	57,056
Amounts due to related parties		—	8,350
Provision for tax		15,175	5,346
Borrowings		78,458	—
		122,038	115,472
Net current assets		121,210	424
Total assets less current liabilities		370,197	91,150
Non-current liabilities			
Borrowings		24,960	89,251
Deferred taxation		5,052	—
		30,012	89,251
Net assets		340,185	1,899
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		6,403	—
Reserves		314,280	(3,099)
Proposed final dividend		11,526	—
		332,209	(3,099)
Minority interests		7,976	4,998
Total equity		340,185	1,899

Note:

1. Statement of compliance

The financial statements have been prepared in accordance with the Standards and Interpretations of the Hong Kong Financial Reporting Standards (herein collectively referred to as “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements also complies with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

2. Basis of preparation

The Group resulting from the Reorganisation is regarded as a continuing entity since all of the entities which took part in the Reorganisation were owned by the same ultimate shareholders before and immediately after the Reorganisation such that immediately after the Reorganisation there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Reorganisation. Accordingly the Reorganisation has been accounted for as a reorganisation of entities under common control in a manner similar to pooling of interests and the financial statements have been prepared on the basis of merger accounting, under which the Company was the holding company of the Group since 1 January 2004 or since their respective dates of incorporation whichever is shorter, rather than from 23 June 2005. Certain subsidiaries (“Subsequent Subsidiaries”) were acquired by the Group subsequent to the Reorganisation on 23 June 2005. These Subsequent Subsidiaries have been accounted for using the purchase method from the respective dates of acquisition. The results of the Group for the year include the results of the Company and its subsidiaries with effect from the beginning of the year as if the current group structure had been in existence throughout the year except for the results of the Subsequent Subsidiaries which are included from the respective dates of acquisition.

The financial statements have been prepared in accordance with the accounting policies set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investment in securities.

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.

3. Revenue and Other Income

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Revenue		
Turnover		
Proceeds from sale of		
— properties held for sale	141,749	170,211
— investment properties	—	18,471
Rental income	1,724	2,241
Management fee income	5,319	5,483
	148,792	196,406
Other revenue		
Club house income	101	1,150
Laundry service income	196	154
	297	1,304
	149,089	197,710
Other income		
Handling fee income	—	318
Interest income	704	224
Write back of accounts payable	5,147	—
Exchange gain	592	270
Others	259	360
	6,702	1,172

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 customers located outside the PRC for the year. Accordingly, no separate business and geographical segment information is prepared.

5. Profit before Taxation

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation is arrived at after charging:		
Cost of properties held for sale recognised as expense	65,578	115,909
Depreciation of property, plant and equipment	971	1,139
Less: amount capitalised in properties held under development	(360)	(254)
	611	885
Outgoings in respect of investment properties	505	387
Operating lease charges in respect of land and buildings	920	309
Loss on disposal of property, plant and equipment	116	654
Auditors’ remuneration	719	65
Staff costs, including directors’ emoluments and retirement benefits cost	6,435	4,128
Less: amount capitalised in properties held under development	(1,049)	(430)
	5,386	3,698
Amount recognised as expense for retirement benefits cost	573	554
and crediting:		
Rental income less outgoings	1,219	1,854
Exchange gain	592	270
Gain on disposal of investment properties included in gross profit	—	2,270

6. Finance Costs

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest charges on:		
Bank loans wholly repayable within five years	1,933	—
Bank overdraft	1,084	—
Loan from a related company	202	—
	3,219	—

7. Taxation

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Income tax		
— PRC, current	21,034	16,195
Deferred tax		
— PRC	5,052	—
Total tax expenses	26,086	16,195

No Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the year (2004: 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 (2004: 33%). Hong Kong profits tax is computed at the rate of 17.5% (2004: 17.5%) on the profit for the year. Reconciliation between tax expense and accounting profit at applicable tax rates:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>84,998</u>	<u>49,270</u>
Tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	28,000	16,360
Tax effect of non-deductible expenses	1,177	66
Tax effect of non-taxable revenue	(2,449)	(14)
Tax effect of temporary differences not recognised	(642)	(299)
Under provision in prior years	—	82
Total taxation	<u>26,086</u>	<u>16,195</u>

No deferred tax has been provided as there was no material temporary difference for the year (2004: Nil). The amounts of the deferred tax charge not recognised during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Tax effect of temporary differences attributable to fair value adjustments net of tax losses not recognised	<u>642</u>	<u>400</u>

8. Dividends

Dividends attributable to the year:

	2005 HK\$'000	2004 HK\$'000
Proposed final dividend of HK1.8 cents per share (2004: Nil)	<u>11,526</u>	<u>—</u>

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 ended 31 December 2005.

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\$55,934,000 (2004: HK\$31,389,000) and on 227,828,791 (2004: 500) ordinary shares in issue during the year, as adjusted to reflect the shares issued for the Reorganisation and capitalisation issue.

Diluted earnings per share for the year was not presented as there is no dilutive potential share.

10. Accounts Payable

The aging analysis of the accounts payable are as follows:

	Notes	2005 HK\$'000	2004 HK\$'000
Below 30 days		964	8,124
30-60 days		220	221
61-90 days		139	81
91-365 days		375	235
Over 365 days		<u>170</u>	<u>4,639</u>
Construction payables	(a)	1,868	13,300
Accrued construction cost and other project-related expenses	(b)	<u>4,879</u>	<u>31,420</u>
		<u>6,747</u>	<u>44,720</u>

- (a)

Construction payables comprise constructions and other project-related expenses payable which are billed by the constructors according to the terms of the relevant agreements and project progress.
- (b)

Included in the above amounts are construction cost and other project-related expense payable amounted to approximately HK\$4,879,000 at 31 December 2005 which was accrued based on the terms of the relevant agreements and project progress and were not due for payment at 31 December 2005 (2004: HK\$31,420,000).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The year under review underpinned our operating philosophy: we are clear in our strategy and focus, engaging principally in property development and investment businesses in the cities of Suzhou and Beijing to deliver the best value and quality to our customers. We generally lay our emphasis on projects with gross development floor areas of 30,000-80,000 square metres. This allows for a shorter turnaround cycle and quicker cash inflow and, in turn, gives a good boost to our internal rate of return in an effective way. This helps set New Heritage apart from its competitors and takes the Group onto the path of continuous growth.

Strong underlying performance in the property market in China and customers’ quest for quality and variety in design in new developments has enabled us to establish a solid foothold in Suzhou, backed by our well-known reputation for thoughtful design and architectural layout as well as superior property management services provided for our developed residential properties. The Group is also on the lookout for expanding into the property development arena in addition to investment business in Beijing.

In 2005, New Heritage reported a turnover of HK\$149.1 million, which was down 24.6% owing to a reduction in the number of properties disposal. The Group’s gross profit margin continued to improve, moving up from 25.9% in 2004 to 47.4% in 2005. This was a result of prevailing market conditions and maintenance of a good cost structure.

Total gross floor area of development properties sold and delivered, which included 11,868 square metres at Suzhou Garden Court and 7,530 square metres at Suzhou Garden Place, lowered by 54.64% as compared to a total of 42,761 square metres of development properties sold a year earlier. Average selling price per square metre posted an increase of approximately 72%.

During the year under review, New Heritage acquired the entire issued share capital of NH Investments, with the latter becoming a subsidiary of the Group that holds a 30.05% interest in Beijing Landmark Towers Co., Ltd. (“BLTCL”). BLTCL owns Beijing Landmark Towers, a first class commercial complex located in a prime district of Beijing. BLTCL has a track record of delivering encouraging cash dividend payouts over the past years, and it continues to contribute to the Group subsequent to the acquisition.

FINANCIAL REVIEW

Overall Performance

In 2005, the Group’s total gross floor area of development properties sold and delivered stood at 19,398 square metres. Gross profit margin continued to improve, moving up to 47.4% from 25.9% a year earlier, thanks to favourable market environment, prudent cost management and good risk management. EBDITA margin and net profit margin also maintained at relatively high levels. The Group sustained a sound financial structure and healthy cash flow. Basic earnings per share was HK24.6 cents.

Operating Results

During 2005, turnover of the Group was approximately HK\$149.1 million (2004: HK\$197.7 million). The decrease in turnover was mainly attributable to a decrease in revenues generated from the disposal of properties. In 2004, the Group sold 16 apartments in Phase I to Phase III of Suzhou Garden Villa and 277 apartments in Suzhou Garden Court which generated revenues of approximately HK\$188.7 million. In 2005, the Group sold 80 apartments and 7 villas in Suzhou Garden Court and 60 apartments in Suzhou Garden Place which aggregately generated approximately HK\$141.7 million of revenues.

Due to prevailing market conditions and effective cost control measures, the Group managed to achieve a gross profit margin of 47.4% (2004: 25.9%).

In 2005, the net profit attributable to the equity holders of the Group was approximately HK\$55.9 million (2004: HK\$31.4 million).

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 31 December 2005 amounted to HK\$84.8 million (2004: HK\$21.9 million).

The Group had total borrowings of approximately HK\$103.4 million as at 31 December 2005 (2004: HK\$89.3 million). The borrowings to be repayable within one year were approximately HK\$78.5 million (2004: Nil), and the Group’s gearing ratio as at 31 December 2005 was 31.1% (2004: N/A), which was calculated based on interest bearing borrowings to total shareholders’ funds.

As at 31 December 2005, the Group had current assets of approximately HK\$243.2 million (2004: HK\$115.9 million) and current liabilities of approximately HK\$122.0 million (2004: HK\$115.5 million). The Group had total assets of approximately HK\$492.2 million and total liabilities of approximately HK\$152.1 million, representing a debt ratio (total liabilities over total assets) of 30.9% as at 31 December 2005 (2004: 99.1%).

Management is comfortable 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 2005, bank loan of approximately HK\$103.4 million was secured by the Group’s certain bank deposits and investment properties of approximately HK\$42.3 million and HK\$72.4 million respectively.

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 2005.

Contingent Liabilities

As at 31 December 2005, 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 2005, the Group had a staff force of approximately 172. Of this, 153 were stationed in the Chinese Mainland and 19 in Hong Kong. The remuneration of employees was in line with the market trend and commensurable 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 2005 was up 55.9% to HK\$6.4 million, representing 4.3% of the Group’s turnover for the year.

FINAL DIVIDEND

The Directors proposed a final dividend of HK1.8 cents per share for the year ended 31 December 2005 (2004:Nil) to shareholders whose names appear on the register of members of the Company on 30 May 2006, which will be satisfied by allotment of new shares of the Company, by way of scrip dividend, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment (the “Scrip Dividend Scheme”). This Scrip Dividend Scheme is conditional upon the passing of the relevant resolution at the Annual General Meeting, and the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval to the listing of and permission to deal in the new shares. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about 5 July 2006. Details of the scrip dividend and the election form will be sent to shareholders on or about 30 May 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 May 2006 to 30 May 2006, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the 2005 final dividend, 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 25 May 2006.

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.

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 (the “Listing Rules”) for the year ended 31 December 2005 except that no meeting of the Audit Committee, Nomination Committee and Remuneration Committee was held for the period from the listing of the shares of the Company on the Stock Exchange on 2 December 2005 to 31 December 2005. Only one meeting for each of the Audit Committee, Nomination Committee and Remuneration Committee was held subsequent to the year ended 31 December 2005 and prior to the publishing of this announcement with the presence of all members of the respective committees.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2005.

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Listing Rules have been amended to provide that a director may be removed by an ordinary resolution in general meeting instead of a special resolution. Therefore, a special resolution to make corresponding amendment to the existing articles of association of the Company will be put forward to the Shareholders for approval at the forthcoming Annual General Meeting to be held on 26 June 2006. Detail of the proposed amendment will be set out in a circular to be sent to shareholders around 11 April 2006.

PURCHASE, SALE OF REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Other than the issue of 640,321,399 shares by the Company during the year (including 168,000,000 shares issued upon the listing of the shares of the Company on the Stock Exchange on 2 December 2005), 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 2006.

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. TAOCHAIFU Porn (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 Choofuang
Chairman

Hong Kong, 3 April 2006