

# NH 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 2006

### 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 2006 together with the comparative figures for the corresponding period in 2005 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

Notes	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
	<b>Revenue</b>	<b>46,617</b>
	Cost of sales	(25,638)
	<b>Gross profit</b>	<b>20,979</b>
	Other income	3,668
	Selling expenses	(747)
	Administrative expenses	(588)
	Other operating (expenses)/income	14,102
	Finance costs	(747)
	Share of profits of an associate	—
	<b>(Loss)/profit before taxation</b>	<b>36,667</b>
	Taxation	(10,964)
	<b>(Loss)/profit for the period</b>	<b>25,703</b>
	<b>Attributable to:</b>	
	Equity holders of the Company	24,530
	Minority interests	1,173
	<b>(Loss)/profit for the period</b>	<b>25,703</b>
	<b>Dividend</b>	<b>—</b>
	<b>(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period</b>	
	<b>— Basic</b>	<b>HK\$2.66</b>
	<b>— Diluted</b>	<b>N/A</b>

#### CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

Notes	At 30 June 2006		At 31 December 2005	
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
	<b>ASSETS AND LIABILITIES</b>			
	<b>Non-current assets</b>			
	Goodwill	37,048	37,048	
	Property, plant and equipment	15,822	14,106	
	Investment properties	110,073	110,073	
	Interest in an associate	82,006	87,760	
		<b>244,949</b>	<b>248,987</b>	
	<b>Current assets</b>			
	Properties held under development	163,230	51,694	
	Properties held for sale	1,838	1,838	
	Inventories	278	282	
	Deposits paid, prepayments and other receivables	17,619	37,787	
	Amounts due from related parties	—	2,725	
	Pledged bank deposits	23,796	44,371	
	Cash at banks and in hand	171,731	104,551	
		<b>378,492</b>	<b>243,248</b>	
	<b>Current liabilities</b>			
	Accounts payable	13,423	6,747	
	Accruals, deposits received and other payables	156,318	21,658	
	Dividend payable	11,526	—	
	Provision for tax	266	15,175	
	Borrowings	91,273	78,458	
		<b>272,806</b>	<b>122,038</b>	
	<b>Net current assets</b>	<b>105,686</b>	<b>121,210</b>	
	<b>Total assets less current liabilities</b>	<b>350,635</b>	<b>370,197</b>	
	<b>Non-current liabilities</b>			
	Borrowings	20,000	24,960	
	Deferred taxation	3,740	5,052	
		<b>23,740</b>	<b>30,012</b>	
	<b>Net assets</b>	<b>326,895</b>	<b>340,185</b>	
	<b>EQUITY</b>			
	<b>Equity attributable to the equity holders of the Company</b>			
	Share capital	6,403	6,403	
	Reserves	314,231	314,280	
	Proposed final dividend	—	11,526	
		<b>320,634</b>	<b>332,209</b>	
	<b>Minority interests</b>	<b>6,261</b>	<b>7,976</b>	
	<b>Total equity</b>	<b>326,895</b>	<b>340,185</b>	

### Notes:

#### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements 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").

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. The audited comparative figures should be referred to the Accountants' Report on the Group in Appendix I of the Company's prospectus dated 22 November 2005.

#### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, financial assets and financial liabilities. The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2005.

During the period share options were granted to the employees of the Group and the Group adopted the following accounting policy on such share-based employee compensation.

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

The following new standards, amendments to standards and interpretations are applicable for the year ending 31 December 2006:

HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures <sup>1</sup>
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation <sup>1</sup>
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions <sup>1</sup>
HKAS 39 (Amendment)	The Fair Value Option <sup>1</sup>
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts <sup>1</sup>
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources <sup>1</sup>
HKFRS 6	Exploration for and Evaluation of Mineral Resources <sup>1</sup>
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a Lease <sup>1</sup>
HK(IFRIC) — Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds <sup>1</sup>
HK(IFRIC) — Int 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 December 2005

The above mentioned new standards, amendments to standards and interpretations have no material impact on the Group's operations.

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 substantial changes to the Group's accounting policies.

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>

<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

#### 3. REVENUE AND OTHER INCOME

Turnover, other revenue and other income recognised during the period are as follows:

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
<b>Revenue</b>		
Turnover		
Sale of properties held for sale	—	42,957
Rental income	609	790
Management fee income	2,817	2,665
	<b>3,426</b>	<b>46,412</b>
<b>Other revenue</b>		
Club house income	—	99
Laundry service income	100	106
	<b>100</b>	<b>205</b>
	<b>3,526</b>	<b>46,617</b>
<b>Other income</b>		
Interest income	1,236	193
Write back of accounts payable	—	3,170
Others	38	305
	<b>1,274</b>	<b>3,668</b>

#### 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 loss 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. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
(Loss)/profit before taxation is arrived at after charging:		
Cost of properties held for sale recognised as expense		20,609
Depreciation of property, plant and equipment	797	428
Less: amount capitalised in properties held under development	(275)	(223)
	522	205
Outgoings in respect of investment properties	173	259
Operating lease charges in respect of land and buildings	761	155
Loss on disposal of property, plant and equipment	2	69
Staff costs, including directors' emoluments and retirement benefits cost	8,112	1,516
Employee share-based payment expense	7,628	—
Less: amount capitalised in properties held under development	(2,957)	(500)
	12,783	1,016
Amount recognised as expense for retirement benefits cost	601	213
Exchange loss	178	—
Write off of an investment property	—	3,774
and crediting:		
Rental income less outgoings	436	531
Exchange gain	—	31
Fair value adjustments on investment properties	—	17,876

6. FINANCE COSTS

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
Interest charges on:		
Bank loans wholly repayable within five years	1,881	545
Bank overdrafts	762	—
Loan from a related company	—	202
	2,643	747

7. TAXATION

	Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
<b>Current tax</b>		
PRC income tax		
Current period	—	5,895
Under provision in respect of prior years	6	—
<b>Deferred tax (credit)/expense</b>	(1,312)	5,069
	(1,306)	10,964

No Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the period (30 June 2005: 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 (30 June 2005: 33%).

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

8. DIVIDEND

No dividend has been paid or declared by the Company in respect of the period (six months ended 30 June 2005: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2006 is based on the loss attributable to the equity holders of the Company of approximately HK\$7,841,000 and the weighted average number of 640,321,400 ordinary shares in issue during the six months ended 30 June 2006. The calculation of basic earnings per share for the six months ended 30 June 2005 was based on the profit attributable to the equity holders of the Company of approximately HK\$24,530,000 and the weighted average number of 9,219,117 ordinary shares in issue during the six months ended 30 June 2005, as adjusted to reflect the shares issued on capitalisation prior to the listing of the Company.

No diluted loss per share is calculated for the six months ended 30 June 2006 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 2005 was not presented as there were no dilutive potential shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred capital expenditure of approximately HK\$2,515,000 for property, plant and equipment (six months ended 30 June 2005: HK\$2,303,000). No significant disposal of property, plant and equipment was made during the period.

11. ACCOUNTS PAYABLE

The aging analysis of the accounts payable is as follows:

Notes	At 30 June		At 31 December	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Audited)
Below 30 days	934	964		
30 -60 days	296	220		
61-90 days	224	139		
91-365 days	668	375		
Over 365 days	257	170		
Construction payables	(a) 2,379	1,868		
Accrued construction cost and other project-related expenses	(b) 11,044	4,879		
	13,423	6,747		

Notes:

(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\$11,044,000 at 30 June 2006 which was accrued based on the terms of the relevant agreements and project progress and were not due for payment at 30 June 2006 (31 December 2005: HK\$4,879,000).

12. 2005 FINAL SCRIP DIVIDEND SCHEME

On 30 May 2006, the Company offered 2005 Final Scrip Dividend Scheme ("Scheme") to shareholders who are entitled to the 2005 final dividend. Shareholders with 284,157,016 shares of the Company had selected the Scheme and the Company issued and allotted 8,196,818 scrip shares on 5 July 2006.

13. SUBSEQUENT EVENTS

On 10 July 2006, a subsidiary of the Company had entered into the share transfer and subscription agreement, the shareholders' agreement and the equity joint venture agreement in order to establish an arrangement of investment in a jointly-controlled entity incorporated in PRC ("Joint Venture") for the development project located in Nanjing, the PRC. After the completion of the arrangement, the Group will ultimately hold 36% of equity interest in the Joint Venture. The contribution of the Group to the registered capital of the Joint Venture is RMB21,600,000. The first instalment of the capital contribution cannot be less than 30% of the registered capital and shall be fully paid within one month after the execution of the equity joint venture agreement, the balance of the contributions must be paid within two years from the date on which the business licence of the Joint Venture is issued.

On 28 August 2006, the Company entered into a subscription agreement with Spinnaker Global Opportunity Fund Limited ("Spinnaker") which Spinnaker agreed to subscribe for 65,000,000 subscription shares of the company at a price of HK\$0.60 each. On the same day, a subsidiary of the Company and Spinnaker entered into a share transfer agreement pursuant to which the Group agreed to transfer 40% equity interests in a subsidiary, Suzhou New Heritage Wuzhong Limited, at a consideration of US\$2,600,000 (equivalent to HK\$20,280,000).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Moving into 2006, we continued to focus on our strategy of engaging in property development and investment businesses in the cities of Suzhou and Beijing to deliver the best value and quality of properties to our customers.

Our well-established brand name in Suzhou and Jiangsu Province has presented us with some unique opportunities, enabling us to attract as well as target more project acquisitions which help broaden our scope of business in the province. Plans are afoot for medium and longer term projects in locations out of Suzhou and would be announced at an appropriate time.

FINANCIAL REVIEW

Overall Performance

For the first six months of 2006, the Group has pre-sold development properties, namely, Suzhou Garden Towers, with a total saleable gross floor area of 31,370 square metres. Upon completion of delivery of such property development to buyers in the fourth quarter this year, income contributed by the development project would be reported in the accounts for the full year of 2006. The Group's profit margin stood at around 36%, sustaining a sound financial structure and healthy cash flow.

Operating Results

During the period under review, turnover of the Group was approximately HK\$3.5 million (1H 2005: HK\$46.6 million). The decrease in turnover was primarily attributable to a decrease in revenue generated from the disposal of properties. Unaudited consolidated loss attributable to the equity holders of the Group was approximately HK\$7.8 million as compared with the net profit attributable to equity holders of HK\$24.5 million for the same period the preceding year. This was a result of the revenue of the pre-sale development properties was not booked into our accounts until delivery of completed properties to purchasers in the second half of the year. Loss per share was HK\$0.01 compared to earnings per share of HK\$2.66 in the first half of 2005.

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 30 June 2006 reached HK\$156.2 million (1H 2005: HK\$3.9 million).

The Group had total borrowings of approximately HK\$111.3 million as at 30 June 2006 (2005: HK\$103.4 million). The borrowings to be repayable within one year were approximately HK\$91.3 million (2005: HK\$78.4 million), and the Group's gearing ratio as at 30 June 2006 was 34.7% (2005: 30.9%), which was calculated based on interest bearing borrowings to total shareholders' funds.

As at 30 June 2006, the Group has current assets of approximately HK\$378.4 million (2005: HK\$243.2 million) and current liabilities of approximately HK\$272.8 million (2005: HK\$122.0 million). The Group had total assets of approximately HK\$623.4 million and total liabilities of approximately HK\$296.5 million, representing a debt ratio (total liabilities over total assets) of 47.5% as at 30 June 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 reserves and debt financing to satisfy necessary funding requirements. 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 30 June 2006, bank loan and overdraft of approximately HK\$111.3 million were secured by certain of the Group's bank deposits, investment properties and leasehold interest in land included in properties held under development of approximately HK\$17.7 million, HK\$69.2 million and HK\$3.1 million respectively, as well as three corporate guarantees of HK\$30 million provided by the Company.

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 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 2006.

Contingent Liabilities

As at 30 June 2006, the Group has 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 2006, the Group had a staff force of approximately 169. Of this, 149 were stationed in the Chinese Mainland and 20 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. 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 (the "Stock Exchange") for the six months ended 30 June 2006.

REVIEW OF INTERIM FINANCIAL REPORT

The auditors of the Company, Grant Thornton have performed an independent review on the interim financial report set out on pages 18 to 35 of Interim Report 2006 in accordance with applicable auditing standards. 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 2006. The interim results of the Group for the period ended 30 June 2006 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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website at www.hkex.com.hk. The Interim Report 2006 will be despatched to shareholders on or around 30 September 2006.

GENERAL INFORMATION

As at the date of this announcement, the board of directors of the Company 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.

This interim results announcement only gives a summary of the information and particulars of the Interim Report 2006 from which the contents of this announcement are derived.

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

Hong Kong, 28 September 2006

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