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新澤控股有限公司 **New Heritage Holdings Ltd.**

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008 **AND** **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

RESULTS

The board of directors (the “Directors” or the “Board”) of New Heritage Holdings Ltd. (the “Company” or “New Heritage”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	3	91,715	184,560
Cost of sales		(68,480)	(127,627)
Gross profit		23,235	56,933
Other income	3	3,782	31,018
Selling expenses		(8,482)	(5,833)
Administrative expenses		(46,002)	(42,891)
Other operating (expense)/income		(16,513)	14,058
Finance costs	5	(25,955)	(12,975)
Share of results of associates		23,831	21,417
(Loss)/profit before taxation	6	(46,104)	61,727
Taxation	7	83	(16,162)
(Loss)/profit for the year		(46,021)	45,565
Attributable to:			
Equity holders of the Company		(33,225)	36,115
Minority interests		(12,796)	9,450
		(46,021)	45,565
Dividends	8	–	11,283
(Loss)/earnings per share	9		
– Basic (HK cents)		(2.9)	4.2
– Diluted (HK cents)		N/A	4.2

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		37,048	37,048
Property, plant and equipment		29,665	17,602
Investment properties		311,754	310,867
Interests in associates		123,674	112,459
Available-for-sale financial asset		43,318	–
Deferred tax assets		1,898	1,766
		<u>547,357</u>	<u>479,742</u>
Current assets			
Properties held under development		657,376	330,001
Properties held for sale		58,753	19,284
Inventories		121	136
Accounts receivable	10	149	514
Deposits paid, prepayments and other receivables		37,024	262,835
Pledged bank deposits		9,165	61,430
Cash at banks and in hand		125,973	175,701
		<u>888,561</u>	<u>849,901</u>
Current liabilities			
Accounts payable	11	55,842	31,081
Accruals, deposits received and other payables		35,133	28,717
Provision for tax		10,886	21,323
Borrowings		82,649	113,727
		<u>184,510</u>	<u>194,848</u>
Net current assets		<u>704,051</u>	<u>655,053</u>
Total assets less current liabilities		1,251,408	1,134,795
Non-current liabilities			
Borrowings		293,832	185,547
Convertible notes		72,212	71,482
Deferred tax liabilities		30,009	30,583
		<u>396,053</u>	<u>287,612</u>
Net assets		<u>855,355</u>	<u>847,183</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		11,628	11,283
Reserves		754,075	733,760
Proposed final dividend		–	11,283
		<u>765,703</u>	<u>756,326</u>
Minority interests		<u>89,652</u>	<u>90,857</u>
Total equity		<u>855,355</u>	<u>847,183</u>

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 (“HKICPA”). 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.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In current year, the Group have applied, for the first time, the following new standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA, which are effective for the Group’s financial statements for the annual period beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs has no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the Group has not yet early adopted the following new and amended HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Statements and Obligations Arising on Liquidation ¹
HKAS 39 (Amendments)	Financial Instruments : Recognition and Measurement – Embedded Derivatives ²
HKAS 39 (Amendments)	Eligible Hedged Items ³
HKFRS 1 (Revised)	First-time Adoption of HKFRS ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate ¹
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised) and HKAS 27 (Revised)	Business Combinations and Consolidated and Separate Financial Statements ³
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 9 (Amendments)	Reassessment of Embedded Derivatives ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfer of Assets from Customers ⁶
Various	Annual Improvements to HKFRSs 2008 ⁷

Notes:

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

² Effective for annual periods ending on or after 30 June 2009

³ Effective for annual periods beginning on or after 1 July 2009

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

⁵ Effective for annual periods beginning on or after 1 October 2008

⁶ Effective for transfer received on or after 1 July 2009

⁷ Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs

HKAS 1 (Revised) “Presentation of Financial Statements” is expected to materially change the presentation of the Group’s financial statements. This amendment affects the presentation of owner’s changes in equity and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

HKFRS 8 “Operating Segments” may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

HKAS 23 (Revised) “Borrowing Costs” requires capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. The option of immediately expensing those borrowing costs, which is the accounting policy adopted by the Group in these financial statements, will be removed. In accordance with the transitional provisions, the Group shall apply HKAS 23 (Revised) on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. In this regard, all borrowing costs directly attributable to the property development will be capitalised for property development project commenced since 1 January 2009, the Directors are in the process to evaluate the impact on the Group’s results and financial position.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group’s results and financial position.

3. REVENUE AND OTHER INCOME

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

	2008 <i>HK\$’000</i>	2007 <i>HK\$’000</i>
Revenue		
<u>Turnover</u>		
Proceeds from sale of properties held for sale	76,948	175,679
Rental income	14,767	8,881
	<u>91,715</u>	<u>184,560</u>
Other income		
Gain on partial disposal of interests in subsidiaries	–	22,204
Interest income	2,624	7,104
Exchange gain, net	225	1,078
Others	933	632
	<u>3,782</u>	<u>31,018</u>

4. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into two main business segments:

Property development : Property development and sale of properties held for sale

Property investment and leasing : Property rental and sale of investment properties

Inter-segment sales are charged at prevailing market prices.

	2008			
	Property development HK\$'000	Property investment and leasing HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue:				
External customers	76,948	14,767	–	91,715
Inter-segment sales	–	255	(255)	–
Total segment revenue	<u>76,948</u>	<u>15,022</u>	<u>(255)</u>	<u>91,715</u>
Segment results	<u>9,785</u>	<u>(7,257)</u>	<u>–</u>	2,528
Other corporate income				3,782
Unallocated expenses				(50,290)
Finance costs				(25,955)
Share of results of associates				<u>23,831</u>
Loss before taxation				(46,104)
Taxation				<u>83</u>
Loss for the year				<u>(46,021)</u>
Segment assets	834,295	333,142	–	1,167,437
Unallocated assets				<u>268,481</u>
Total assets				<u>1,435,918</u>
Segment liabilities	369,113	72,367	–	441,480
Unallocated liabilities				<u>139,083</u>
Total liabilities				<u>580,563</u>
Other segment items:				
Capital expenditure				
– Unallocated				<u>14,551</u>
Depreciation				
– Unallocated				<u>3,546</u>
Fair value adjustments on investment properties	<u>–</u>	<u>(15,266)</u>	<u>–</u>	<u>(15,266)</u>

	2007			
	Property development HK\$'000	Property investment and leasing HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue:				
External customers	175,679	8,881	–	184,560
Inter-segment sales	–	50	(50)	–
	<u>175,679</u>	<u>8,931</u>	<u>(50)</u>	<u>184,560</u>
Total segment revenue				
Other income	–	14,058	–	14,058
	<u>–</u>	<u>14,058</u>	<u>–</u>	<u>14,058</u>
Total revenue	<u>175,679</u>	<u>22,989</u>	<u>(50)</u>	<u>198,618</u>
Segment results	<u>50,222</u>	<u>20,769</u>	<u>–</u>	70,991
Other corporate income				31,018
Unallocated expenses				(48,724)
Finance costs				(12,975)
Share of results of associates				21,417
				<u>21,417</u>
Profit before taxation				61,727
Taxation				(16,162)
				<u>61,727</u>
Profit for the year				<u>45,565</u>
Segment assets	628,622	388,255	–	1,016,877
Unallocated assets				312,766
				<u>312,766</u>
Total assets				<u>1,329,643</u>
Segment liabilities	244,894	115,133	–	360,027
Unallocated liabilities				122,433
				<u>122,433</u>
Total liabilities				<u>482,460</u>
Other segment items:				
Capital expenditure				
– Segment	–	98,827	–	98,827
– Unallocated				5,677
				<u>5,677</u>
				<u>104,504</u>
Depreciation				
– Unallocated				2,392
				<u>2,392</u>
Fair value adjustments on investment properties	–	14,058	–	14,058
	<u>–</u>	<u>14,058</u>	<u>–</u>	<u>14,058</u>

(b) Secondary reporting format – geographical segments

No geographical segments information is presented as the operations, major customers and assets of the Group are substantially located in the People's Republic of China ("PRC").

5. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest charges on borrowings which are repayable within five years:		
Bank loans	10,160	7,763
Bank overdrafts	123	465
Other loan	536	73
Imputed interest expense on loans from minority shareholders	6,783	3,741
	<u>17,602</u>	<u>12,042</u>
Interest charges on borrowings which are repayable after five years:		
Bank loans	3,873	–
Interest charge on convertible notes	4,480	933
	<u>25,955</u>	<u>12,975</u>

6. (LOSS)/PROFIT BEFORE TAXATION

	2008 HK\$'000	2007 HK\$'000
(Loss)/profit before taxation is arrived at after charging:		
Cost of properties held for sale recognised as expense	64,365	117,028
Depreciation of property, plant and equipment	3,546	2,392
Less: amount capitalised in properties held under development	(70)	(10)
	3,476	2,382
Outgoings in respect of investment properties that generated rental income during the year	3,836	1,573
Operating lease charges in respect of land and buildings	2,223	1,782
Staff costs, including directors' emoluments and retirement benefits cost	28,431	30,306
Employee share-based payment expense	4,008	6,132
Less: amount capitalised in properties held under development	(7,344)	(8,352)
	25,095	28,086
Amount recognised as expense for retirement benefits cost	1,763	1,589
Loss on disposal of property, plant and equipment	23	–
Loss on disposal of investment properties (note (a))	1,247	–
Impairment loss on other receivables	2,503	–
Fair value adjustments on investment properties (note (a))	15,266	–
and crediting:		
Exchange gain, net	225	1,078
Gain on disposal of property, plant and equipment	–	6
Fair value adjustments on investment properties (note (a))	–	14,058
	<u>25,955</u>	<u>12,975</u>

Note:

- (a) The amounts are included in "Other operating (expense)/income" on the face of the consolidated income statement.

7. TAXATION

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax – the PRC			
– Corporate income tax	<i>(a)</i>	1,835	12,637
– Land appreciation tax (“LAT”)	<i>(b)</i>	788	7,918
– Tax refund	<i>(c)</i>	–	(6,207)
		2,623	14,348
Deferred taxation		(2,706)	1,814
Total tax (credit)/charge for the year		(83)	16,162

Notes:

- (a) The 5th Session of the 10th National People’s Congress approved the Corporate Income Tax Law of the PRC (the “New Corporate Income Tax Law”) on 16 March 2007. According to the New Corporate Income Tax Law, the income tax rates for both domestic-invested and foreign-invested enterprises have been unified at 25% become effective from 1 January 2008. The Group’s subsidiaries located in the PRC were subject to corporate income tax at a rate of 25% commenced on 1 January 2008 (2007: 33%).
- (b) Under the Provisional Rules on LAT 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 LAT 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 finance 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.
- (c) According to approval documents dated 25 December 2007 issued by 蘇州高新技術產業開發國家稅務局, New Heritage Development Limited, a subsidiary of the Company, received amounts of approximately RMB6,027,000 during the year ended 31 December 2007. The amount represented tax refund obtained by New Heritage Development Limited under the reinvestment tax refund scheme in accordance with the relevant laws and regulations in the PRC.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the profits tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. No Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the year (2007: Nil).

8. DIVIDENDS

- (a) Dividends attributable to the year:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Proposed 2007 final dividend of 1 HK cent per ordinary share	–	11,283

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 profits for the year.

- (b) Dividends attributable to the previous financial year, approved and paid during the year:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
2007 Final dividend	11,372	–
2006 Final dividend	–	7,135
	11,372	7,135

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the loss attributable to equity holders of the Company of approximately HK\$33,225,000 (2007: profit attributable to equity holders of the Company of approximately HK\$36,115,000) and on weighted average of 1,141,162,357 (2007: 866,334,121) ordinary shares in issue during the year.

No diluted loss per share is calculated for the year ended 31 December 2008 since the potential shares arising from the conversion of the Company's convertible notes and the effect of share options issued would decrease the loss per share attributable to equity holders of the Company and were not taken into account as they had an anti-dilutive effect.

In the calculation of the diluted earnings per share attributable to equity holders of the Company for the year ended 31 December 2007, the potential shares arising from the conversion of the Company's convertible notes would increase the earnings per share attributable to equity holders of the Company and was not taken into account as they had an anti-dilutive effect. Therefore, the diluted earnings per share attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company of approximately HK\$36,115,000 and on weighted average of 866,882,894 ordinary shares outstanding during the year ended 31 December 2007, being the weighted average number of ordinary shares of 866,334,121 used in basic earnings per share calculation adjusted for the effect of share options issued of 548,773.

10. ACCOUNTS RECEIVABLE

	2008 HK\$'000	2007 HK\$'000
Accounts receivable	149	514
Less: Provision for impairment loss	–	–
	<u>149</u>	<u>514</u>

Accounts receivable generally have 30 to 60 days' credit terms and no interest is charged. All accounts receivable are denominated in Renminbi. The ageing analysis of the Group's accounts receivable is as follows:

	2008 HK\$'000	2007 HK\$'000
Within 30 days	112	249
31 – 60 days	37	129
61 – 90 days	–	50
91 – 365 days	–	86
	<u>149</u>	<u>514</u>

11. ACCOUNTS PAYABLE

The ageing analysis of the Group's accounts payable is as follows:

	2008 HK\$'000	2007 HK\$'000
Within 30 days	724	1,110
31 – 60 days	245	196
61 – 90 days	46	160
91 – 365 days	929	433
Over 365 days	810	826
Rent received on behalf of landlords	(a) 2,754	2,725
Accrued construction cost and other project-related expenses	(b) 53,088	28,356
	<u>55,842</u>	<u>31,081</u>

Notes:

- (a) Rent received on behalf of landlords comprised net rental received from tenants after netting off fee charged to them provided by external service providers.
- (b) Included in the above amounts are construction cost and other project-related expense payable amounted to approximately HK\$53,088,000 at 31 December 2008 which were accrued based on the terms of the relevant agreements and the progress of the projects, and were not due for payment at 31 December 2008 (2007: HK\$28,356,000).

CHAIRMAN'S STATEMENT

Results & Dividends

For the year ended 31 December 2008, revenue and loss attributable to the equity holders of the Company were approximately HK\$91.7 million and approximately HK\$33.2 million respectively. Loss per share was approximately 2.9 HK cents.

The Board does not recommend a dividend at this time. Consequently, no dividend was proposed during the year ended 31 December 2008.

Business Review

With the initial sub-prime crisis in North America turning into a full-blown global banking and securities implosion and loss of confidence, we have witnessed the unprecedented effects of a financial tsunami on the equity capital markets and global economy on a scale of unimaginable proportions. Continuous deleveraging, significant numbers of investor redemptions and consequential strains on investment funds' need to divest have further exacerbated the downward pressures on equity prices as the fund managers have tried to balance their responsiveness to redemption requests and stability of their investment portfolios. Thus higher volatility in global stock markets have been unavoidable for the latter part of the year.

Earlier in the year, the PRC property market had been subjected to austerity measures to cool the then euphoric sentiment but with the eruption of this global financial tsunami, the Beijing Central Government acted quickly in October 2008 to bolster confidence and certainty in the property sector so as to have a positive influence on property buyers' sentiment for the rest of 2008.

Property development in Suzhou, Jiangsu Province, remained our key focus throughout the year. The Board remains confident that the Suzhou property market, where currently most of our property development projects are situated, will carry on performing strongly. Suzhou continues to rank highest in terms of growth in gross domestic product (GDP) in Jiangsu Province and number five nationally in 2008, growing by 13% year on year. Suzhou also ranked second in terms of foreign direct investment, which also increased by 13% as compared to 2007. Due to the continuous influx of capital into Suzhou, the city continues to attract incoming skilled labour as well as middle management, which is expected to be a key support factor on demand for housing. Adding to the above is the proximity of Suzhou to Shanghai whereby high-speed train services between the two cities now may involve only around 30 minutes travel time. Price differentiation will continue to be an advantage for Suzhou to attract Shanghai homebuyers for retirement and investment home purchases.

The Group continued with its development activities during the year, pushing ahead with corporate, design and site formation preparations following on from its land acquisition programme from 2007. More revenue contribution from these sites are expected in 2009 and beyond.

Regarding the Group's sales in 2008, the Central Government's austerity measures on real estate in the first three quarters had the inevitable dampening impact on our property transaction volumes and pricing. However, the Group has observed progressive improvements in the market sentiment since November 2008 and both transaction volumes and pricing have picked up.

In addition to our original signature residential projects, *Suzhou Garden Villa*, *Suzhou Garden Court*, *Suzhou Garden Place* and *Suzhou Garden Towers*, in the Suzhou New District, we have successfully established signature projects in Wuzhong District, namely *Wuzhong Garden Court*, and are in process of further delivering to the historical town of Guangfu attractive low-density townhouses – *Taihu Garden Court*. The pre-sale of the first phase of *Taihu Garden Court* was originally expected to be launched in 2008 and the delivery of completed units in the same year. However, the exceptionally adverse weather in Suzhou throughout 2008 hampered and affected the construction as well as the delivery schedule. Completion of *Taihu Garden Court* first phase pre-sales units have now been deferred to the first quarter of 2009 and delivery/handovers expected to be in mid-2009.

Apart from these residential sites, the Group also owns a site for the development of an office tower with retail facilities, located in the Economic Development Zone of Wuzhong District.

Still in the greater Suzhou municipality of Jiangsu Province but further south and also close to neighbouring Zhejiang Province is Wujiang City where the Group secured a site of developable area of approximately 155,200 sq.m. The site is situated on the eastern shore of the Long Zhong Lake of Shengze Town. The Board believes this site will be a promising project as Shengze Town is a thriving silk and textile trade and production centre in China.

Property investment in 2008 for the Group in Suzhou and Beijing continued to provide stable revenue as well as cash inflow. In Suzhou, the two retail properties, namely *SGV Plaza* and *Garden Court Plaza*, have continued to achieve full occupancy. Residential units owned and leased out by the Group also experienced an occupancy rate of around 64%. Valuation of the Group's investment properties has been conducted by an independent property valuer as at 31 December 2008 and a negative fair value adjustment of approximately HK\$11.4 million (net of deferred taxation) was recorded.

In Beijing, the long awaited and subsequently hugely successful 2008 Summer Olympic Games provided a memorable and historic backdrop to Beijing Landmark Towers Co., Ltd.'s 2008 results from which the Group derives a 30.05% investment benefit. As previously announced by the Company, efforts to convert this equity joint venture company into a joint stock company are still being pursued with terms for the conversion still under negotiation and not yet finalised.

For the medium to longer term, the Group's minor investment in a residential project in Jia Ding, Shanghai will be expecting an initial return in 2010. Elsewhere, the multi-laterally agreed discontinuation of our joint venture in Nanjing through our associated company would allow the Group to concentrate its resources on primary concerns.

Outlook

After putting behind us not only the multiple tragic natural calamities in China of a freak nationwide winter deep freeze, the subsequent severe flooding and the devastating Sichuan earthquake, a contrasting successful Summer Olympic Games and a year which also witnessed China's proud historic first "space walk", but also coming through a financial tsunami carrying in a tide of new global economic and political agendas, there were glimpses of guarded optimism while we were ushering in the new year.

The Board remains confident that the Group is well-positioned in the property market of Suzhou, Jiangsu Province and that our brand name and goodwill arising from over 15 years' presence in Suzhou should continue to bring us opportunities for new development. Our strategy of selecting sites in high potential and up-and-coming areas will position the Group for long-term growth with attractive returns. The Group's low gearing strategy has also enhanced our ability to cope with the impact of these uncertain global financial times and to ride out periods of unforeseen economic downturn, giving us flexibility to grasp opportunities which come our way.

On top of the pre-sales programme of Phase One of *Taihu Garden Court* launched in the first quarter of 2009, there are two other property development projects namely *Wuzhong Garden Court Plaza*, the Retail and Commercial Block of *Wuzhong Garden Court* project, and our Wujiang residential project, both coming on-stream to drive revenue growth by offering a broader product mix compared to residential properties only in *Wuzhong Garden Court Phase Two* in 2008.

The Board is fully aware that maximising profit margins would be paramount in determining robust profitability. In this regard and to further maintain the Group's competitiveness, cost control/saving measures have already been implemented in the areas of construction and administration. The Board believes that with our strategically varied product mix, competitive cost structure, quality of product, immediate response to the changing market situation and a more proactive and in-depth approach to identify and attract targeted buyers, we are able to achieve the best possible prices without sacrificing sales volume in the years ahead.

As for new site acquisitions going forward in 2009, the Group will adopt a conservative approach. The erosion of profit margins have been inevitable but the Group will endeavour to keep costs under control while implementing appropriate cost saving measures to weather the storm and still be mindful of safeguarding the quality of the Group's output.

Maintaining the morale of our team as well as the confidence and trust of our investors is as always at the top of our agenda. With that in mind, I would like to thank once again the continued support of our strategic partners, Spinnaker Capital Group and Asia Financial Group, and for their encouragement in these very trying times.

May I extend my heartfelt gratitude to all the members of the Board and all our hardworking staff for their diligence and dedication to the mission tasks ahead which continue to provide a stern test of our perseverance and professionalism.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the period under review, the Group continued its focus on property development and investment business in the cities of Suzhou, Beijing and Shanghai.

Property Development

During the year, the Group has made inroads into various matters in relation to the land acquired in 2007 which included new sites handover (from the government), formation of project companies, obtaining design approvals and the necessary permits, and completing site preparation before construction.

During the year, the Group also settled the final instalment of the land fee for the Wujiang residential project. After this final payment, all the land acquired by the Group has been fully settled in accordance with the terms of the respective Land Transfer Contracts.

The Group continues to maintain a strong reputation in the Suzhou market as a developer of consistently high quality and great value-for-money accommodation. In challenging times, such a reputation has served us well in distinguishing us from our competitors and their products.

Status of Major Projects

1. Wuzhong District Projects in Suzhou

(a) Wuzhong Garden Court

Phase II of this project has been the major development and revenue contributor in our fiscal year 2008. During the year, the Group sold and booked in approximately 12,900 sq.m. of properties resulting in a revenue of approximately HK\$76.9 million. By the end of 2008, another approximately 2,600 sq.m. had been sold but not yet booked in, resulting in revenue of approximately HK\$14.9 million which would be booked in the first half of 2009. Due to austerity measures imposed by the

Beijing Central Government in early 2008 which continued until the eruption of the financial tsunami in the third quarter of 2008, transaction volumes and prices of this project were adversely affected for the period from March to October 2008. However, sentiment improved strongly since November 2008 due to the Beijing Central Government's announcements of stimulus measures for the economy and that no further new austerity measures would be enacted by them. As of today, only a few units of this project remain to be sold and they are expected to be transacted in 2009.

(b) **Wuzhong Garden Court Plaza – Retail and Commercial Block**

This is Phase Three of the residential **Wuzhong Garden Court** project, comprising approximately 16,500 sq.m. of total gross floor area in the form of two twelve-storey blocks of retail and commercial real estate which are designed to be sold as small unit serviced apartments or offices, and a low rise shopping podium comprising restaurants and retail outlets. There will also be an underground carpark.

Construction of the project commenced in the second half of 2008 and pre-sales of this project is expected to be launched in the second half of 2009. Sales response is expected to be positive because of its good location in an already vibrant neighbourhood and the relatively small units on offer would suit many property buyers' budgets.

(c) **Taihu Garden Court – Phase One**

Construction of the project started in the first half of 2008 and Phase One comprises 181 low-density townhouses together with a clubhouse totalling approximately 58,582 sq.m. of gross floor area. This project was originally scheduled for sale and delivery in 2008 but there was some unexpected delay in the construction schedule due to exceptionally adverse weather in Suzhou throughout 2008. After obtaining the required pre-sale permits in November 2008, pre-sales commenced in early 2009 with delivery and relevant revenue booking of the units expected in 2009. An attractive sales centre, 2 showhouses and a "showhouse street" have already been completed on-site, giving strong positive first impressions to and attracting prospective buyers.

Taihu Garden Court is located in the historical Guangfu Town of Wuzhong District, close to the renowned Taihu Lake, on a site of approximately 131,445 sq.m. with total developable area of approximately 92,000 sq.m. and comprises low density residences of modern Chinese style.

(d) **Proposed Office Development – Wuzhong**

This office tower project is located in the Economic Development Zone of Wuzhong District in the Yuexi Sub-town centre which is in the process of being built into a multi-functional high-tech town serving to provide for the functions of public sector administration and private sector commercial, trade, finance, residence and education.

The site area for the project is approximately 14,600 sq.m. allowing a total gross floor area of around 58,400 sq.m. of office and retail use and an underground area of about 20,000 sq.m. Design of the project is underway.

2. **Wujiang residential project – Lakeside Garden Court**

Design work has commenced on this project which will comprise approximately 155,200 sq.m. of gross floor area on a site of around 86,200 sq.m. The first phase will consist of smaller sized residential high-rise apartment units and pre-sales is scheduled to commence in the first half of 2010. The expected first batch of units of this project will be ready for delivery in 2010/2011. In all, there will be four phases of residential units ranging from high-rise lakeview apartments to more exclusive low density townhouses producing revenue for the Group in the next few years.

The project is situated on the east shore of the Long Zhong Lake of Shengze Town, Wujiang City, in the greater Suzhou metropolitan area. Shengze Town is a thriving silk and textile trading and production centre in China.

Property Investment

SGV Plaza

This retail plaza situated on the prime stretch of Shi Shan Road in the New District of Suzhou generated a rental revenue of approximately HK\$4.4 million in 2008 with 100% occupancy. The gross floor area of the plaza is around 11,023 sq.m.

Garden Court Plaza

Garden Court Plaza is a three storey retail centre in the vicinity of Suzhou Garden Court, with a total gross floor area of around 4,440 sq.m. It was 100% let with a turnover of approximately HK\$2.3 million in 2008.

Suzhou Garden Villa Apartments

As at 31 December 2008, the Group continued to hold approximately 15,900 sq.m. of residential investment properties. During the course of 2008, annual rental revenue received from residential investment property was approximately HK\$8.1 million on an average occupancy rate of around 64%. The number of residential investment properties as at 31 December 2008 was 98 units.

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

Beijing Landmark Towers Co., Ltd., an associate of the Group, continued with a strong performance in 2008, particularly during the Summer Olympic Games period. Average occupancy and room rates were very high during the period of the Games, which made up for weaker performances during other times of the year due to visa restrictions on international travellers. The office towers underwent some major tenant changes in 2008 due to the expiry of their long term leases but occupancy rates have resumed their high levels again. For the month of December 2008, the average occupancy rates of shopping arcade, offices, serviced apartments and hotels stood at approximately 100%, 90%, 65% and 62% respectively.

Beijing Landmark Towers Co., Ltd. contributed a profit of approximately HK\$23.8 million to the Group in 2008. This associate continued to provide a stable cash inflow for the Group and around 90% of its profit after tax has been declared as dividend each year. Cash dividend for the year ended 31 December 2007 of approximately HK\$21.1 million was received by the Group during the year under review. Cash dividend expected for the year of 2008 will not be less than approximately HK\$21 million and will be received by the Group around May/June 2009.

Other Investments

Shanghai Jia Ding Project

On 3 June 2008, the US\$5.5 million Convertible Note held by the Group was converted into a 10% equity interest in and shareholder's loan to Key Apex Limited, the holding company which in turn holds a 99% interest in this project. This development project includes pure residential and commercial/residential buildings of total gross floor area of approximately 200,000 sq.m. and 50,000 sq.m. respectively. Construction activities have already begun and sales of its Phase One units are expected to be launched by the end of 2009.

China Malls Limited ("China Malls")

The Group and other shareholders of China Malls (an associated company of the Group in which the Company has a 36% indirect equity interest) have decided to redirect their respective resources previously identified for the joint venture onto other projects. In this regard, the relevant project joint venture company, i.e. Nanjing Shangming South Taiping Road Property Development Company Limited in which China Malls holds a 60% interest, has already begun its official winding up procedures during the year under review. The discontinuation of this joint venture company would not cause any adverse impact on the Group's business. The Group will still be looking for business opportunities in Nanjing city, the provincial capital of Jiangsu Province.

Property Management

As mentioned in the 2008 Interim Report, and subsequent to the 2 July 2008 joint venture agreement entered into between the Group and the subsidiaries of Synergis Holdings Limited ("Synergis"), stricter enforcement of the local property management regulations and laws has made it unexpectedly difficult for foreign joint ventures to be granted the licenses needed to tender and operate locally. As a result, the joint venture in which the Group holds a 40% interest has been temporised by mutual consent until such time conditions turn for the better. As the investment in the joint venture company made by the Group is not material, this would not have any adverse impact on the business of the Group. Meanwhile, the Group continues to appoint fully licensed and qualified property management companies in Suzhou and have engaged Synergis' expertise in a professional consultant capacity.

Strategic Partnerships

Spinnaker Capital Group

Spinnaker Capital Group, the manager of more than US\$7 billion of investors' funds, remains one of the substantial shareholders of the Company as well as the strategic minority shareholder of two projects of the Group – **Wuzhong Garden Court** and **Taihu Garden Court**.

Asia Financial Group ("AFG")

AFG remains a 9.615% shareholder of New Heritage Development Limited ("NH Development"), a subsidiary of the Company. NH Development is the holding company of most of the Group's property project companies in Suzhou. AFG is also the holder of the Company's 5% Convertible Notes and is one of the partners of the property development project in Jiading, Shanghai, in which the Group holds an approximate 10% interest.

Financial Review

Turnover

The Group's turnover mainly comprised of property development sales and leasing revenue from investment properties.

The Group's turnover for the year ended 31 December 2008 was approximately HK\$91.7 million (2007: HK\$184.6 million), representing a decrease of 50% as compared with last year. The turnover included the sale of 4 and 104 apartments in **Wuzhong Garden Court** Phase I and Phase II respectively that generated revenue of approximately HK\$76.9 million. Such a decrease in turnover was due to the decrease in the number of units of **Wuzhong Garden Court** sold. The Group's total gross floor area of development properties sold and delivered in 2008 amounted to approximately 12,900 sq.m. (2007: 27,604 sq.m.). The decrease in turnover was also a result of both delays in the tight construction schedule and consequently delays in the delivery date for Phase One units of Taihu Garden Court.

On the property investment side, the completion of the acquisition of 82 apartment units in Suzhou Garden Villa in 2007 brought in additional leasing revenue which resulted in an increase of leasing turnover from approximately HK\$8.9 million in 2007 to approximately HK\$14.8 million in 2008.

Operating Results

For the year ended 31 December 2008, the Group's gross profit decreased to approximately HK\$23.2 million (2007: HK\$56.9 million). The gross profit margin this year was approximately 25% as compared to approximately 31% last year. Such a decrease in the gross profit was primarily due to the decrease in turnover as well as a decrease in average selling price of Wuzhong Garden Court Phase Two units.

As at 31 December 2008, valuation on the Group's investment properties portfolio was conducted by an independent property valuer which resulted in a negative fair value adjustment of about HK\$11.4 million after netting off deferred taxation (2007: positive fair value adjustment of approximately HK\$9.4 million after netting off deferred taxation). The gross fair value adjustment before netting off deferred taxation of approximately HK\$15.3 million was included in other operating expenses of the Consolidated Income Statement.

Higher financial costs in 2008 as compared to 2007 were mainly due to project financing loans obtained for our pipeline projects in Suzhou as well as interest payments for the convertible notes since its issuance in the fourth quarter of 2007. There was also a non-cash involved item of approximately HK\$6.8 million (2007: HK\$ 3.7 million) in the financial costs being the imputed interest expense on loans from minority shareholders.

Share of results of associates mainly represented profit contributed by the Beijing Landmark Towers Co., Ltd. This associate contributed a profit of approximately HK\$23.8 million (2007: HK\$21.4 million) to the Group's bottom line in 2008.

For the year ended 31 December 2008, the loss attributable to the equity holders of the Company was approximately HK\$33.2 million (2007: profit of HK\$36.1 million) which represented a loss per share (basic) of approximately 2.9HK cents (2007: earnings per share (basic & diluted) of 4.2HK cents).

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 31 December 2008 amounted to approximately HK\$119.5 million (2007: HK\$175.7 million).

The Group had total borrowings of approximately HK\$376.5 million as at 31 December 2008 (2007: HK\$299.3 million). Loans repayable within one year were approximately HK\$82.6 million (2007: HK\$113.7 million) and the Group's gearing ratio as at 31 December 2008 was approximately 34.7% (2007: 28.5%), which was based on bank borrowings to total shareholders' funds.

Current, Total and Net Assets

As at 31 December 2008, the Group had current assets of approximately HK\$888.6 million (2007: HK\$849.9 million) and current liabilities of approximately HK\$184.5 million (2007: HK\$194.8 million) which represented an increase in net current assets from approximately HK\$655.1 million to approximately HK\$704.1 million as at 31 December 2007 and 2008 respectively.

As at 31 December 2008, the Group recorded total assets of approximately HK\$1,435.9 million (2007: HK\$1,329.6 million) and total liabilities of approximately HK\$580.6 million (2007: HK\$482.5 million), representing a debt ratio (total liabilities over total assets) of approximately 40.4% as at 31 December 2008 (2007: 36.3%). Net assets of the Group increased from approximately HK\$847.2 million to approximately HK\$855.4 million as at 31 December 2007 and 2008 respectively.

All land fees for all the land acquired by the Group have been fully paid.

The Directors are confident that when opportunities for landbanking arise, the Group will be able to utilise its internal reserves and debt financing to meet these funding requirements as and when necessary.

Contingent Liabilities

As at 31 December 2008, the Group had no contingent liabilities.

Charge on Assets

As at 31 December 2008, bank loans of approximately HK\$171.6 million (2007: HK\$145.6 million) were secured by the Group's cash at banks, investment properties and properties held under development of approximately HK\$6.3 million (2007: HK\$54.6 million), approximately HK\$139.2 million (2007: HK\$129.5 million) and approximately HK\$227.7 million (2007: HK\$42.5 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 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 both 2007 and 2008.

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 2008, the Group had a staff roster of 126 (2007: 112), of which 98 (2007: 85) employees were based in the mainland China and 28 (2007: 27) employees in Hong Kong SAR. 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. Share options have also been granted to certain directors and employees of the Company and its subsidiaries. Total staff costs incurred in 2008, if excluding share-based payment expenses of approximately HK\$4 million (2007: HK\$6.1 million) were approximately HK\$28.4 million (2007: HK\$30.3 million).

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 June 2009 to 9 June 2009, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the right to attend and vote at the annual general meeting, 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 4 June 2009.

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 2008, the Group has complied with the code provisions set out in Appendix 14, the Code of Corporate Governance Practices, of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Despite the removal of the requirement for a qualified accountant in the Main Board Listing Rules effective 1 January 2009, the Group continues to employ a qualified financial controller to oversee its financial reporting and other accounting-related issues in accordance with the relevant laws, rules and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2008.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2008.

The consolidated financial statements have been audited by the Company's auditors, Grant Thornton. The unqualified auditors' report will be included in the 2008 Annual Report to shareholders.

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

The Company has not redeemed any of its shares during the year. Other than the issue of 34,545,000 shares 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.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Stock Exchange has amended the Listing Rules relating to, among other things, the use of websites for communication with shareholders and voting at general meetings. The amendments to the Listing Rules came into effect on 1 January 2009. The Directors propose to amend the articles of association of the Company ("Articles") to ensure compliance with several amended provisions of the Listing Rules. Therefore, the Directors propose to seek the approval of the shareholders by way of passing a special resolution to be proposed at the Annual General Meeting for the proposed amendments to the Articles.

The effect of the proposed amendments of the relevant Articles are as follows:

1. Article 1.(b) To add the definition of “Business Day” and “clear days” to facilitate the amendments of the Articles in respect of notice period of annual general meetings and all other general meetings
2. Articles 1.(c), 1.(d) and 65 To reflect the requirement under the Listing Rules that notice to Shareholders should be sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in case of all other general meetings.
3. Articles 5.(a), 72, 73, 74, 75, 76, 77, 79, 82, 85, 86, 88, 90, 92.(b), 93.(b) and 94 To reflect the requirement under the Listing Rules that voting by poll is mandatory on all resolutions at general meetings and to delete or amend the provisions relating to voting by way of show of hands and demanding a poll.
4. Article 105.(g) To reflect the removal of directors by way of ordinary resolution.
5. Articles 180.(A)(ii) and 182 To facilitate the Company to use the Company’s website for service of notice or document to the Shareholders and to add a provision for deemed service of notice or document.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND CIRCULAR

The results announcement is published on the websites of the Company (www.nh-holdings.com) and the Stock Exchange (www.hkex.com.hk). The 2008 Annual Report and a circular, containing, among others, further details regarding the above proposed amendments to Articles, together with the notice of Annual General Meeting to approve, among others, the proposed amendment to Articles will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Board 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 and 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.

By order of the Board
New Heritage Holdings Ltd.
TAOCHAIFU Choofuang
Chairman

Hong Kong, 21 April 2009