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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

RESULTS

The board of directors (the “Directors” or the “Board”) of New Heritage Holdings Ltd. (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	120,467	8,570
Cost of sales		<u>(102,512)</u>	<u>(3,467)</u>
Gross profit		17,955	5,103
Other income	4	1,100	2,282
Selling expenses		(3,468)	(2,930)
Administrative expenses		(13,529)	(21,087)
Other operating expense		(1,457)	–
Finance costs	5	(13,639)	(11,968)
Share of results of associates		<u>3,547</u>	<u>11,169</u>
Loss before taxation	6	(9,491)	(17,431)
Taxation	7	<u>(2,068)</u>	<u>72</u>
Loss for the period		<u>(11,559)</u>	<u>(17,359)</u>
Loss for the period attributable to:			
Owners of the Company		(8,846)	(11,659)
Minority interests		<u>(2,713)</u>	<u>(5,700)</u>
		<u>(11,559)</u>	<u>(17,359)</u>
Loss per share for loss attributable to the owners of the Company during the period	9		
– Basic		<u>(HK\$0.008)</u>	<u>(HK\$0.010)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(11,559)	(17,359)
Other comprehensive income, including reclassification adjustments		
Exchange gain on translation of financial statements of foreign operations	—	46,551
Other comprehensive income for the period, including reclassification adjustment and net of tax	—	46,551
Total comprehensive income for the period	(11,559)	29,192
Total comprehensive income attributable to:		
Owners of the Company	(8,846)	29,766
Minority interests	(2,713)	(574)
	(11,559)	29,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	Notes	At 30 June 2009 HK\$'000 (Unaudited)	At 31 December 2008 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		37,048	37,048
Property, plant and equipment		27,835	29,665
Investment properties		300,357	311,754
Interests in associates		127,322	123,674
Available-for-sale financial asset		43,318	43,318
Deferred tax assets		1,898	1,898
		537,778	547,357
Current assets			
Properties held under development		454,641	657,376
Properties held for sale		231,228	58,753
Inventories		45	121
Accounts receivable	10	283	149
Deposits paid, prepayments and other receivables		49,827	37,024
Pledged bank deposits		3,857	9,165
Cash at banks and in hand		105,188	125,973
		845,069	888,561
Current liabilities			
Accounts payable	11	32,513	55,842
Accruals, deposits received and other payables		29,936	35,133
Provision for tax		9,970	10,886
Borrowings		157,085	82,649
		229,504	184,510
Net current assets		615,565	704,051
Total assets less current liabilities		1,153,343	1,251,408
Non-current liabilities			
Borrowings		209,705	293,832
Convertible notes		72,592	72,212
Deferred tax liabilities		29,504	30,009
		311,801	396,053
Net assets		841,542	855,355
EQUITY			
Capital and reserves attributable to the Company's owners			
Share capital		11,628	11,628
Reserves		745,368	754,075
		756,996	765,703
Minority interests		84,546	89,652
Total equity		841,542	855,355

Notes:

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2008, except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK(IFRIC) – Int”) as disclosed in note 2.

The interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2008.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKFRS 1 and HKAS 27 (Amendment)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations
HKFRS 8	Operating segments
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded derivatives
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of these new and amended HKFRSs did not change the Group’s accounting policies as followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

HKAS 1 (Revised 2007) – Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group’s assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a “Statement of comprehensive income”. Comparatives have been restated to conform with the revised standard.

HKAS 27 Amendments – Cost of an investment in a subsidiary

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions is out of the investee’s pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company’s accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by the amendments to HKAS 27, and therefore no comparatives have been restated.

HKFRS 8 – Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group’s risks and returns. Comparatives have been restated on a basis consistent with the new standard.

2. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

HKAS 23 (Revised) – Borrowing costs

The adoption of HKAS 23 (Revised) 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 has been removed. In accordance with the transitional provisions, this new policy has applied prospectively to the borrowing costs relating to qualifying assets for the commencement date for capitalisation is on or after 1 January 2009 and previous periods has not been restated.

HK(IFRIC) – Int 15 – Agreements for construction of real estates

HK(IFRIC) – Int 15 supersedes HK Int – 3, “Revenue – Pre-completion contracts for the sale of development properties”. HK(IFRIC) – Int 15 clarifies whether HKAS 18 – “Revenue” or HKAS 11 – “Construction contracts” should be applied to particular transactions. The adoption of this interpretation did not have any material impact on the Group’s financial statements.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to HKAS 28 “Investments in associates” has changed the Group’s accounting policies on allocation of impairment losses but did not have any impact on the current interim period results and financial position. The amendment to HKAS 40 “Investment property” has resulted in changes to the Group’s accounting policies on property under construction or development for future use as investment property but did not have any impact on the current interim results and financial position.

Impairment of investments in associates accounted for under the equity method

The amendment clarifies that an investment in an associate accounted for under the equity method is a single asset for impairment testing purpose. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. Accordingly, any reversal of such impairment loss in subsequent period is recognised to the extent that the recoverable amount of the associate increases.

In prior year, the Group allocated the impairment loss initially to the goodwill included in the investment balance. According to the Group’s accounting policies on goodwill, no reversal of impairment loss credited to the carrying amount of goodwill would be recognised in subsequent periods.

For the current interim period, there was no impairment loss on investments in associates, and therefore the adoption of this new accounting policy had no financial statements impact in this interim period. The new accounting policy has been applied prospectively as permitted by the amendment and no comparatives have been restated.

Property under construction or development for future use as investment property

Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment did not have any impact on the Group’s operations, as no investment properties under construction or development for future use are held by the Group.

3. SEGMENT INFORMATION

On adoption of HKFRS 8 “Operating Segments”, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group’s executive directors for their decisions about resources allocation to the Group’s business components and review of these components’ performance. The business components in the internal reporting to the executive directors are determined following the Group’s major product and service lines. The Group has identified the following reportable segments.

Property development	:	Property development and sale of properties held for sale
Property investment and leasing	:	Property rental and sale of investment properties

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. The adoption of HKFRS 8 has not changed the identified operating segments for the Group compared to 2008 annual financial statements.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (expenses relating to share-based payments, share of results of associates, taxation and corporate income and expenses).

Segment assets information is not reported or used by the Group’s executive directors.

Inter-segment sales are charged at prevailing market prices.

3. SEGMENT INFORMATION (CONTINUED)

The revenue and profit/(loss) generated by the Group's operating segments are summarised as follows:

	Six months ended 30 June 2009			
	Property development HK\$'000 (Unaudited)	Property investment and leasing HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue:				
From external customers	113,464	7,003	–	120,467
Inter-segment revenue	–	58	(58)	–
Total segment revenue	113,464	7,061	(58)	120,467
Reportable segment profit/(loss)	1,201	(3,291)	–	(2,090)
	Six months ended 30 June 2008			
	Property development HK\$'000 (Unaudited)	Property investment and leasing HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue:				
From external customers	37	8,533	–	8,570
Inter-segment revenue	–	37	(37)	–
Total segment revenue	37	8,570	(37)	8,570
Reportable segment loss	(5,517)*	(5,105)*	–	(10,622)*

* Comparative figures have been reclassified to conform with current period presentation.

The total reportable segment loss can be reconciled to the Group's loss before taxation as presented in the interim financial report as follows :

	Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Total reportable segment loss	(2,090)	(10,622)
Share of results of associates	3,547	11,169
Employee share-based payment expense	–	(1,610)
Corporate overhead	(11,519)	(17,324)
Other unallocated income	571	956
Loss before taxation	(9,491)	(17,431)

4. REVENUE AND OTHER INCOME

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

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Revenue		
Turnover		
Proceeds from sale of properties held for sale	113,464	37
Proceeds from sale of investment properties	–	944
Rental income	7,003	7,589
	<u>120,467</u>	<u>8,570</u>
Other income		
Interest income	266	1,758
Exchange gain, net	520	–
Others	314	524
	<u>1,100</u>	<u>2,282</u>

5. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interest charges on borrowings which are repayable within five years:		
Bank loans	5,418	6,032
Bank overdrafts	52	20
Other loan	–	435
Loan from a related company	92	–
Imputed interest expense on loans from minority shareholders	3,604	3,241
	<u>9,166</u>	<u>9,728</u>
Interest charges on borrowings which are repayable after five years:		
Bank loans	2,233	–
Interest charge on convertible notes	2,240	2,240
	<u>13,639</u>	<u>11,968</u>

6. LOSS BEFORE TAXATION

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Loss before taxation is arrived at after charging:		
Cost of properties held for sale recognised as expense	100,713	25
Depreciation of property, plant and equipment	2,256	1,773
Less: amount capitalised in properties held under development	(50)	(27)
	2,206	1,746
Outgoings in respect of investment properties that generated rental income during the period	1,799	1,923
Operating lease charges in respect of land and buildings	602	1,168
Staff costs, including directors' emoluments and retirement benefits cost	12,031	13,317
Employee share-based payment expense	–	1,610
Less: amount capitalised in properties held under development	(4,909)	(3,229)
	7,122	11,698
Amount recognised as expense for retirement benefits cost	614	887
Exchange loss, net	–	161
Loss on disposal of investment properties	1,457	573
Loss on disposal of property, plant and equipment	266	–

7. TAXATION

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current tax – People's Republic of China (the "PRC")		
– Corporate income tax	674	37
– Land appreciation tax	1,899	1
	2,573	38
Deferred taxation	(505)	(110)
Total tax charge/(credit)	2,068	(72)

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate was 25% for the period ended 30 June 2009 and 2008.

No Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the period (six months ended 30 June 2008: Nil).

Deferred taxation is calculated under the balance sheet liability method using the applicable tax rates at balance sheet date.

8. DIVIDEND

(a) Dividend attributable to the period

No dividend has been paid or declared by the Company in respect of the period (six months ended 30 June 2008: Nil).

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

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Final dividend for the year ended 31 December 2007 of 1 HK cent per share	<u>–</u>	<u>11,372</u>

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$8,846,000 (six months ended 30 June 2008: HK\$11,659,000) and on weighted average of 1,162,809,685 (six months ended 30 June 2008: 1,131,052,048) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2009 and 2008 were not presented because the impact of the exercise of the share options and convertible notes was anti-dilutive.

10. ACCOUNTS RECEIVABLE

	(Unaudited)	(Audited)
	At	At
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Accounts receivable	283	149
Less: Provision for impairment loss	<u>–</u>	<u>–</u>
	<u>283</u>	<u>149</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:

	(Unaudited)	(Audited)
	At	At
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Within 30 days	283	112
31 – 60 days	<u>–</u>	<u>37</u>
	<u>283</u>	<u>149</u>

11. ACCOUNTS PAYABLE

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

		(Unaudited) At 30 June 2009 HK\$'000	(Audited) At 31 December 2008 HK\$'000
	Notes		
Within 30 days		509	724
31 – 60 days		60	245
61 – 90 days		119	46
91 – 365 days		1,418	929
Over 365 days		69	810
Rent received on behalf of landlords	(a)	2,175	2,754
Accrued construction cost and other project-related expenses	(b)	30,338	53,088
		<u>32,513</u>	<u>55,842</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 services providers.
- (b) Included in the above amounts are construction cost and other project-related expenses payable amounted to approximately HK\$30,338,000 at 30 June 2009 which was accrued based on the terms of the relevant agreements and project progress and were not due for payment at 30 June 2009 (31 December 2008: HK\$53,088,000).

CHAIRMAN'S STATEMENT

Results and Dividends

For the six months ended 30 June 2009, the Group's turnover was approximately HK\$120.5 million (corresponding period in 2008: HK\$8.6 million), representing an increase of approximately HK\$111.9 million or 1301% as compared with the corresponding period last year. The Group's gross profit was approximately HK\$18.0 million (corresponding period in 2008: HK\$5.1 million), representing an increase of approximately HK\$12.9 million or 253% as compared with the corresponding period last year. Unaudited consolidated loss attributable to shareholders amounted to approximately HK\$8.8 million (corresponding period in 2008: loss of HK\$11.7 million), representing a decrease of approximately HK\$2.9 million or 25% as compared with the corresponding period last year. Loss per share was approximately HK\$0.008 (corresponding period in 2008: loss per share of HK\$0.010).

The Directors do not propose an interim dividend for the period (2008: Nil).

Business Review

2009 has been a year of improvement in market sentiment in the Suzhou property market compared with last year. Throughout the financial market turmoil of 2008, our company steadied its course and took the opportunity to lock in lower construction costs and to press ahead with the construction of our development projects in Suzhou so as to have sufficient product ready for sale in the event of an upturn. During the course of 2009, we will have product for sale from **Taihu Garden Court Phase 1**, **Wuzhong Garden Court Phase 3** and remaining units of **Wuzhong Garden Court Phase 2** as part of our plan to have a steady inventory and different types of products for our customers. Our pipeline of development projects has seen our site in Wujiang District already commence construction in July 2009.

With property cycles in the PRC still being unpredictable, heavily influenced by Central Government policies, and generally of shorter cycles than before, our strategy is to push forward and sell quickly when the market is on a rise, and not to overstretch ourselves so that we will be prepared when the inevitable downturn arrives.

The downturn in 2008 was surprisingly, fast and resulted in a fall in housing prices nationwide as property developers were forced to continue selling their product to meet cashflow requirements, and slashing prices being the only way to get inventory moving. The fall in housing prices hit our profit margins hard since our land costs were fixed and construction costs could not be varied by much in order to maintain the building standards and safety aspects of all of our projects. We still face challenges in the second half of 2009, but we shall do our utmost to improve our profit margins and our bottom line.

Outlook

On a macroeconomic level, the reversal of the austerity measures of the Central Government shows their acceptance that the real estate and building industry is a large and integral part of the Chinese economy, and its healthy development and growth is essential to meeting national targets of economic growth and employment. We therefore expect to see a stabilisation and gradual growth in house prices in the near future for the property development markets that we are in. On the other hand we also expect to see frequent tinkering by the Central and local governments of their various levers of control of the economy in order to prevent property bubbles and over-heating. Notwithstanding this the global situation is still, in our opinion, very fragile and so is the economic recovery in the PRC. So far the massive economic stimulus measures seem to have had a positive effect on the PRC stock market and fixed asset prices. However, other sectors of the economy are still in the doldrums such as the hospitality and hotel industry, the export manufacturing sector and the office property sector. The sub-par performance of our associated company, Beijing Landmark Towers Co., Ltd. is a direct reflection of the problems facing these sectors. But with the Central Government now turning its attention to stimulating consumer demand and consumption, we expect the tourism sector to reap the benefits of such policies in the near future.

We continue to exercise caution especially when irrationalities exist in the market. Coming off one of the most severe financial crises known to man in 2007-2008, some land at recent auctions in 2009 have fetched prices in excess of those seen at the early 2008 peak. Given that the debt and capital markets took a severe beating in 2008, these new record prices look irrational and we do not intend to follow them.

We are paying close attention to increasing our land bank but will not be drawn into over-bidding for sites, bearing in mind that housing prices are projected to show steady, rather than explosive growth in the near future. Our site acquisitions to date have justified this prudent approach as despite the sharp downturn such as the one last year, we believe we have weathered the worst of the storm without significant sacrifices to profitability in future years, and even a modest rise in housing prices from now onwards will put us back in a strong position.

Our commitment remains to deliver the best value possible to customers and to strive to develop and invest in high quality projects in Suzhou, Jiangsu Province, Beijing and beyond whilst at the same time achieving consistent growth and maximising value for the Company's shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

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

Property Development – Suzhou

In the first half of 2009, the Group sold and delivered virtually all of its remaining units in **Wuzhong Garden Court Phase 2**, which is now fully sold out. In addition, the Group also sold and delivered its first batch of properties in **Taihu Garden Court Phase 1**, which will be a main contributor to the Group's revenues for both the first and second half of this year 2009 and next year 2010. Construction has also started on **Wuzhong Garden Court Phase 3** and **Lakeside Garden Court Phase 1** in Wujiang district where delivery for each respective phase is expected to be in 2010.

Status of Major Projects

1. **Wuzhong Garden Court – Residential**
49 units in Phase 2 (comprising virtually all of the remaining inventory) were sold and delivered in the first half of 2009 albeit at a lower average price than Phase 1 due to the effects of the financial tsunami. The residential portion of this project is now fully sold and completed, leaving only Phase 3, i.e. the commercial portion which is detailed next.
2. **Wuzhong Garden Court Plaza – Retail and Commercial Block**
This is the commercial and retail portion of the project mentioned above which comprises a gross floor area of approximately 16,500 sq.m. above ground. In order to maximise revenue and to suit market demands, it has been designed as two 11-storey blocks of approximately 200 small hotel-styled apartment units, linked by a 2-storey retail podium. Pre-sales is expected to begin later this year with an expected delivery date in the first half of 2010.
3. **Taihu Garden Court Phase 1**
Located in the historic Guangfu Town of Wuzhong District on a site of approximately 131,445 sq.m., Phase 1 comprises approximately 180 townhouses of various sizes in a distinctive modern Chinese style in perfect harmony with the natural environment and spectacular scenery of nearby Taihu Lake and Dengwei Mountain. In the first half of 2009, 45 houses were pre-sold and delivered thereby enabling the remaining houses in Phase 1 to fetch even more attractive prices against a backdrop of completed and landscaped houses. Phase 2 of this project is earmarked for 2010 and 2011.
4. **Lakeside Garden Court Phase 1 in Wujiang District**
Construction has commenced on Phase 1 of this project which is situated in the affluent Shengze Town of Wujiang District in Suzhou which is a major silk and textile production centre in China. It is situated on the east shore of the Long Zhong Lake of the Town. The whole project covers a site area of around 86,200 sq.m. and will be developed into low-rise townhouses and high-rise apartments with a total gross floor area of around 155,200 sq.m.. Phase 1 of this project comprises approximately 37,000 sq.m. of high-rise apartments which is earmarked for pre-selling in 2010. Phases 2, 3 and 4 are earmarked for 2011 and 2012.
5. **Proposed Office Development – Wuzhong**
Also located in the Wuzhong District of Suzhou, this project encompasses a site of approximately 14,600 sq.m.. The plot ratio allows for the design of a high-rise office or commercial tower with retail podium, making up a total gross floor area of around 58,400 sq.m. above ground and an underground area of about 20,000 sq.m.. The start of construction for this project has been temporarily put on hold pending the recovery of the office and commercial market sectors from the adverse effects of the financial tsunami.

Property Investment – Suzhou

1. **SGV Plaza**
SGV Plaza's leasing operation continued to perform well during the period under review. The high average occupancy rate of approximately 99% has been maintained despite the change of one of the major tenants during which the vacancy period was relatively short. The retailing tenant mix is continuously under review so that, come the next group of tenancy renewals at the end of 2009, the turn-around time will be as short as possible and rental revenue will not be compromised.
2. **Garden Court Plaza**
Garden Court Plaza is a 3-storey retail centre in the vicinity of Suzhou Garden Court, with a total gross floor area of around 4,440 sq.m.. 100% occupancy as at 30 June 2009 was achieved.
3. **Suzhou Garden Villa Apartments**
The Group owns a total of 88 apartments and 1 villa as at 30 June 2009 in Phases 1, 2 and 3 of Suzhou Garden Villa, with an average occupancy rate of approximately 66% and which generated rental revenue of approximately HK\$3.6 million during the six months ended 30 June 2009. The Group had disposed of a total of 9 apartments from its investment portfolio during the period under review, due to the buoyant second hand property market.

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

Beijing Landmark, an historically reliable contributor of strong recurring income to the Group had a poor first half of 2009, contributing only approximately HK\$3.5 million to the Group. The already depressed tourism and business travel resulting from the financial tsunami was further exacerbated by travel fears due to the H1N1 influenza pandemic and contributed to the lower than expected occupancy and average room rates of both the hotel and serviced apartment divisions of Beijing Landmark. Accordingly, a better second half of 2009 is expected but is unlikely to be able to match that of the record year of 2008 in which the Summer Olympic Games were held in Beijing.

Other Investments

Shanghai Jia Ding Project

The Group holds a 10% equity interest (including shareholder’s loan) in Key Apex Limited, the holding company which in turn holds a 99% interest in this project.

Pre-sales of the first phase of development of the project which comprises approximately 600 residential apartment units, is expected to be launched by end of 2009 and subsequent delivery upon completion in second half of 2010. With the rebound in Shanghai property prices since the first quarter of 2009, there is healthy optimism on the selling prices of the project.

Property Management

Under the current climate of laws governing property management in Suzhou, the Group tenders out its projects to fully licensed and qualified property management companies in Suzhou. The present mechanism and convention of setting management fees for residential complexes is better suited to the cost structure of local property management companies. Nevertheless, the Group continues to manage its own commercial/retail properties, having ended its consultancy agreement with a subsidiary of a Hong Kong listed facilities management company on 31 July 2009.

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 for the first six months of 2009 under review was approximately HK\$120.5 million (first half of 2008: HK\$8.6 million), representing an increase of HK\$111.9 million as compared with last year. The turnover included the sale of 52 apartments in **Wuzhong Garden Court Phases 1 & 2** and 45 low density townhouses in **Taihu Garden Court Phase 1** that generated revenue of approximately HK\$36.0 million and approximately HK\$77.5 million respectively. The substantial increase in turnover was due to the sale and delivery of our low density townhouses located at Guangfu Town, **Taihu Garden Court** together with our remaining units of **Wuzhong Garden Court** located at Wuzhong, Suzhou. The Group’s total gross floor area of development properties sold was about 16,900 sq.m.. The leasing turnover from the investment properties were approximately HK\$7.0 million (first half of 2008: HK\$7.6 million).

During the period under review, some of our investment properties being total gross floor area of approximately 1,400 sq.m. was also sold for a total consideration of approximately HK\$10.4 million (first half of 2008: HK\$0.9 million).

Operating Results

For the six months ended 30 June 2009, the Group’s gross profit was increased to approximately HK\$18.0 million (first half of 2008: HK\$5.1 million). Such an increase in the gross profit was primarily due to the increase in turnover from property development. The gross profit margin is approximately 15% as compare to approximately 60% same period last year as the last year’s turnover mainly represented by leasing rental which has a higher gross profit margin.

Higher financial costs in the first half of 2009 as compared to 2008 were mainly due to interest on project financing loans obtained for construction costs of **Taihu Garden Court Phase 1**. There was also a non-cash outflow item of approximately HK\$3.6 million (first half of 2008: HK\$3.2 million) included in the financial costs being the imputed interest expense on loans from minority shareholders.

Share of results of associates mainly represented the profit contributed by the Beijing Landmark. Beijing Landmark only contributed a profit of approximately HK\$3.5 million (first half of 2008: HK\$11.2 million) to the Company’s bottom line in 2009.

For the six months ended 30 June 2009, the loss attributable to the owners of the Company was approximately HK\$8.8 million (first half of 2008: loss of HK\$11.7 million) which represented a loss per share of approximately HK\$0.008 (first half of 2008: loss per share of HK\$0.010).

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 30 June 2009 amounted to approximately HK\$105.2 million (first half of 2008: HK\$81.1 million).

The Group had total borrowings of approximately HK\$366.8 million as at 30 June 2009 (as at 31 December 2008: HK\$376.5 million). Loans repayable within one year were approximately HK\$157.1 million (as at 31 December 2008: HK\$82.6 million) and the Group's gearing ratio as at 30 June 2009 was 30.7% (as at 31 December 2008: 34.7%), which was based on bank borrowings to total shareholders' funds.

Current, Total and Net Assets

As at 30 June 2009, the Group had current assets of approximately HK\$845.1 million (as at 31 December 2008: HK\$888.6 million) and current liabilities of approximately HK\$229.5 million (as at 31 December 2008: HK\$184.5 million) which represented a decrease of net current assets from approximately HK\$704.1 million as at 31 December 2008 to approximately HK\$615.6 million as at 30 June 2009.

As at 30 June 2009, the Group recorded total assets of approximately HK\$1,382.8 million (as at 31 December 2008: HK\$1,435.9 million) and total liabilities of approximately HK\$541.3 million (as at 31 December 2008: HK\$580.6 million), representing a debt ratio (total liabilities over total assets) of approximately 39.1% (as at 31 December 2008: 40.4%). Net assets of the Group was approximately HK\$841.5 million as at 30 June 2009 (as at 31 December 2008: HK\$855.4 million).

All land fees for all the land acquired by the Group has 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.

Charge on Assets

As at 30 June 2009, bank loans of approximately HK\$162.8 million (as at 31 December 2008: HK\$171.6 million) were secured by the Group's investment properties and properties held under development of approximately HK\$139.2 million (as at 31 December 2008: HK\$139.2 million) and approximately HK\$106.2 million (as at 31 December 2008: HK\$227.7 million) respectively. No other bank borrowings were secured by the Group's cash at banks as at 30 June 2009 (as at 31 December 2008: HK\$6.3 million).

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars, US dollars and Renminbi. During the 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 both 2008 and first half of 2009.

Contingent Liabilities

As at 30 June 2009, 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 30 June 2009, the Group had a staff roster of 126 (2008: 127), of which 98 (2008: 99) employees were based in the mainland China and 28 (2008: 28) employees in Hong Kong SAR. The remuneration of employees was in line with market trends and commensurate to the levels 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 for the six months ended 30 June 2009.

REVIEW OF INTERIM FINANCIAL REPORT

The auditors of the Company, Grant Thornton have performed an independent review on the interim financial report for the six months ended 30 June 2009 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by HKICPA. On the basis of their review, which does not constitute an audit, Grant Thornton confirmed in writing that they are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2009. The interim results of the Group for the period ended 30 June 2009 have also been reviewed by the members of the Audit Committee before submission to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

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

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the websites of the Company (www.nh-holdings.com) and the Stock Exchange (www.hkex.com.hk). The 2009 Interim Report will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Directors of the Company comprises Mr. TAOCHAIFU Choofuang (Chairman), Mr. TAO Richard (Vice Chairman), Mr. TAO Paul (Managing Director), Mr. KONG Mui Sum Lawrence and Mr. YIM Chun Leung as executive directors 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.

This interim results announcement only gives a summary of the information and particulars of the Interim Report 2009 from which the contents of this announcement are derived.

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

Hong Kong, 18 September 2009