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 2010

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 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2010

	Notes	Six months ended 30 June **2010** ***HK$'000*** **(Unaudited)**	 2009 *HK$'000* (Unaudited)
Revenue	*4*	**170,344**	120,467
Cost of sales		**(127,934)**	(102,512)
Gross profit		**42,410**	17,955
Other income	*4*	**1,382**	1,100
Selling expenses		**(11,233)**	(3,468)
Administrative expenses		**(15,389)**	(13,529)
Fair value adjustments on investment properties		**16,572**	—
Other operating income/(expense)		**6,221**	(1,457)
Finance costs	*5*	**(7,583)**	(13,639)
Share of results of associates		**7,463**	3,547
Profit/(Loss) before taxation	*6*	**39,843**	(9,491)
Taxation	*7*	**(9,408)**	(2,068)
Profit/(Loss) for the period		**30,435**	(11,559)
Profit/(Loss) for the period attributable to:			
Owners of the Company		**19,620**	(8,846)
Non-controlling interests		**10,815**	(2,713)
		30,435	(11,559)
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period	*9*		
		HK cents	*HK cents*
— Basic		**1.7**	(0.8)
— Diluted		**1.7**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(Loss) for the period	**30,435**	(11,559)
Other comprehensive income	**—**	—
Total comprehensive income for the period	**30,435**	(11,559)
Total comprehensive income attributable to:		
Owners of the Company	**19,620**	(8,846)
Non-controlling interests	**10,815**	(2,713)
	30,435	(11,559)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Notes	At 30 June 2010 HK$'000 (Unaudited)	At 31 December 2009 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		**37,048**	37,048
Property, plant and equipment		**25,098**	26,004
Investment properties		**280,359**	297,781
Interests in associates		**118,424**	110,947
Deferred tax assets		**1,880**	1,880
		462,809	473,660
Current assets			
Properties held under development		**532,622**	541,855
Properties held for sale		**103,377**	134,465
Inventories		**96**	101
Accounts receivable	*10*	**358**	353
Deposits paid, prepayments and other receivables		**42,483**	36,000
Pledged bank deposits		**16,909**	8,068
Cash at banks and in hand		**490,311**	348,296
		1,186,156	1,069,138
Current liabilities			
Accounts payable	*11*	**24,352**	38,993
Accruals, deposits received and other payables		**149,975**	81,334
Provision for tax		**3,036**	9,770
Borrowings		**163,726**	166,012
		341,089	296,109
Net current assets		**845,067**	773,029
Total assets less current liabilities		**1,307,876**	1,246,689
Non-current liabilities			
Borrowings		**298,642**	272,004
Convertible notes		**73,322**	72,942
Deferred tax liabilities		**34,548**	30,118
		406,512	375,064
Net assets		**901,364**	871,625
EQUITY			
Capital and reserves attributable to the Company's owners			
Share capital		**11,694**	11,694
Reserves		**791,817**	772,197
Proposed final dividend		**—**	4,678
		803,511	788,569
Non-controlling interests		**97,853**	83,056
Total equity		**901,364**	871,625

Notes:

1. GENERAL INFORMATION AND 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 2009, except for the adoption of the new and revised 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 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 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current period, the Group has applied, for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010.

HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
Various	Annual Improvements to HKFRSs 2009

Other than as noted below, the adoption of these new and revised 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 2009.

HKFRS 3 (Revised 2008) — Business Combinations

The revised standard introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in the revised standard are as follows:

— Acquisition-related costs of the combination are recorded as an expense in the consolidated income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.

— The assets acquired and liabilities assumed are generally measured at their acquisition date fair value under the revised standard provides an exception and specific measurement rules.

— Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

The revised standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The Group did not have business combination occurred in the current period and therefore the adoption of the revised standard did not have any impact on the current interim results and financial position.

HKAS 27 (Revised 2008) — Consolidated and Separate Financial Statements

The adoption of HKFRS 3 (Revised 2008) required that the HKAS 27 (Revised 2008) is adopted at the same time. The revised standard introduced changes to the accounting requirements for transactions with non-controlling (formerly known as "minority") interests and the loss of control of a subsidiary. Similar to HKFRS 3 (Revised 2008), the adoption of the revised standard is applied prospectively. The Group did not have transactions with non-controlling interests in the current period and did not dispose of any of its equity interests in its subsidiaries. Therefore, the adoption of the revised standard did not have any impact on the current interim results and financial position.

3. SEGMENT INFORMATION

In identifying its operating segments, management generally follows the Group's service lines, which represents the main products and services provided by the Group. 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 products and service lines requires different resources as well as marketing approaches.

During the six months period ended 30 June 2010, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

Inter-segment sales are charged at prevailing market prices.

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

	Six months ended 30 June 2010			
	Property development *HK$'000* **(Unaudited)**	**Property investment and leasing** *HK$'000* **(Unaudited)**	**Elimination** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue:				
From external customers	**164,676**	**5,668**	**—**	**170,344**
Inter-segment revenue	**—**	**58**	**(58)**	**—**
Total segment revenue	**164,676**	**5,726**	**(58)**	**170,344**
Reportable segment profit	**22,410**	**22,259**	**—**	**44,669**

	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)

3. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Total reportable segment profit/(loss)	**44,669**	(2,090)
Share of results of associates	**7,463**	3,547
Corporate overheads	**(12,355)**	(11,519)
Other unallocated income	**66**	571
Profit/(Loss) before taxation	**39,843**	(9,491)

The segment assets of the Group's operating segment as at 30 June 2010 and 31 December 2009 are as follows:

	Property development	**Property investment and leasing**	**Adjustments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2010 (Unaudited)	**1,082,294**	**364,000**	**202,671***	**1,648,965**
As at 31 December 2009 (Audited)	966,957	360,186	215,655*	1,542,798

* Segment assets do not include goodwill of approximately HK$37,048,000 (31 December 2009: HK$37,048,000), interests in associates of approximately HK$118,424,000 (31 December 2009: HK$110,947,000) and corporate assets of approximately HK$47,199,000 (31 December 2009: HK$67,660,000) as these assets are managed on a group basis.

4. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Turnover		
Proceeds from sale of properties held for sale	**164,676**	113,464
Rental income	**5,668**	7,003
	170,344	120,467
Other income		
Interest income	**696**	266
Exchange gain, net	**—**	520
Others	**686**	314
	1,382	1,100

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest charges on borrowings which are repayable within five years:		
Bank loans	**6,380**	5,418
Bank overdrafts	**—**	52
Loans from a related company	**74**	92
Imputed interest expense on loans from non-controlling shareholders	**2,979**	3,604
	9,433	9,166
Interest charges on borrowings which are repayable after five years:		
Bank loans	**1,575**	2,233
Interest charge on convertible notes	**2,240**	2,240
Total interest expense on financial liabilities not at fair value through profit or loss	**13,248**	13,639
Less: Amount capitalised in properties held under development *	**(5,665)**	—
	7,583	13,639

* The finance costs have been capitalised at a rate ranging from 5.13% to 6.21% (six months ended 30 June 2009: Nil) per annum.

6. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(Loss) before taxation is arrived at after charging:		
Cost of properties held for sale recognised as expense	**126,617**	100,713
Depreciation of property, plant and equipment	**1,807**	2,256
Less: amount capitalised in properties held under development	**(61)**	(50)
	1,746	2,206
Outgoings in respect of investment properties that generated rental income during the period	**1,317**	1,799
Operating lease charges in respect of land and buildings	**744**	602
Staff costs, including directors' emoluments and retirement benefits cost	**13,532**	12,031
Less: amount capitalised in properties held under development	**(6,214)**	(4,909)
	7,318	7,122
Amount recognised as expense for retirement benefits cost	**601**	614
Exchange loss, net	**489**	—
Gain/(Loss) on disposal of investment properties	**6,221**	(1,457)
Loss on disposal of property, plant and equipment	**14**	266

7. TAXATION

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax — People's Republic of China (the "PRC")		
— Corporate income tax	**2,222**	674
— Land appreciation tax	**2,758**	1,899
	4,980	2,573
Deferred taxation	**4,428**	(505)
Total tax charge	**9,408**	2,068

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 periods ended 30 June 2010 and 2009.

No Hong Kong Profits Tax has been provided as the Group had no estimated assessable profit for the period (six months ended 30 June 2009: Nil).

Deferred taxation is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities in the interim financial report and their respective tax bases at reporting date, using applicable tax rates.

8. DIVIDENDS

(a) Dividends attributable to the period

No dividend has been paid or declared by the Company in respect of the current period (six months ended 30 June 2009: Nil).

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2009 of 0.4 HK cents per ordinary share	**4,678**	—

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of approximately HK$19,620,000 (six months ended 30 June 2009: loss attributable to owners of the Company of approximately HK$8,846,000) and on weighted average of 1,169,439,685 (six months ended 30 June 2009: 1,162,809,685) ordinary shares in issue during the period.

In the calculation of diluted earnings per share attributable to owners of the Company for the period ended 30 June 2010, the potential shares arising from the conversion of the Company's convertible notes would increase the earnings per share attributable to owners of the Company and was not taken into account as they had an anti-dilutive effect. Therefore, the diluted earnings per share attributable to owners of the Company is based on the profit attributable to owners of the Company of approximately HK$19,620,000 and on weighted average of 1,171,798,839 ordinary shares outstanding during the six months ended 30 June 2010, being the weighted average number of ordinary shares of 1,169,439,685 used in basic earnings per share calculation adjusted for the effect of share options issued of 2,359,154.

No diluted loss per share is calculated for the six months ended 30 June 2009 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 owners of the Company and were not taken into account as they had an anti-dilutive effect.

10. ACCOUNTS RECEIVABLE

	At **30 June 2010** ***HK$'000*** **(Unaudited)**	At 31 December 2009 *HK$'000* (Audited)
Accounts receivable	**358**	353
Less: Provision for impairment	**—**	—
	358	353

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

	At **30 June 2010** ***HK$'000*** **(Unaudited)**	At 31 December 2009 *HK$'000* (Audited)
Within 30 days	**172**	284
31 — 60 days	**78**	69
61 — 90 days	**78**	—
91 — 120 days	**30**	—
	358	353

11. ACCOUNTS PAYABLE

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

	Notes	At **30 June 2010** ***HK$'000*** **(Unaudited)**	At 31 December 2009 *HK$'000* (Audited)
Within 30 days		**303**	317
31 — 60 days		**53**	91
61 — 90 days		**71**	60
91 — 365 days		**10**	308
Over 365 days		**1,421**	1,254
Rent received on behalf of landlords	*(a)*	**1,858**	2,030
Accrued construction cost and other project-related expenses	*(b)*	**22,494**	36,963
		24,352	38,993

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 expense payable amounted to approximately HK$22,494,000 at 30 June 2010 which was accrued based on the terms of the relevant agreements and project progress and were not due for payment at 30 June 2010 (31 December 2009: HK$36,963,000).

CHAIRMAN'S STATEMENT

Results and Dividends

For the six months ended 30 June 2010, New Heritage's revenue and profit attributable to the owners of the Company were approximately HK$170.3 million (six months ended 30 June 2009: HK$120.5 million) and approximately HK$19.6 million (six months ended 30 June 2009: loss attributable to the owners of the Company were approximately HK$8.8 million) respectively. Earnings per share were approximately 1.7 HK cents (six months ended 30 June 2009: loss per share of 0.8 HK cents).

The Directors do not propose an interim dividend for the period (six months ended 30 June 2009: Nil).

Business Review and Outlook

As the Chinese economy continues to find alternative growth drivers to gradually replace the low-cost manufacturing export model that has served the economy so well for the last 30 years, it does so against a backdrop of a global economy that is still on a fragile recovery from the financial turmoil of 2008. Heavy infrastructure spending by the Chinese government, encouraging more domestic consumption, moving up the manufacturing value chain and a greater emphasis on service industries are areas targeted by the government to drive the growth of the Chinese economy for the next few years. All of these areas are complementary to the real estate sector, which itself is an important contributor to economic growth, as it creates more demand for housing and commercial properties.

The recent austerity measures enacted in the first quarter of 2010 by the Central Government made draconian changes to end-user mortgage rules which effectively stifled demand for housing in the short term, driving down transaction volumes. The stated aim has been to cool off the property sector price rises that occurred in 2009, to make the housing market healthy in the long run, and to maintain economic and social stability with housing affordable to those who still do not own their own property and those coming into urban areas from agricultural homes. We are confident that the austerity policies will not be over-implemented in the near term. The policy measures have been enacted in a way that appears easy to unwind, so we continue to place ourselves ready for an eventual loosening of credit and upturn that should not be too far away.

The Suzhou housing market has kept its strong underlying demand potential as the industrial hinterland of Yangtze River Delta continues to move itself up the value chain. Our Company embarked on aggressive selling of our development projects, as well as the sale of some investment properties, in 2009 and the first few months of 2010 to take advantage of the upturn in the market. We had put special emphasis on obtaining construction permits during the 2008 downturn and pre-sale permits early, enabling such sales to take place in the upturn. During this period of austerity, we shall again refocus our efforts on building quality products and readying all the necessary requirements to enable a smooth sales process when the demand picks up again.

Based on our property development activities and experience in China, we have continued also to focus on maintaining a strong balance sheet and conservative cash management by continuous asset turn throughout all our development projects, and to be vigilant of changes in the world economy as well as Central Government policy changes in China which may lead to economic changes that affect our sector. We continue our practical and rational approach to land banking, only considering sites that are of a reasonable price and acquisitions that make strategic and financial sense. Although our present land bank is sufficient for development for several years to come, we actively look to replenish sites not only in Suzhou and other cities in Jiangsu province, but also other provinces that have high potential and where costs of land acquisition are still reasonable in price.

In closing, I sincerely thank my fellow board members and staff for their hard work and continued efforts to enhance our Company's value, and also to our strategic partners and bankers for their continued participation in our business endeavours. We are also indebted to our shareholders for their ongoing encouragement and support.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the period under review, the Group continued its focus on property development and investment business in Suzhou and Beijing. Opportunities in other cities outside of Jiangsu province with potential for further growth were also carefully investigated.

Property Development

In the first half of 2010, the progress of all development projects in Suzhou were on schedule. The status of the development projects in Suzhou is summarised as follows:

1. **Wuzhong Garden Court**, Wuzhong, Suzhou

   Phase 3 of this project, comprising approximately 16,000 sq.m. of total gross floor area in the form of two 11-storey blocks of retail and commercial real estate, was partially sold during the period under review. 159 commercial units were sold, delivered and booked comprising 8,095 sq.m. of gross floor area and resulting in revenue of approximately HK$55.0 million. The remainder of the commercial units have either been sold already or are planned to be sold and delivered in the second half of 2010. The retail portion comprising approximately 5,500 sq.m. gross floor area is expected to be sold in 2011.

2. **Taihu Garden Court**, Guangfu Town, Wuzhong, Suzhou

   The Group sold, delivered and booked another 49 townhouse units in Phase 1 of this project during the period under review. This comprises a gross floor area of 11,948 sq.m. resulting in revenue of approximately HK$109.7 million. There are a total of 179 low-density townhouses together with a clubhouse in this first phase of the project. The remainder of the townhouses in this phase is expected to be sold by the end of 2010.

   Phase 2, which comprises approximately 110 low-density townhouse units with a total gross floor area of approximately 24,300 sq.m. has commenced construction in mid-2010. Completion and delivery is expected in 2011 with a pre-sales launch expected in end 2010/early 2011.

   Construction of Phase 3 is expected to commence in 2011. It will consist of about 84 low-density townhouse units of around 20,000 sq.m. in total gross floor area.

3. **Lakeside Garden Court**, Shengze Town, Wujiang, Suzhou

   The gross floor area of this project totals approximately 155,200 sq.m. on a site of around 86,200 sq.m. and is divided into four phases of development. Phase 1 pre-sales of apartments in this project began at the start of 2010 and delivery is expected in the second half of 2010. During the period under review, over half of the units in this phase were already pre-sold. This project has pioneered the use of decorated showflats in Shengze Town and has already established a solid reputation and following among the local buyers.

   Construction of Phase 2 has also kicked off in mid-2010 and it will comprise of another four blocks of 18-storey high-rise apartments of gross floor area around 35,900 sq.m. Pre-selling is expected to begin in 2011 with delivery scheduled in the second half of 2011.

   Phase 3 will consist of 86 low-density townhouse units with total gross floor area of 19,402 sq.m. Construction is expected to start in 2011.

   Phase 4 will include 6 blocks of high-rise apartment towers of total gross floor area around 58,000 sq.m. Construction is expected to commence in 2011.

4. **Wuzhong Office Building**, Wuzhong, Suzhou

   The site area for this project is approximately 14,600 sq.m. allowing a total gross floor area of around 58,400 sq.m. The revised design comprising office, Small Office/Home Office and retail space has been undergoing planning approval submission. Piling pre-construction works is expected to start in the second half of 2010 and initial discussions with some potential anchor tenants and strata title purchasers have been in progress.

PROPERTY INVESTMENT

The Group's investment properties in Suzhou are situated in the centre of Suzhou New District's CBD. Infrastructural improvements surrounding the Group's investment properties to contend with the opening of the Suzhou metro mass transit system in 2012 have been completed in May 2010. This, together with redevelopment of industrial zones in the CBD, is expected to boost the underlying asset value and rentals of both our residential and retail investment properties.

The secondary residential property market in 2010 first quarter prior to the austerity measures was extraordinary. The Group took the opportunity to dispose of several investment property apartments at attractive prices. After the property macro-control measures were enacted in April 2010, the Group continued leasing its investment properties to maintain a high level of occupancy.

SGV Plaza, Suzhou New District

This 11,023 sq.m. plaza generated approximately HK$2.2 million rental income in the period under review. There was some change over of food and beverage tenants, bringing new vibrancy to the tenant mix. Occupancy was maintained at 93% as of 30 June 2010. Efficiency of space utilisation has been improving. As several prime office buildings in the neighbourhood will be completed next year, the Group is preparing to introduce more chain retailers with recognised brand names to cater for more affluent new customers. The prosperity of Shi Shan Road will set a good foundation for higher rental income on tenancy renewals.

Garden Court Plaza, Suzhou New District

The Plaza is situated on Bin He Road, one of the main thoroughfares in Suzhou New District. Its commercial value will be further enhanced by infrastructural improvements carried out by the local government. Its high retail value potential will be realised in 2012 when the Suzhou metro mass transit system starts operation. In the period under review, the occupancy rate was 100%, with semi-annual turnover of more than HK$1.2 million for this 4,481 sq.m. retail property.

Jin Shing Tower, Suzhou Garden Villa, Suzhou New District

Over 3,000 sq.m. gross floor area of apartment units in Jin Shing Tower were sold in the first half of 2010 at attractive prices, capitalising on the hot secondary market at the start of the year, contributing approximately HK$37.2 million of sales of investment properties. Leased apartments contributed HK$2.1 million in rental income during the period under review. As of 30 June 2010, the Group still held approximately 8,907 sq.m. gross floor area of investment property apartments.

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

During the first half of 2010, the result of Beijing Landmark has improved steadily when compared with that of 2009. With the efforts made by the management of Beijing Landmark, the occupancy of both the hotel and serviced apartment divisions of Beijing Landmark has gradually increased, while the occupancy of offices remained at over 90%. Given that there is no occurrence of any unknown contingent events, it is expected that the final result of 2010 would be better than that of 2009.

Regarding the possibility of conversion of Beijing Landmark from its existing corporate form of an equity joint venture company to a joint stock company, the Group has been informed by the Chinese partner that it may take some time to ascertain the attitude of the relevant authorities, therefore Beijing Landmark is now focusing on other options which include the extension of the business license. Efforts are still being pursued with detailed terms still under negotiation and not yet finalised.

PROPERTY MANAGEMENT

The Group continues to appoint fully licensed and qualified local property management companies in Suzhou and initiated the establishment of owners' associations in accordance with local rules and regulations. As residential and commercial property owners become more and more sophisticated, we anticipate a greater demand from them on the property management organisations in terms of quality of service and a high degree of accountable fiscal management. In this regard, the Group sees no immediate benefits or prospects in establishing its own direct property management operations unilaterally or in joint venture.

STRATEGIC PARTNERSHIPS

Spinnaker Capital Group

Spinnaker Capital Group, a strategic partner of the Group since 2006, remains one of the substantial shareholders of the Company as well as the strategic non-controlling shareholder of two of the Group's projects - 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.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly comprised of recognised property development sales and investment property leasing revenue. The Group's revenue for the six months ended 30 June 2010 was approximately HK$170.3 million (six months ended 30 June 2009: HK$120.5 million), representing an increase of 41.3% as compared with the same period last year. The increase in the Group's revenue was mainly due to the increase in revenue from recognised property development sales.

The revenue from recognised property development sales included the selling of 49 low-density townhouses in Taihu Garden Court Phase 1 and 159 commercial apartment units in Wuzhong Garden Court Phase 3 of approximately HK$109.7 million and approximately HK$55.0 million respectively. The Group's total gross floor area of development properties sold for the six months ended 30 June 2010 was approximately 20,000 sq.m. (six months ended 30 June 2009: 16,900 sq.m.)

Leasing revenue from investment properties for the six months ended 30 June 2010 was approximately HK$5.7 million (six months ended 30 June 2009: HK$7.0 million). The leasing revenue generated from investment properties in Suzhou Garden Villa and two commercial plazas were approximately HK$2.2 million (six months ended 30 June 2009: HK$3.6 million) and approximately HK$3.4 million (six months ended 30 June 2009: HK$3.4 million) respectively.

Operating Results

For the six months ended 30 June 2010, the Group's gross profit amounted to approximately HK$42.4 million (six months ended 30 June 2009: HK$18.0 million). The increase in gross profit was primarily due to the increase in revenue from property development sales. The gross profit margin for the six months ended 30 June 2010 was approximately 25% as compared to approximately 15% for the same period last year.

The finance costs for the period under review amounted to approximately HK$7.6 million as compared to HK$13.6 million for the same period last year. The decrease was mainly due to the capitalisation of interest on project financing loans obtained for the construction of Taihu Garden Court Phase 2 and Lakeside Garden Court Phase 1. There was a non-cash item of approximately HK$3.0 million (six months ended 30 June 2009: HK$3.6 million) included in the finance costs being the imputed interest expense on loans from non-controlling shareholders.

The valuation on the Group's investment properties as at 30 June 2010 was conducted by an independent property valuer which resulted in a positive fair value adjustment of approximately HK$16.6 million for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

During the period under review, certain investment properties were sold for a total consideration of approximately HK$44.6 million (six months ended 30 June 2009: HK$10.4 million).

Share of results of associates mainly represented the profit contributed by the Beijing Landmark. Beijing Landmark contributed a profit of approximately HK$7.5 million (six months ended 30 June 2009: HK$3.5 million) to the Group for the period under review.

For the six months ended 30 June 2010, the profit attributable to the owners of the Company was approximately HK$19.6 million (six months ended 30 June 2009: loss of HK$8.8 million) which represented a basic earnings per share of 1.7 HK cents (six months ended 30 June 2009: loss per share of 0.8 HK cents).

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 30 June 2010 amounted to approximately HK$490.3 million (31 December 2009: HK$348.3 million).

The Group had total bank borrowings of approximately HK$345.7 million as at 30 June 2010 (31 December 2009: HK$290.4 million). Loans repayable within one year were approximately HK$163.7 million (31 December 2009: HK$166.0 million) and the Group's gearing ratio as at 30 June 2010 was approximately 38.4% (31 December 2009: 33.3 %), which was based on total bank borrowings to total shareholders' funds.

Current, Total and Net Assets

As at 30 June 2010, the Group had current assets of approximately HK$1,186.2 million (31 December 2009: HK$1,069.1 million) and current liabilities of approximately HK$341.1 million (31 December 2009: HK$296.1 million) which represented an increase of net current assets from approximately HK$773.0 million as at 31 December 2009 to approximately HK$845.1 million as at 30 June 2010.

As at 30 June 2010, the Group recorded total assets of approximately HK$1,649.0 million (31 December 2009: HK$1,542.8 million) and total liabilities of approximately HK$747.6 million (31 December 2009: HK$671.2 million), representing a debt ratio (total liabilities over total assets) of approximately 45.3% (31 December 2009: 43.5%). Net assets of the Group was approximately HK$901.4 million as at 30 June 2010 (31 December 2009: HK$871.6 million)

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

The Group is able to utilise its internal reserves and debt financing to meet the funding requirements when opportunities for land acquisition arise.

Charge on Assets

As at 30 June 2010, bank loans of approximately HK$271.9 million (31 December 2009: HK$246.1 million) were secured by certain of the Group's investment properties and properties held under development of approximately HK$141.5 million (31 December 2009: HK$141.5 million) and approximately HK$351.0 million (31 December 2009: HK$349.2 million) respectively.

Contingent Liabilities

The directors of the Company considered that there were no material contingent liabilities as at 30 June 2010.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Renminbi, Hong Kong dollars and US dollars. During the period under review, there was no significant fluctuation in the exchange rates of these three currencies. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure for the six months ended 30 June 2010 and same period in 2009. Nevertheless, any appreciation in the currency value of Renminbi against Hong Kong dollars will contribute positively to the Group's result.

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 2010, the Group had a staff roster of 115 (2009: 126), of which 87 (2009:98) employees were based in mainland China and 28 (2009: 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, the Code of Corporate Governance Practices, of the Rules Governing the Listing of Securities on the Stock Exchange for the six months ended 30 June 2010.

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 2010 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 nothing has come to their attention that causes them to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34. The interim results of the Group for the period ended 30 June 2010 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, 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 2010 Interim Report 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.

This interim results announcement only gives a summary of the information and particulars of the Interim Report 2010 from which the contents of this announcement are derived.

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

Hong Kong, 20 August 2010