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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 2011

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 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	4	107,345	170,344
Cost of sales		<u>(74,150)</u>	<u>(127,934)</u>
Gross profit		33,195	42,410
Other income	4	4,682	1,382
Selling expenses		(5,729)	(11,233)
Administrative expenses		(17,074)	(15,389)
Fair value adjustments on investment properties		–	16,572
Gain on disposal of investment properties		206	6,221
Finance costs	5	(3,520)	(7,583)
Share of results of associates		<u>9,748</u>	<u>7,463</u>
Profit before income tax	6	21,508	39,843
Income tax expense	7	<u>(10,897)</u>	<u>(9,408)</u>
Profit for the period		<u>10,611</u>	<u>30,435</u>
Profit for the period attributable to:			
Owners of the Company		5,972	19,620
Non-controlling interests		<u>4,639</u>	<u>10,815</u>
		<u>10,611</u>	<u>30,435</u>
Earnings per share attributable to the owners of the Company during the period	9		
		<i>HK cents</i>	<i>HK cents</i>
– Basic		<u>0.5</u>	<u>1.7</u>
– Diluted		<u>0.4</u>	<u>1.7</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*for the six months ended 30 June 2011*

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	10,611	30,435
Other comprehensive income for the period	—	—
Total comprehensive income for the period	10,611	30,435
Total comprehensive income attributable to:		
Owners of the Company	5,972	19,620
Non-controlling interests	4,639	10,815
	10,611	30,435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

		At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		37,048	37,048
Property, plant and equipment		62,215	64,522
Investment properties		283,342	286,764
Interests in associates		134,505	124,757
Deferred tax assets		1,929	1,929
		<u>519,039</u>	<u>515,020</u>
Current assets			
Properties held under development		648,957	521,244
Properties held for sale		82,409	149,537
Inventories		74	78
Accounts receivable	10	101	41
Deposits paid, prepayments and other receivables		75,861	32,335
Restricted bank deposits		23,060	18,712
Cash and cash equivalents		434,930	422,108
		<u>1,265,392</u>	<u>1,144,055</u>
Current liabilities			
Accounts payable	11	77,066	87,883
Accruals, deposits received and other payables		195,800	71,982
Provision for tax		2,234	5,638
Borrowings		307,762	285,996
		<u>582,862</u>	<u>451,499</u>
Net current assets		<u>682,530</u>	<u>692,556</u>
Total assets less current liabilities		<u>1,201,569</u>	<u>1,207,576</u>
Non-current liabilities			
Borrowings		135,920	148,571
Convertible notes		74,052	73,672
Deferred tax liabilities		37,218	36,038
		<u>247,190</u>	<u>258,281</u>
NET ASSETS		<u>954,379</u>	<u>949,295</u>
EQUITY			
Capital and reserves attributable to the Company's owners			
Share capital		12,786	12,786
Reserves		853,329	847,357
Proposed final dividend		—	6,393
		<u>866,115</u>	<u>866,536</u>
Non-controlling interests		<u>88,264</u>	<u>82,759</u>
TOTAL EQUITY		<u>954,379</u>	<u>949,295</u>

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 2010, 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 2010.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Other than as explained below, the adoption of these new and revised standards and interpretations 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 2010.

HKAS 24 (Revised) – Related Party Disclosures

The revised standard introduced an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- The name of the government and the nature of their relationship;
- The nature and amount of any individually significant transactions; and
- The extent of any collectively – significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

Improvements to HKFRSs 2010

HKAS 34 (Amendment) – Interim Financial Reporting emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant) and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

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 product and service lines requires different resources as well as marketing approaches.

3. SEGMENT INFORMATION (Continued)

During the six months ended 30 June 2011, 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 2011			
	Property development HK\$'000 (Unaudited)	Property investment and leasing HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue:				
From external customers	101,564	5,781	–	107,345
Inter-segment revenue	–	60	(60)	–
Total segment revenue	101,564	5,841	(60)	107,345
Reporting segment profit/(loss)	23,022	(1,415)	–	21,607
Interest income	2,904	357	–	3,261
Depreciation of property, plant and equipment	(268)	(1,466)	–	(1,734)
Gain on disposal of investment properties	–	206	–	206
Finance costs	(2,148)	(1,372)	–	(3,520)
Reportable segment assets	1,180,814	353,148	–	1,533,962
Additions to non-current segment assets during the period	29	128	–	157
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
Reporting segment profit	22,410	22,259	–	44,669
Interest income	616	59	–	675
Depreciation of property, plant and equipment	(76)	(1,261)	–	(1,337)
Gain on disposal of investment properties	–	6,221	–	6,221
Fair value adjustments on investment properties	–	16,572	–	16,572
Finance costs	(3,097)	(1,513)	–	(4,610)
Reportable segment assets	1,082,294	364,000	–	1,446,294
Additions to non-current segment assets during the period	1,219	321	–	1,540

3. SEGMENT INFORMATION (Continued)

The total segment profit can be reconciled to the Group's profit before income tax as presented in the interim financial report as follows:

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total segment profit	21,607	44,669
Share of results of associates	9,748	7,463
Corporate overheads	(10,144)	(12,355)
Other unallocated income	297	66
Profit before income tax	21,508	39,843

The segment assets of the Group's operating segment at 30 June 2011 and 31 December 2010 are as follows:

	Property development HK\$'000	Property investment and leasing HK\$'000	Adjustments HK\$'000	Total HK\$'000
At 30 June 2011 (Unaudited)	1,180,814	353,148	250,469*	1,784,431
At 31 December 2010 (Audited)	1,050,884	356,709	251,482*	1,659,075

* Segment assets do not include goodwill of approximately HK\$37,048,000 (31 December 2010: HK\$37,048,000), interests in associates of approximately HK\$134,505,000 (31 December 2010: HK\$124,757,000) and corporate assets of approximately HK\$78,916,000 (31 December 2010: HK\$89,677,000) as these assets are managed on a group basis.

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

The Group has a large number of customers and there was no significant revenue derived from specific external customers for the six months ended 30 June 2011 and 2010.

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	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Turnover		
Proceeds from sale of properties held for sale	101,564	164,676
Rental income	5,781	5,668
	107,345	170,344
Other income		
Interest income	3,318	696
Exchange gain, net	202	–
Others	1,162	686
	4,682	1,382

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charges on borrowings which are repayable within five years:		
Bank loans	7,073	6,380
Loans from a related company	–	74
Imputed interest expense on loans from non-controlling shareholders	1,245	2,979
	8,318	9,433
Interest charges on borrowings which are repayable after five years:		
Bank loans	1,397	1,575
	9,715	11,008
Interest charge on convertible notes	2,240	2,240
Total interest expense on financial liabilities not at fair value through profit or loss	11,955	13,248
Less: Amount capitalised in properties held under development*	(8,435)	(5,665)
	3,520	7,583

* The finance costs have been capitalised at a rate of 2.78% (six months ended 30 June 2010: 4.06%) per annum.

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the six months ended 30 June 2011 and 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to HK\$707,000 and HK\$659,000 respectively.

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of properties held for sale recognised as expense	72,717	126,617
Depreciation of property, plant and equipment	2,448	1,807
Less : Amount capitalised in properties held under development	(19)	(61)
	2,429	1,746
Outgoings in respect of investment properties that generated rental income during the period	1,433	1,317
Operating lease charges in respect of land and buildings	138	744
Staff costs, including directors' emoluments and retirement benefits cost	16,337	13,532
Less: Amount capitalised in properties held under development	(5,758)	(6,214)
	10,579	7,318
Amount recognised as expense for retirement benefits cost	1,446	601
Exchange (gain)/loss, net	(202)	489
Gain on disposal of investment properties	(206)	(6,221)
(Gain)/Loss on disposal of property, plant and equipment	(15)	14

7. INCOME TAX EXPENSE

		Six months ended 30 June	
		2011	2010
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Current tax – the PRC			
– Corporate income tax	(a)	4,631	2,222
– Land appreciation tax (“LAT”)	(b)	5,086	2,758
		<u>9,717</u>	<u>4,980</u>
Deferred taxation	(c)	1,180	4,428
		<u>10,897</u>	<u>9,408</u>
Total tax charge			

Notes:

- (a) The PRC corporate income tax is computed according to relevant laws and regulations in the PRC. The applicable income tax rate was 25% for the six months ended 30 June 2011 and 2010.

No Hong Kong profits tax has been provided for as the Group had no estimated assessable profits for the period (six months ended 30 June 2010: Nil).

- (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 cost of land use rights and all property development expenditures.
- (c) 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 the end of the reporting period, 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 2010: Nil).

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2010 of 0.5 HK cents (year ended 31 December 2009: 0.4 HK cents) per ordinary share	<u>6,393</u>	<u>4,678</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$5,972,000 (six months ended 30 June 2010: HK\$19,620,000) and on weighted average of 1,278,639,685 (six months ended 30 June 2010: 1,169,439,685) ordinary shares in issue during the period.

The calculation of diluted earnings per share attributable to owners of the Company for the six months ended 30 June 2011 is based on the profit attributable to owners of the Company of approximately HK\$5,972,000 and on weighted average of 1,348,941,015 ordinary shares outstanding during the six months ended 30 June 2011, being the weighted average number of ordinary shares of 1,278,639,685 used in basic earnings per share calculation adjusted for the effect of share options issued of 2,119,512 and the shares issued upon the conversion of convertible notes of 68,181,818.

In the calculation of diluted earnings per share attributable to owners of the Company for the six months 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.

10. ACCOUNTS RECEIVABLE

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Accounts receivable	101	41
Less: Provision for impairment	—	—
	<u>101</u>	<u>41</u>

Accounts receivable generally have credit terms of 30 to 60 days (31 December 2010: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in Renminbi. The aging analysis of the Group's accounts receivable, based on invoice date, is as follows:

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Within 30 days	81	21
31 – 60 days	—	—
61 – 90 days	—	20
91 – 120 days	—	—
121 – 365 days	20	—
	<u>101</u>	<u>41</u>

11. ACCOUNTS PAYABLE

Based on the invoice date, the aging analysis of the Group's accounts payable is as follows:

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Within 30 days	162	106
31 – 60 days	30	93
61 – 90 days	38	93
91 – 365 days	304	194
Over 365 days	1,213	1,160
Rent received on behalf of landlords	1,747	1,646
Accrued construction cost and other project-related expenses	75,319	86,237
	<u>77,066</u>	<u>87,883</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 expense payable amounted to approximately HK\$75,319,000 as at 30 June 2011 (31 December 2010: HK\$86,237,000) which were accrued based on the terms of the relevant agreements, and the progress of the projects, and were not due for payment as at 30 June 2011.

CHAIRMAN'S STATEMENT

Results and Dividends

For the six months ended 30 June 2011, the Group's revenue and profit attributable to owners of the Company were approximately HK\$107.3 million (six months ended 30 June 2010: HK\$170.3 million) and approximately HK\$6.0 million (six months ended 30 June 2010: HK\$19.6 million) respectively. Basic earnings per share were approximately 0.5 HK cents (six months ended 30 June 2010: 1.7 HK cents).

The Directors do not recommend any payment of interim dividend for the period (six months ended 30 June 2010: Nil).

Business Review and Outlook

In China, the Central Government's ongoing battle to rein in inflation and their concern over the affordability of homes for the general population have resulted in a double dose of tightening monetary policy and enacting regulations to curb the purchasing of additional homes by residents and migrants alike. The unprecedented austere monetary policy has included raising the bank reserve requirement ratios multiple times during the period, restrictions on lending to developers and home buyers, and hiking interest rates. The regulations enacted include setting home purchase limits to a maximum of 2 units in some cities, a ban on property purchases by migrants and foreigners, and higher bank mortgage down-payment requirements.

All these measures have resulted in even lower sales volumes of properties generally in what is traditionally a quieter period of the property year especially around Chinese New Year. Continued low sales volumes will eventually push up property inventory, and if developers have to rely mainly on contracted sales revenue for cashflow (rather than new debt or equity), then home prices will be under pressure to fall.

We do not expect the restrictive measures to be a long term policy direction. It already has had the effect of sharply reducing land sales revenues of local governments which also affects their income and tax receipts. The measures have also had an unfavourable knock-on effect on banks and building contractors which are also very important sectors of the economy. The current state is that of artificially suppressed demand and once the restrictions are relaxed, it is expected that demand may pick up again quite quickly.

Going forward, during this period of tightening it will be important for developers to maintain a strong cashflow, build quality products and keep a good reputation in the market, react quickly to changes in patterns of demand and not be over-reliant on any one product or market.

New Heritage has used its decades of experience in the PRC property market to build a model of stable rental income from investment properties such as Beijing Landmark Towers and the retail arcades in Suzhou, balanced with development income from projects in secondary and tertiary districts of Suzhou. The tertiary districts of Suzhou have not yet been subjected to home purchase limits during the period under review thus enabling us to experience good sales volumes in those areas. Furthermore, we have maintained a mix of residential as well as commercial properties for sale, the latter for which has seen continued stable demand as the restrictions have not been designed to affect that sector so far. We have also had good responses to our residences that are targeted at the first-time home buyer and owner-occupier and these continue to enjoy success despite the tightening measures.

Most importantly of all, we have received the continued support of our strategic partners, shareholders and lenders throughout the period and to whom we express our heartfelt thanks.

I wish to also extend my thanks to all our Board members, our staff and colleagues for their continued hard work and dedication.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the period under review, the Group continued its focus on property development and investment in Suzhou and Beijing. Cities within and outside the Province of Jiangsu with high growth potential were also actively explored continuously for good development prospects.

Property Development

In the first half of 2011, measures curbing housing speculation spread from 1st tier cities to 2nd and 3rd tier cities. The tightening measures launched by the Central Government took effect in lowering transaction volumes in many cities. In Suzhou, counties surrounding urban districts, including Wujiang City, has enjoyed a less restrictive environment as housing price rises have not been as sharp as in 1st tier cities. During the period under review, the Group grasped the opportunity to speed up sales and presales of Phases 1 and 2 of Lakeside Garden Court respectively with encouraging results.

The Group's development projects in Suzhou are being rolled out on schedule and their status is summarised as follows.

1. Wuzhong Garden Court, Wuzhong, Suzhou

Phase 3 of Wuzhong Garden Court, in the form of two 11-storey blocks, comprises 206 Small Office/Home Office ("SOHO") units and 12 retail units with a gross floor area of 10,429 sq.m. and 5,538 sq.m., respectively. All SOHO units were completely sold and most of them were delivered before the period under review. For the period under review, 328 sq.m. were delivered, generating revenue of approximately HK\$2.2 million. The remaining gross floor area of SOHO units of 138 sq.m. is expected to be delivered in the second half of 2011. The retail portion of 4,918 sq.m. was sold and delivered in the period under review and contributed revenue of approximately HK\$46.8 million. The remaining gross floor area of retail portion of 620 sq.m. has also been sold as of date of this report.

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

In Phase 1, six townhouses of gross floor area of 1,557 sq.m. were sold and delivered in the period under review, contributing revenue of approximately HK\$16.4 million. The remaining unsold 10 units of this phase are expected to be sold and delivered in the second half of 2011.

Phase 2 construction began in August 2010. The total gross floor area of this phase is about 24,000 sq.m. with 110 low-density townhouses which are expected to be completed and delivered at the end of 2011. Pre-sales was launched in mid-2011.

The construction of Phase 3 commenced in early 2011. This final phase of the project will consist of approximately 84 low-density townhouses with a total gross floor area of around 20,000 sq.m.. It is expected to be completed and delivered in mid-2012.

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

The total site area of this project is about 86,200 sq.m. with a gross floor area of approximately 154,480 sq.m. and is being developed in four phases.

Construction of Phase 1, with a gross floor area of around 40,980 sq.m., was completed at the end of 2010. Of this, 5,762 sq.m. of high-rise residential buildings were sold and delivered for the period under review, generating a revenue of approximately HK\$35.9 million.

Phase 2, which comprises another 4 blocks of high-rise apartment towers, commenced construction in mid-2010 and is scheduled for delivery before the end of 2011. The gross floor area in this phase is about 35,900 sq.m.. Pre-selling began at the end of 2010 and was met with a strong market response.

Phase 3, which comprises 86 low-density townhouse units with a total gross floor area of approximately 19,400 sq.m., has started with structural foundation work in early 2011. Completion and delivery is expected in mid-2012 with a pre-sales launch expected in end 2011/early 2012.

Phase 4 will consist of 6 blocks of high-rise apartment towers of total gross floor area around 58,200 sq.m.. Foundation piling has commenced in mid-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 commercial office space, SOHO units and retail space has been undergoing planning approval submission.

Property Investment

The Group's investment properties situated in Suzhou New District's prime central business district ("CBD") area benefitted from the progressive development strategy set by the district government. Increasing office space take up and residential areas in this district's CBD have provided progressive opportunities to the retail sector. While more shopping centres are likely to be built which may increase competition, the advantage is that there will be a cluster effect to attract more consumers and famous brands to this neighbourhood.

1. SGV Plaza, Suzhou New District

Inflationary pressures and tightening monetary policies have caused some retail operators and consumers to be more cautious. The earthquake and aftermath in Japan also affected the consumption power of Japanese expatriates. Despite such negative factors, this 11,023 sq.m. retail centre, situated in a prime area of Suzhou New District CBD, managed to attract new tenant chain retailers with strong brand names. During the period under review, SGV Plaza generated approximately HK\$2.8 million rental income with an occupancy rate of around 95% as at 30 June 2011.

2. *Garden Court Plaza, Suzhou New District*

Garden Court Plaza is situated near a subway entrance/exit on Binhe Road, and continued to be fully let as at 30 June 2011. This 3-storey retail centre with a gross floor area of around 4,481 sq.m. generated rental income of approximately HK\$1.3 million in the period under review.

3. *SGV Apartments, Suzhou New District*

The sales volume of the residential secondary market was adversely affected by the austerity measures. However, prices remained firm. In the first half of 2011, the Group sold 340 sq.m. of investment apartments generating proceeds of about HK\$4.0 million. As at 30 June 2011, the Group continued to hold approximately 8,240 sq.m. of apartments. Rental revenue under the period of review was approximately HK\$1.7 million.

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

During the first half of 2011, the operational results of Beijing Landmark has improved steadily when compared with that of 2010. Through the diligent efforts of 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 almost 100%.

Property Management

The Group continues its outsourcing policy to appoint fully licensed and qualified local property management companies in Suzhou after careful due diligence. Owners’ associations for completed projects were established in accordance with local rules and regulations.

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 a strategic non-controlling shareholder in two of the Group’s projects - Wuzhong Garden Court and Taihu Garden Court.

Asia Financial Group

Since 2007, Asia Financial Group (“AFG”) has been 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 convertible notes.

Major Corporate Event

On 5 July 2011, the Company entered into a subscription agreement (the “Subscription Agreement”) with Asia Financial Holdings Limited and Asia Insurance Company, Limited (the “CN Subscribers”) in relation to the issue of the 6% convertible notes in an aggregate principal amount of HK\$75 million (the “2011 Convertible Notes”).

Pursuant to the Subscription Agreement, the subscription price of the 2011 Convertible Notes would be applied directly to offset part of the redemption amount for redemption of the convertible notes issued by the Company to the CN Subscribers in 2007. The Subscription Agreement is subject to, among others, the approval by the shareholders of the Company at the extraordinary general meeting to be held on 16 September 2011.

Further details of the issue of the 2011 Convertible Notes were disclosed in the announcement and circular of the Company dated 5 July 2011 and 25 July 2011 respectively.

Financial Review

Revenue

The Group’s revenue mainly comprised of recognised property development sales and leasing revenue from investment properties. The Group’s revenue for the six months ended 30 June 2011 was approximately HK\$107.3 million (six months ended 30 June 2010: HK\$170.3 million), representing a decrease of 37.0% as compared with the same period last year. The decrease in the Group’s revenue was mainly due to the decrease in revenue from recognised property development sales.

The revenue from recognised property development sales included the disposal of 6 low-density townhouses in Taihu Garden Court Phase 1, 6 SOHO units and 11 retail units in Wuzhong Garden Court Phase 3 as well as 71 residential apartments units in Lakeside Garden Court Phase 1 of approximately HK\$16.4 million, approximately HK\$49.0 million and approximately HK\$35.9 million respectively. The Group’s total gross floor area of development properties sold for the six months ended 30 June 2011 was approximately 12,600 sq.m. (six months ended 30 June 2010: approximately 20,000 sq.m.).

Leasing revenue from investment properties for the six months ended 30 June 2011 was approximately HK\$5.8 million (six months ended 30 June 2010: HK\$5.7 million). The leasing revenue generated from investment properties in Suzhou Garden Villa and two retail centres were approximately HK\$1.7 million (six months ended 30 June 2010: HK\$2.2 million) and approximately HK\$4.1 million (six months ended 30 June 2010: HK\$3.4 million) respectively.

Operating Results

For the six months ended 30 June 2011, the Group's gross profit amounted to approximately HK\$33.2 million (six months ended 30 June 2010: HK\$42.4 million). The decrease in gross profit was primarily due to the decrease in revenue from property development sales. The gross profit margin for the six months ended 30 June 2011 was approximately 31% as compared to approximately 25% for the same period last year.

Finance costs for the period under review amounted to approximately HK\$3.5 million as compared to HK\$7.6 million for the same period last year. The decrease was mainly due to the decrease in imputed interest expenses on loans from non-controlling shareholders as a result of reduction of imputed interest rate in the period under review and the increase in finance costs capitalised to properties held under development. There was a non-cash item of approximately HK\$1.2 million (six months ended 30 June 2010: HK\$3.0 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 2011 was conducted by an independent property valuer which did not result in any fair value adjustment for the six months ended 30 June 2011 (six months ended 30 June 2010: positive fair value adjustment of approximately HK\$16.6 million).

During the period under review, certain investment properties were sold for a total consideration of approximately HK\$4.0 million (six months ended 30 June 2010: HK\$44.6 million).

Share of results of associates mainly represented the profit contributed by Beijing Landmark to the Group for the period under review of approximately HK\$9.7 million (six months ended 30 June 2010: HK\$7.5 million).

For the six months ended 30 June 2011, the profit attributable to owners of the Company was approximately HK\$6.0 million (six months ended 30 June 2010: approximately HK\$19.6 million) which represented a basic earnings per share of 0.5 HK cents (six months ended 30 June 2010: 1.7 HK cents).

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 30 June 2011 amounted to approximately HK\$434.9 million (31 December 2010: HK\$422.1 million).

The Group had total bank borrowings of approximately HK\$328.6 million as at 30 June 2011 (31 December 2010: HK\$319.9 million). Borrowings classified as current liabilities were approximately HK\$307.8 million (31 December 2010: HK\$286.0 million) and the Group's gearing ratio as at 30 June 2011 was approximately 34% (31 December 2010: 34%), which was based on total bank borrowings to total equity.

Current, Total and Net Assets

As at 30 June 2011, the Group had current assets of approximately HK\$1,265.4 million (31 December 2010: HK\$1,144.1 million) and current liabilities of approximately HK\$582.9 million (31 December 2010: HK\$451.5 million) which represented a decrease in net current assets from approximately HK\$692.6 million as at 31 December 2010 to approximately HK\$682.5 million as at 30 June 2011.

As at 30 June 2011, the Group recorded total assets of approximately HK\$1,784.4 million (31 December 2010: HK\$1,659.1 million) and total liabilities of approximately HK\$830.1 million (31 December 2010: HK\$709.8 million), representing a debt ratio (total liabilities over total assets) of approximately 47% (31 December 2010: 43%). Net assets of the Group was approximately HK\$954.4 million as at 30 June 2011 (31 December 2010: HK\$949.3 million).

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 2011, bank loans of approximately HK\$302.4 million (31 December 2010: HK\$308.5 million) were secured by certain of the Group's land and buildings, investment properties and properties held under development of approximately HK\$39.5 million (31 December 2010: HK\$40.0 million), approximately HK\$146.3 million (31 December 2010: HK\$146.3 million) and approximately HK\$315.7 million (31 December 2010: HK\$315.7 million) respectively.

Contingent Liabilities

The directors of the Company considered that there were no material contingent liabilities as at 30 June 2011.

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 apart from the appreciation of currency of Renminbi against US dollars and Hong Kong dollars. 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 2011 and in the year 2010. Nevertheless, any appreciation in the currency value of Renminbi against Hong Kong dollar 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 2011, the Group had a staff roster of 106 (30 June 2010: 115), of which 79 (30 June 2010: 87) employees were based in Mainland China and 27 (30 June 2010: 28) employees in the 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.

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 2011.

REVIEW OF INTERIM FINANCIAL REPORT

The auditor of the Company, BDO Limited has performed an independent review on the interim financial report for the six months ended 30 June 2011 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 the auditor's review, which does not constitute an audit, BDO Limited confirmed in writing that nothing has come to the auditor's attention that causes the auditor 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 six months ended 30 June 2011 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 2011 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 2011 Interim Report from which the contents of this announcement are derived.

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

Hong Kong, 16 August 2011