

# Management Discussion & Analysis

## 管理層討論與分析

### Review of Operation

Our focus on the strategy of engaging in property development and investment businesses in the cities of Suzhou and Beijing has successfully served to enable us to deliver the best value and quality in properties to our customers.

In 2006, New Heritage reported a revenue of approximately HK\$208.0 million, up 40% from the corresponding period last year on the back of an increase in the number of residential units sold, primarily at Suzhou Garden Towers, which were completed and handed over to customers before the end of the year.

Total gross floor area of development properties sold and delivered amount to 29,517 square metres (which included units in Suzhou Garden Towers), representing an increase of 52% as compared to a total of 19,398 square metres of development properties sold a year earlier.

The Average selling price per square metre in 2006 was approximately RMB6,700.

### Property Development

Most of our land reserves in Suzhou are residential sites, allowing us to fulfill our commitment to providing quality housing for our customers. During 2006, the Group sold approximately HK\$201.1 million worth of properties in Suzhou.

#### Status of Major Projects Under Development

Suzhou Garden Towers commenced construction in 2005 and comprised a total of 212 apartments. During the year under review, 202 apartments were sold and delivered to buyers. Most of the remaining units were subsequently sold and at present, there is only 3 remaining unsold apartments with a floor area of 686 square metres. Designed as twin towers of high-rise apartments erected over a retail commercial podium, Suzhou Garden Towers is a metropolitan style residential and commercial complex with shops for added convenience to dynamic city dwellers.



Suzhou Garden Towers  
錦昌苑

### 業務回顧

我們專注在蘇州及北京從事房地產發展及投資的策略，為客戶提供最物有所值及最具質素的物業項目。

於二零零六年，新澤錄得約208,000,000港元營業額，較去年同期增長40%，此乃由於主要出售錦昌苑之住宅單位增加所致，該等物業已於年結前竣工並交付客戶。

已售及交付的發展物業總樓面面積共29,517平方米(包括錦昌苑單位)，較上年同期出售的發展物業總面積共19,398平方米增加52%。

二零零六年每平方米的平均售價約為人民幣6,700元。

### 物業發展

新澤在蘇州的大多數土地儲備都是住宅用地，令集團能夠實現為客戶提供優質住宅的目標。於二零零六年度，本集團於蘇州售出總值約為201,100,000港元的物業。

#### 主要發展物業的情況

錦昌苑發展項目於二零零五年始動工，提供合共212個公寓單位。於回顧年內，集團共向買家售出202個公寓單位。大部份餘下單位均已先後售出，現下只剩3個未售單位，樓面面積為686平方米。雙幢高層公寓配合多元化零售區平台，錦昌苑乃大都會式的優質住宅屋苑典範，當中的商舖配套更為活躍多采的城市生活提供各式便利。



A Show Flat  
示範單位

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### Wuzhong District Project (Named as Wuzhong Garden Court) in Suzhou

The construction work of Wuzhong Garden Court project commenced in November 2006.

The project comprises residential apartments and a commercial arcade of gross floor area of 44,784 square metres and 16,700 square metres respectively. The residential apartments of the project come with nine buildings ranging from six- to eleven-storeys, a club house and basement car parks. Moreover, the commercial complex is planned to accommodate a variety of retail shops and amenities for people living in the vicinity.

The First pre-sale programme of the residential apartments is scheduled for launch in May 2007.



Wuzhong Garden Court  
錦悅苑

### Land Bank

Subsequent to the year ended 31 December 2006, the Group has successfully acquired land of approximately 131,445 square metres situated at Guangfu Town of Wuzhong District, Suzhou. The Group intends to use the land for low-rise residential property development.

### Nanjing Project

In September 2006, New Heritage released an announcement on a discloseable transaction involving its participation through a 36% associated company called China Malls Limited, which in turn is the 60% shareholder of a joint venture company, for the application of master developer status for an "old commercial street" district in Nanjing City, Jiangsu Province.

### Property Investment

#### SGV Plaza

The refurbishment of SGV Plaza, a two-storey retail podium with gross floor area of 11,023 square metres integrated into the retail podium of Suzhou Garden Towers, was completed in December 2006. This shopping mall is now fully leased with a total annual rental income of approximately RMB4.1 million, for a term of three years renewable for another 2 or 3 years subject to mutual consent. These leases serve to enhance the investment income of the Group's property investment portfolio.

### 蘇州吳中區項目(命名為錦悅苑)

錦悅苑項目於二零零六年十一月動工。

整個項目包括總樓面面積達44,784平方米的住宅公寓，以及面積達16,700平方米的商場。該項目的住宅公寓包括九座六至十一層高的樓宇、一個會所及地庫停車場。此外，其商業綜合樓擬包括形形色式的零售店鋪及滿足附近居民的居住需求。

住宅公寓的首期預售，將於二零零七年五月進行。



Wuzhong Garden Court apartments  
錦悅苑公寓樓

### 土地儲備

截至二零零六年十二月三十一日年度過後，本集團已成功收購一幅位於蘇州市吳中區光福鎮面積約131,445平方米的土庫。本集團擬將該幅土地用作發展低密度住宅物業。

### 南京項目

於二零零六年九月，新澤公佈一項須予披露交易，表示透過中國商城有限公司(一間持有36%權益之聯營公司，由此並為持有一間合資公司60%權益之股東)，參與申請於江蘇省南京市中心舊商業街區之一級開發商資格。

### 物業投資

#### 錦華商業廣場

錦華商業廣場乃與錦昌苑相連的兩層高零售商場，總樓面面積達11,023平方米，廣場的翻新工程已於二零零六年十二月完成。該商場的舖位已悉數出租，每年租金總收入約為人民幣4,100,000元，租期為三年，經雙方同意可再續租兩年或三年。該等租賃有助提升集團的物業投資組合的投資收入。

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### Garden Court Plaza

Located within another completed project complex, Suzhou Garden Court, Garden Court Plaza comprises the first, second and third floors of commercial space in a 6-storey commercial/residential complex. Currently, the whole of the third floor and approximately 47% of the gross floor area of the first and second floors have been leased, generating a total annual rental income of approximately RMB1.6 million.

### Apartments

During the year under review, Suzhou Garden Villa Development & Management Co., Ltd., a subsidiary of the Group, owned a total of 18 apartments (with a gross floor area of 2,706 square metres) in Phases 1, 2 and 3 of Suzhou Garden Villa for rental purpose. During the year, the shareholders of the Company also approved acquisition of 82 residential apartments which comprised 68 apartments of Jin Xing Tower, 6 apartments of Jin Bon Tower, and 8 apartments of Jin Guo Tower. The asset acquisition



Suzhou Garden Villa apartments  
錦華苑公寓樓

was approved by independent shareholders at an extraordinary general meeting and the entire asset acquisition process is expected to be completed by the end of 2007. All 82 apartments with a gross floor area of 13,543 square metres will then be added to our investment portfolio. Upon completion of the asset acquisition (the company will issue not more than 90,017,210 new shares to the vendors), the Group will have a total of 100 apartments in Phases 1, 2 and 3 of Suzhou Garden Villa. Expected annual rental income generated from this will reach around RMB10.0 million on the basis that all apartments are fully leased out.

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

During the year, Beijing Landmark Towers Co., Ltd., an associate of the Group, contributed to the bottom line a profit of approximately HK\$19.1 million, which comprises rental and operational returns derived from its office towers, service apartments, business hotel and retail podium.

### 錦麗商業廣場

坐落於另一落成之大型項目錦麗苑內的六層高商住物業發展項目錦麗商業廣場，其首三層為商用區。目前，第三層全層及第一、二層的47%總樓面面積經已租出，每年租金總收入約為人民幣1,600,000元。

### 公寓

於回顧年內，集團的附屬公司蘇州錦華苑建設發展管理有限公司原先擁有錦華苑第一期、第二期及第三期內合共18個公寓單位（總樓面面積達2,706平方米）作出租用途。年內，本公司股東另批准了收購82個住宅公寓，包括錦興樓68個公寓單位、錦邦樓6個公寓單位及錦國樓8個公寓單位。資產收購於特別股東大會獲獨立股東批准及整個資產收購過程預期可於二零零七年年底完成，總樓面面積合計



Suzhou Garden Villa apartments  
錦華苑公寓樓

達13,543平方米的全部82個公寓單位將計進集團的投資組合內。資產收購完成以後（本公司將發行不多於90,017,210股新股予賣方），集團將擁有錦華苑第一期、第二期及第三期內合共100個公寓單位。倘物業均獲全數租出，預期將產生的年租收入將站穩在人民幣10,000,000元左右。

### 於聯營公司的投資（北京亮馬河大廈有限公司）

年內，集團的聯營公司北京亮馬河大廈有限公司貢獻約19,100,000港元溢利，其中包括來自寫字樓、服務式公寓、商務酒店及零售商場的租金及經營收入。

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During the year, the Group had received approximately HK\$14.2 million cash dividend from the Beijing Landmark Towers Co., Ltd.



Beijing Landmark Towers complex (left) and arcade lobby (right)

The revenue growth for year 2006 is 13% as compared to the previous financial year, partly as a result of the completion of renovation of multi-function conference hall and a portion of the existing hotel rooms.

Beijing Landmark Towers is expected to further benefit from higher occupancy and rental rates for both its office towers and hotel rooms following China's accession to the World Trade Organization and the forthcoming 2008 Olympic Summer Games which will be held in Beijing. We believe a particularly higher than usual turnout of tourists are bound to take this opportunity to participate in this memorable event as well as explore the many wonders in and around, the capital city of China.

### Strategic Partnership with Spinnaker Capital Group

In September 2006, Spinnaker Capital Group ("Spinnaker"), the manager of more than US\$4 billion of funds targeting emerging markets, became a 9.11% shareholder when it subscribed 65,000,000 new shares of the Company, raising approximately HK\$39 million for the Group. Furthermore, Spinnaker's commitment to investing in 40% of one of the Group's wholly owned subsidiaries for the purpose of developing a residential project in the up and coming Wuzhong District reflects the confidence of the investor community of New Heritage's property development philosophy.

Subsequent to the year ended 31 December 2006, the Group has successfully acquired land of approximately 131,445 square metres situated at Guangfu Town of Wuzhong District, Suzhou. In March 2007, the Group has also entered into an agreement with Spinnaker to jointly develop the project which will be held as to 60.8% by the Group and as to 39.2% by Spinnaker. The Group intends to use the land for low-rise residential property development.

年內，北京亮馬河大廈有限公司為本集團帶來約14,200,000港元的現金股息。



北京亮馬河大廈綜合大樓(左)及商場大堂(右)

二零零六年營業額較上一財政年度增長13%，部份原因因為完成多功能會議中心及現有酒店房間的翻新。

中國加入世貿組織後，以及北京即將主辦二零零八年奧運會，寫字樓的出租率及酒店房間入住率預期會進一步上升，北京亮馬河大廈當可因而受惠。我們相信，相較於平日更多遊客會趁此機會參與這盛事，從而一睹中國首都北京的風采。

### 與Spinnaker Capital Group之策略性聯盟

二零零六年九月，Spinnaker Capital Group (「Spinnaker」) (以新興市場為目標對象的基金管理公司，旗下管理資產逾40億美元)認購了65,000,000股本公司新股並成為持有9.11%股權的股東，為集團集資約39,000,000港元。此外，Spinnaker承諾對集團一家全資附屬公司作出40%的股本投資，聯手於正在冒起的吳中區發展一住宅物業項目，充份體現投資界對新澤房地產發展理念的認同及信心。

截至二零零六年十二月三十一日止年度過後，本集團已成功收購一幅位於蘇州市吳中區光福鎮面積約131,445平方米的土地。於二零零七年三月，本集團再與Spinnaker訂立協議以共同發展該項目，其中60.8%權益將由本集團持有，而39.2%權益將由Spinnaker持有。本集團將該幅土地用作發展低密度住宅物業。

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### FINANCIAL REVIEW

#### Overall Performance

In 2006, the Group's total gross floor area of development properties sold and delivered stood at 29,517 square metres. Gross profit margin was 37.5% this year as compared to 47.4% last year. This is mainly due to majority of property sold in 2006 comprised of high rise apartments, the profit margin of which were comparatively lower than villas. Even though the austerity measures implemented by the Chinese authorities have exerted an impact on the market, our prudent cost management and good risk management allowed the Group to continue to maintain its EBITDA margin and net profit margin at relatively high levels. The Group established and maintained a sound financial structure and healthy cash flow. Basic earnings per share was 11.1 HK cents.

#### Operating Results

During 2006, turnover of the Group was approximately HK\$208.0 million (2005: HK\$149.0 million). The increase in turnover was mainly attributable to an increase in revenues generated from the sales of properties. In 2006, the Group sold over 202 apartments and 61 carparks in Suzhou Garden Towers which generated revenues of approximately HK\$201.1 million.

Due to prevailing market conditions and effective cost control measures, the Group managed to achieve a gross profit margin of 37.5% (2005: 47.4%).

In 2006, the profit attributable to the equity holders of the Company was approximately HK\$73.3 million (2005: HK\$55.9 million).

#### Liquidity, Financial Resources and Gearing

Since there is on-going competition of property development in China, we have to further strengthen our financial resources to cope with future expansion. Additional banking facility was obtained during 2006 and our intention is to continue to obtain more facilities for our future projects. As a result, the gearing ratio will be increased but still within the safety level of below 50%.

Cash and cash equivalents as at 31 December 2006 amounted to approximately HK\$132.1 million (2005: HK\$84.8 million).

The Group had total borrowings of approximately HK\$45.3 million as at 31 December 2006 (2005: HK\$103.4 million). The borrowings to be repayable within one year were approximately HK\$25.3 million (2005: HK\$78.5 million), and the Group's gearing ratio as at 31 December 2006 was 9.8% (2005: 31.1%), which was calculated based on interest bearing borrowings to total shareholders' funds.

As at 31 December 2006, the Group had current assets of approximately HK\$269.5 million (2005: HK\$243.2 million) and current liabilities of approximately HK\$83.8 million (2005: HK\$122.0 million). The Group had total assets of approximately HK\$599.7 million and total liabilities of approximately HK\$130.5 million, representing a debt ratio (total liabilities over total assets) of 21.7% as at 31 December 2006 (2005: 30.9%).

### 財務回顧

#### 整體表現

於二零零六年，本集團已出售及已交付的發展物業總樓面面積為29,517平方米。本年度之毛利率為37.5%而去年則為47.4%。主要由於二零零六年所出售之大部份物業為多層式公寓，其毛利相對於別墅為低。雖然中國政府的宏觀調控政策為市場帶來影響，然而集團採納審慎成本管理及良好風險管理的舉措，讓我們成功將未計折舊、利息、稅項、攤銷前的利潤率及純利率保持在相對較高的水平。本集團建立及維持良好的財務架構及穩健的現金流量。每股基本盈利為11.1港仙。

#### 經營業績

於二零零六年期間，本集團的營業額約為208,000,000港元(二零零五年：149,000,000港元)。營業額增加主要由於出售物業收入增加所致。於二零零六年，本集團售出錦昌苑202間公寓單位及61個停車位，產生收入約為201,100,000港元。

由於當前市況堅挺及採取有效的成本控制措施，本集團得以實現37.5%的毛利率(二零零五年：47.4%)。

於二零零六年，本公司權益持有人應佔純利約為73,300,000港元(二零零五年：55,900,000港元)。

#### 流動資金、財務資源及資產負債比率

由於中國房地產市場競爭激烈，公司必須進一步強化財務資源，以應付未來擴張所需。公司於二零零六年內取得額外銀行融資，並打算繼續為未來項目物色更多融資機會。故此，資產負債比率將上升但仍維持低於50%之合理水平。

於二零零六年十二月三十一日，現金及現金等價物約為132,100,000港元(二零零五年：84,800,000港元)。

於二零零六年十二月三十一日，本集團的借貸總額約為45,300,000港元(二零零五年：103,400,000港元)。須於一年內償還的借貸約為25,300,000港元(二零零五年：78,500,000港元)，而本集團於二零零六年十二月三十一日的資本負債比率(按附息借貸除以股東資金總額計算)為9.8%(二零零五年：31.1%)。

於二零零六年十二月三十一日，本集團擁有流動資產約269,500,000港元(二零零五年：243,200,000港元)及流動負債約83,800,000港元(二零零五年：122,000,000港元)。本集團的總資產及總負債分別約為599,700,000港元及130,500,000港元，即於二零零六年十二月三十一日的負債比率(總負債除以總資產)為21.7%(二零零五年：30.9%)。

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Management is confident that when opportunities of land bank acquisition arise in future and require additional funding, the Group is able to utilise its internal reserve and debt financing to satisfy necessary funding requirement. In view of the current gearing position, management also believes that the Group is in a good position to obtain debt financing on favourable terms.

### Charge on Assets

As at 31 December 2006, bank overdrafts of approximately HK\$15.2 million was secured by the Group's certain bank deposits of approximately HK\$18.0 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 year, there was no significant fluctuation in the exchange rates of the Hong Kong dollars and US dollars. 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 2006.

### Contingent Liabilities

As at 31 December 2006, 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 31 December 2006, the Group had a staff force of 110, of this 90 employees were based in the China Mainland and 20 employees in Hong Kong. The remuneration of employees was in line with the market trend and commensurate to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives. Total staff costs incurred in 2006 was approximately HK\$31 million.

管理層深信，如果日後有收購土地儲備的機會出現，而本集團需要額外資金，本集團能夠利用內部資源及債務融資滿足必要的資金需求。鑒於目前本集團的資本負債比率不高，管理層亦相信本集團具備優勢而獲得有利的融資條款。

### 對資產的抵押

於二零零六年十二月三十一日，銀行透支約15,200,000港元由本集團約18,000,000港元的若干銀行存款作為抵押。

### 匯率波動風險及有關對沖

本集團的貨幣資產、貸款和交易主要以港元、美元及人民幣計值。年內，港元與美元的匯率並沒有重大波動。人民幣的幣值升值對本集團的純利有正面貢獻。本集團並沒有參與任何衍生工具活動，於二零零六年亦沒有使用任何金融工具以對沖資產負債表的風險。

### 或然負債

於二零零六年十二月三十一日，本集團沒有重大的或然負債。

### 財資政策及資本結構

本集團就其財資政策及資本結構取態審慎，並專注於風險管理及與本集團的相關業務有直接關係的交易。

### 僱員

於二零零六年十二月三十一日，本集團擁有110名員工。其中90名員工長駐中國內地，香港則僱有20名員工。僱員的薪酬與市場趨勢一致，可與業內的薪酬水平相比。本集團僱員的薪酬包括基本薪金、花紅及長期獎勵。於二零零六年，員工成本總額約31,000,000港元。