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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 2012

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 2012.

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2012

		Six months ended 30 June	
	Notes	**2012** *HK$'000* **(Unaudited)**	2011 *HK$'000* (Unaudited)
Revenue	*4*	**97,779**	107,345
Cost of sales		**(70,140)**	(74,150)
Gross profit		**27,639**	33,195
Other income	*4*	**1,934**	4,682
Selling expenses		**(4,215)**	(5,729)
Administrative expenses		**(23,135)**	(17,074)
Fair value adjustments on investment properties		**4,699**	–
Gain on disposal of investment properties		**532**	206
Finance costs	*5*	**(1,273)**	(3,520)
Share of results of associates		**12,616**	9,748
Profit before income tax	*6*	**18,797**	21,508
Income tax expense	*7*	**(13,708)**	(10,897)
Profit for the period		**5,089**	10,611
Profit for the period attributable to:			
Owners of the Company		**2,957**	5,972
Non-controlling interests		**2,132**	4,639
		5,089	10,611
Earnings per share attributable to the owners of the Company during the period	*9*		
		HK cents	*HK cents*
– Basic		**0.2**	0.5
– Diluted		**0.2**	0.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**5,089**	10,611
Other comprehensive income		
Share of revaluation surplus of an associate's hotel property	**1,355**	–
Other comprehensive income for the period, net of tax	**1,355**	–
Total comprehensive income for the period	**6,444**	10,611
Total comprehensive income attributable to:		
Owners of the Company	**4,312**	5,972
Non-controlling interests	**2,132**	4,639
	6,444	10,611

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Notes	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		**37,048**	37,048
Property, plant and equipment		**59,174**	60,904
Investment properties		**299,087**	297,340
Interests in associates		**125,868**	134,306
Deferred tax assets		**2,011**	2,011
		523,188	531,609
Current assets			
Properties held under development		**522,788**	446,056
Properties held for sale		**220,655**	284,086
Inventories		**67**	74
Accounts receivable	*10*	**180**	84
Deposits paid, prepayments and other receivables		**52,566**	48,952
Tax recoverable		**3,471**	1,294
Restricted bank deposits		**55,468**	92,860
Cash and cash equivalents		**238,920**	265,725
		1,094,115	1,139,131
Current liabilities			
Accounts payable	*11*	**62,672**	89,865
Accruals, deposits received and other payables		**121,272**	89,484
Dividend payable		**3,854**	–
Borrowings		**252,055**	187,247
		439,853	366,596
Net current assets		**654,262**	772,535
Total assets less current liabilities		**1,177,450**	1,304,144
Non-current liabilities			
Borrowings		**57,382**	190,654
Convertible notes		**72,000**	69,675
Deferred tax liabilities		**42,354**	40,691
		171,736	301,020
NET ASSETS		**1,005,714**	1,003,124
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**12,845**	12,845
Reserves		**899,653**	895,341
Proposed final dividend		**–**	3,854
		912,498	912,040
Non-controlling interests		**93,216**	91,084
TOTAL EQUITY		**1,005,714**	1,003,124

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 ("Main Board Listing Rules") 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 (the "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 2011, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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 2011.

2. **ADOPTION OF NEW OR 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 2012:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

As explained below, the adoption of these amendments to 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 2011.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

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 leasing 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.

During the six months ended 30 June 2012, 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 2012			
	Property development *HK$'000* **(Unaudited)**	**Property investment and leasing** *HK$'000* **(Unaudited)**	**Elimination** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue:				
From external customers	**90,987**	**6,792**	**–**	**97,779**
Inter-segment revenue	**–**	**–**	**–**	**–**
Total segment revenue	**90,987**	**6,792**	**–**	**97,779**
Reporting segment profit	**15,414**	**4,243**	**–**	**19,657**
Interest income	**1,292**	**212**	**–**	**1,504**
Depreciation of property, plant and equipment	**(195)**	**(1,257)**	**–**	**(1,452)**
Gain on disposal of investment properties	**–**	**532**	**–**	**532**
Fair value adjustments on investment properties	**–**	**4,699**	**–**	**4,699**
Impairment loss on other receivables	**(1,602)**	**–**	**–**	**(1,602)**
Finance costs	**–**	**(1,273)**	**–**	**(1,273)**
Reportable segment assets	**1,023,587**	**357,477**	**–**	**1,381,064**
Additions to non-current segment assets during the period	**5**	**62**	**–**	**67**

	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

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	
	2012 *HK$'000* **(Unaudited)**	2011 *HK$'000* (Unaudited)
Total segment profit	**19,657**	21,607
Share of results of associates	**12,616**	9,748
Corporate overheads	**(13,486)**	(10,144)
Other unallocated income	**10**	297
Profit before income tax	**18,797**	21,508

The segment assets of the Group's operating segment at 30 June 2012 and 31 December 2011 are as follows:

	Property development *HK$'000*	**Property investment and leasing** *HK$'000*	**Corporate and other unallocated assets** *HK$'000*	**Total** *HK$'000*
At 30 June 2012 (Unaudited)	**1,023,587**	**357,477**	**236,239***	**1,617,303**
At 31 December 2011 (Audited)	1,063,784	363,863	243,093*	1,670,740

* Segment assets do not include goodwill of approximately HK$37,048,000 (31 December 2011: HK$37,048,000), interests in associates of approximately HK$125,868,000 (31 December 2011: HK$134,306,000) and corporate assets of approximately HK$73,323,000 (31 December 2011: HK$71,739,000) 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 2012 and 2011.

4. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2012 *HK$'000* **(Unaudited)**	2011 *HK$'000* (Unaudited)
Revenue, which also represents the Group's turnover		
Proceeds from sale of properties held for sale	**90,987**	101,564
Rental income	**6,792**	5,781
	97,779	107,345
Other income		
Interest income	**1,514**	3,318
Exchange gain, net	**–**	202
Others	**420**	1,162
	1,934	4,682

5. **FINANCE COSTS**

	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Interest charges on borrowings which are repayable within five years:		
Bank loans	**5,428**	7,073
Imputed interest expense on loans from non-controlling shareholders	**1,036**	1,245
	6,464	8,318
Interest charges on borrowings which are repayable after five years:		
Bank loans	**1,414**	1,397
	7,878	9,715
Interest charge on convertible notes	**4,569**	2,240
Total interest expense on financial liabilities not at fair value through profit or loss	**12,447**	11,955
Less: Amount capitalised in properties held under development*	**(11,174)**	(8,435)
	1,273	3,520

* The finance costs have been capitalised at a rate of 2.98% (six months ended 30 June 2011: 2.78%) 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 repayment dates set out in the loan agreements. For the six months ended 30 June 2012 and 2011, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$966,000 and HK$707,000 respectively.

6. **PROFIT BEFORE INCOME TAX**

	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of properties held for sale recognised as expense	**68,457**	72,717
Depreciation of property, plant and equipment	**1,953**	2,448
Less: Amount capitalised in properties held under development	**(201)**	(19)
	1,752	2,429
Outgoings in respect of investment properties that generated rental income during the period	**1,683**	1,433
Operating lease charges in respect of land and buildings	**133**	138
Staff costs, including directors' emoluments and retirement benefits cost	**17,359**	16,337
Less: Amount capitalised in properties held under development	**(6,511)**	(5,758)
	10,848	10,579
Amount recognised as expense for retirement benefits cost	**1,847**	1,446
Exchange loss/(gain), net	**397**	(202)
Gain on disposal of investment properties	**(532)**	(206)
Gain on disposal of property, plant and equipment	**–**	(15)
Impairment loss on amount due from an associate	**192**	–
Impairment loss on other receivables	**1,602**	–

7. **INCOME TAX EXPENSE**

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Current tax – the PRC			
– Corporate income tax	*(a)*	**7,736**	4,631
– Land appreciation tax ("LAT")	*(b)*	**4,309**	5,086
		12,045	9,717
Deferred taxation	*(c)*	**1,663**	1,180
Total income tax charge		**13,708**	10,897

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 2012 and 2011.

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 2011: 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 2011: Nil).

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2010 of 0.5 HK cents per ordinary share	**–**	6,393

(c) On 15 May 2012, the shareholders of the Company have approved a final dividend of 0.3 HK cents per ordinary share for the year ended 31 December 2011 which amounted to approximately HK$3,854,000 at the annual general meeting. The amount was recognised as dividend payable as at 30 June 2012 and was subsequently paid on 20 July 2012 to the shareholders whose names appear on the Company's register of members on 22 May 2012.

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$2,957,000 (six months ended 30 June 2011: HK$5,972,000) and on weighted average of 1,284,538,465 (six months ended 30 June 2011: 1,278,639,685) 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 2012 is based on the profit attributable to owners of the Company of approximately HK$2,957,000 and on weighted average of 1,352,720,283 ordinary shares outstanding during the six months ended 30 June 2012, being the weighted average number of ordinary shares of 1,284,538,465 used in basic earnings per share calculation adjusted for the effect of the shares issued upon the conversion of convertible notes of 68,181,818.

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.

10. ACCOUNTS RECEIVABLE

	At 30 June 2012	At 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts receivable	**180**	84
Less: Provision for impairment	**–**	–
	180	84

Accounts receivable represents rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (31 December 2011: 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 2012	At 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**160**	63
31–60 days	**–**	–
61–90 days	**–**	–
91–120 days	**–**	–
121–365 days	**20**	21
	180	84

11. ACCOUNTS PAYABLE

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

	Notes	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
Within 30 days		**49**	171
31–60 days		**31**	64
61–90 days		**34**	–
91–365 days		**264**	70
Over 365 days		**1,259**	1,253
Rent received on behalf of landlords	*(a)*	**1,637**	1,558
Accrued construction cost and other project-related expenses	*(b)*	**61,035**	88,307
		62,672	89,865

Notes:

(a) Rent received on behalf of landlords comprised net rental received from tenants after netting off fee charged to them provided by external services providers.

(b) Included in the above amounts are construction cost and other project-related expenses payable amounted to approximately HK$61,035,000 as at 30 June 2012 (31 December 2011: HK$88,307,000) 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 2012.

CHAIRMAN'S STATEMENT

Results and Dividends

For the six months ended 30 June 2012, the Group's revenue and profit attributable to owners of the Company were approximately HK$97.8 million (six months ended 30 June 2011: HK$107.3 million) and approximately HK$3.0 million (six months ended 30 June 2011: HK$6.0 million) respectively. Basic earnings per share was approximately 0.2 HK cents (six months ended 30 June 2011: 0.5 HK cents).

The Directors do not recommend payment of an interim dividend for the period (six months ended 30 June 2011: Nil).

Business Review and Outlook

The Central Government continued to maintain tight controls on the property sector in the first half of 2012, in particular the Home Purchase Restriction, curbs on lending to the property sector, and was also committed to building more low income housing for the masses. In June and July 2012 within the space of less than one month, the People's Bank of China cut interest rates twice. As at 6 July, the one year deposit rate was reduced from 3.25% to 3% and the one year lending rate was cut by 0.31% to 6%. This appears to have sent a positive signal to the market resulting in increased buying sentiment in certain sectors, but a reduction in property prices generally may have also contributed to this as many developers have been focussed to move inventory.

The monetary policy easing was not unexpected and the second half of 2012 as well as 2013 is likely to see more easing as China tackles the direct and indirect effects of a slowdown in the global economy which has adversely affected its own growth forecasts, and particularly exports and Gross Domestic Product growth figures. A large liquidity injection into the economy by the government similar to that in 2008 is very unlikely this time. But a gradual easing of some of the controls in the property sector with earlier investment in some key government infrastructure projects may be expected this time with emphasis still to be made on affordability of housing.

Our Company continues to maintain its emphasis on strong cashflow positions and conservative management of debt levels. Our development products in Suzhou have always been known as value for money property assets and this should serve us well going forward. Our townhouses are positioned at the house entry point level in terms of size, price and location and is a good product with not much direct competition in the market. There are also small entry point level apartments in our development pipeline.

We have a solid spectrum of investment properties ranging from our investment in Beijing Landmark Towers (whose revenues are returning to pre- and 2008 Olympic year levels) to residential apartments and retail centres in Suzhou that have been producing steady and now rising income to our development projects.

Our management continues to pay close attention to the market for new business opportunities as well as development opportunities as the Chinese property market starts to mature and both costs of land and labour are at much higher levels than before. In times of volatility, interesting opportunities tend to surface and we are ever vigilant for these.

I particularly wish to thank our strategic investors and banks for their continued understanding and support throughout our corporate history, and my sincere gratitude also extends to all our Board Members and staff and colleagues for their dedication to the Company and their ongoing cooperation throughout the course of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the period under review, the Group continued its focus on property development and investment businesses in Suzhou and Beijing. The Group continued to explore cities within and outside the Province of Jiangsu with high growth potential to capture opportunities for good development or investment prospects.

Property Development

In the first half of 2012, Home Purchase Restrictions continued to be imposed in the Suzhou municipality (which includes our Taihu Garden Court project) but was still not imposed in Wujiang (where our Lakeside Garden Court project is situated). To tackle the slowing economy, the Central Government started to stimulate the industrial sector and ease credit control policies by lowering banks' reserve requirement ratio and interest rate, which has also previously aroused qualified residential buyers and may provide a more positive sentiment to the market.

During the period under review, as Wujiang City still enjoyed a less restrictive environment, the Group speeded up sales of Phases 1 and 2 of Lakeside Garden Court with satisfactory results.

The Group's development projects in Suzhou were processed on schedule in the period under review, with a status summary as follows:

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

Being conceptually designed by internationally renowned architects, P&T Group, Taihu Garden Court stands out in the town of Guangfu for its clever use of space, bright rooms with large windows and beautiful classical landscapes. During the period, one low-density townhouse of the few units remaining in Phase 1 of gross floor area about 300 sq.m. was sold, with sales turnover about HK$3.2 million.

Based on the feedback by buyers of Phase 1, some design improvements such as maximising natural light, south to north ventilation and reduction of the size of the basement were introduced in Phases 2 and 3.

Phase 2 comprising 110 low-density townhouses with total gross floor area of about 24,700 sq.m. had 24 townhouses with gross floor area around 5,300 sq.m. sold in the first half of 2012 and generated revenue of about HK$65.6 million.

Phase 3 consists of a total gross floor area of around 20,000 sq.m. of 84 low-density townhouses incorporating further design improvements on earlier phases. There are also two additional larger sized townhouses with a different layout to give buyers a wider selection of choices.

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

The total site area of this project, which is being developed in four phases, is about 86,200 sq.m. with gross floor area of approximately 154,500 sq.m.. It is the first Hong Kong developer project in the township of Shengze and has quickly built up a sound reputation among local buyers as an excellent example of modern, practical living. Our Company pioneered the use of showflats and show-villas in the township and this project enjoys a high owner-occupancy rate.

The total gross floor area of Phase 1 is around 41,000 sq.m.. During the period under review, approximately 400 sq.m. of the few units remaining in the four high-rise residential buildings were sold, generating revenue of about HK$2.7 million.

Phase 2, which is made up of 4 high-rise residential buildings with gross floor area of about 35,900 sq.m., was entirely sold as of 30 June 2012. During the period, gross floor area of around 2,600 sq.m. was sold, and about HK$19.5 million of revenue was generated.

Delivery of Phase 3, which comprises 86 low-density townhouses with total gross floor area of around 19,400 sq.m. is scheduled to be completed in the second half of 2012. During the period under review, 32 townhouses with gross floor area about 7,600 sq.m. were pre-sold for total contract sum of around HK$90.7 million to be recognised as revenue. Local buyers have reacted very favourably to the design by internationally reknowned architects. The efficient use of space, practical layout and modern elevations are particularly suitable for the discerning first-time villa buyer and families upgrading from apartments.

Phase 4 will consist of another 6 blocks of high-rise residential buildings of gross floor area of about 58,200 sq.m., and the piling phase was completed. Commencement of construction work is planned for the second half of 2012. The product will consist of mainly small apartment units (under 90 sq.m.) which are well favoured in the market currently.

3. Wuzhong Office Building*, Wuzhong, Suzhou*

This project is designed by the renowned P&T Group of Hong Kong. The site area is about 14,600 sq.m.. It is centrally located and surrounded by various government office buildings including customs, etc. The site's most notable feature will be the presence of a metro subway station nearby of which construction is expected to commence by the end of 2012. The building is designed to be for offices, SOHO units and retail space, with saleable gross floor area of around 58,400 sq.m.. Piling work has already commenced.

Property Investment

During the period under review, the Group's retail investment properties, situated in the prime central business district ("CBD") of Suzhou New District ("SND"), continued to benefit from the development strategy set by the SND government. The opening of Suzhou Metro Line 1 on 28 April 2012 attracted more qualified residential buyers to show interest in purchasing the Group's remaining SGV apartments.

***1. SGV Plaza**, Suzhou New District*

SGV Plaza with a retail gross floor area of around 11,000 sq.m. generated rental income about HK$3.5 million in the period under review with a 98% occupancy rate as of 30 June 2012.

2. *Garden Court Plaza,* *Suzhou New District*

Garden Court Plaza, a 3-storey retail center with gross floor area of around 4,500 sq.m., was fully let and generated rental income of approximately HK$1.5 million in the reporting period.

3. SGV Apartments

The Group's objective is to dispose of the residential investment properties at an appropriate premium price. During the period, the Group sold about 300 sq.m. of investment apartments with proceeds of about HK$3.9 million. As of 30 June 2012, the Group held approximately 7,300 sq.m. (45 units) of apartments. Rental revenue under the period of review was approximately HK$1.8 million.

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

During the first half of 2012, the operational results of Beijing Landmark have continued to improve steadily when compared with that of 2011. Due to renovation of other hotels next to Beijing Landmark, the occupancy of both its hotel and serviced apartments has gradually increased, while the occupancy of offices still remained at almost 100%. The conference business (together with food & beverage) in Beijing also continues to be strong.

Property Management

The Group continues its outsourcing policy to exercise careful due diligence in the process of appointing fully licensed and qualified local property management companies in Suzhou. 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 project companies, namely Suzhou New Heritage Wuzhong Limited (developer of Wuzhong Garden Court which has started its voluntary winding up process given all units have been sold out) and Suzhou New Heritage GF Limited (developer of 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 all of the Group's property project companies in Suzhou with the exception of Suzhou New Heritage WZA Limited (developer of Wuzhong Office Building). AFG is also the holder of the convertible notes issued by the Company.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale and leasing of investment properties. The Group's revenue for the six months ended 30 June 2012 was approximately HK$97.8 million (six months ended 30 June 2011: HK$107.3 million), representing a decrease of 9% as compared with the same period last year. The decrease in the Group's revenue was mainly due to the decrease in revenue from sales of properties held for sale.

The revenue from sales of properties held for sale included the disposal of 25 low-density townhouses in Taihu Garden Court Phases 1 and 2, as well as 26 residential apartment units in Lakeside Garden Court Phases 1 and 2 of approximately HK$68.8 million and approximately HK$22.2 million respectively. The Group's total gross floor area of properties held for sale sold for the six months ended 30 June 2012 was approximately 8,600 sq.m. (six months ended 30 June 2011: 12,600 sq.m.).

Revenue from leasing of investment properties for the six months ended 30 June 2012 was approximately HK$6.8 million (six months ended 30 June 2011: HK$5.8 million). The revenue generated from leasing of investment properties in Suzhou Garden Villa and two retail centres were approximately HK$1.8 million (six months ended 30 June 2011: HK$1.7 million) and approximately HK$5.0 million (six months ended 30 June 2011: HK$4.1 million) respectively.

Operating Results

For the six months ended 30 June 2012, the Group's gross profit amounted to approximately HK$27.6 million (six months ended 30 June 2011: HK$33.2 million). The decrease in gross profit was primarily due to the decrease in revenue from sales of properties held for sale. The gross profit margin for the six months ended 30 June 2012 was approximately 28% as compared to approximately 31% for the same period last year.

The administrative expenses during the period under review were approximately HK$23.1 million (six months ended 30 June 2011: HK$17.1 million) which increased by approximately 35% over the same period last year. The increase was mainly attributed to the increase in legal and financial advisory service fees and the impairment loss on other receivables.

The finance costs for the period under review amounted to approximately HK$1.3 million as compared to HK$3.5 million for the same period last year. The decrease was mainly due to the increase in finance costs capitalised to properties held under development.

The valuation on the Group's investment properties as at 30 June 2012 was conducted by an independent property valuer which resulted in a positive fair value adjustment of approximately HK$4.7 million for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

During the period under review, certain investment properties were sold for a total consideration of approximately HK$3.9 million (six months ended 30 June 2011: HK$4.0 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$12.6 million (six months ended 30 June 2011: HK$9.7 million).

For the six months ended 30 June 2012, the profit attributable to the owners of the Company was approximately HK$3.0 million (six months ended 30 June 2011: HK$6.0 million) which represented a basic earnings per share of 0.2 HK cents (six months ended 30 June 2011: 0.5 HK cents).

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 30 June 2012 amounted to approximately HK$238.9 million (31 December 2011: HK$265.7 million).

The Group had total bank borrowings of approximately HK$198.6 million as at 30 June 2012 (31 December 2011: HK$265.2 million). Borrowings classified as current liabilities were approximately HK$252.1 million (31 December 2011: HK$187.2 million) and the Group's gearing ratio as at 30 June 2012 was approximately 20% (31 December 2011: 26%), which was based on total bank borrowings to total equity.

Current, Total and Net Assets

As at 30 June 2012, the Group had current assets of approximately HK$1,094.1 million (31 December 2011: HK$1,139.1 million) and current liabilities of approximately HK$439.8 million (31 December 2011: HK$366.6 million) which represented a decrease in net current assets from approximately HK$772.5 million as at 31 December 2011 to approximately HK$654.3 million as at 30 June 2012.

As at 30 June 2012, the Group recorded total assets of approximately HK$1,617.3 million (31 December 2011: HK$1,670.7 million) and total liabilities of approximately HK$611.6 million (31 December 2011: HK$667.6 million), representing a debt ratio (total liabilities over total assets) of approximately 38% (31 December 2011: 40%). Net assets of the Group was approximately HK$1,005.7 million as at 30 June 2012 (31 December 2011: HK$1,003.1 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 2012, bank loans of approximately HK$175.4 million (31 December 2011: HK$243.1 million) were secured by certain land and buildings, investment properties and properties held under development of the Group of approximately HK$38.7 million (31 December 2011: HK$39.1 million), approximately HK$152.5 million (31 December 2011: HK$158.7 million) and approximately HK$160.4 million (31 December 2011: HK$211.0 million) respectively.

Contingent Liabilities

The directors of the Company considered that there were no material contingent liabilities as at 30 June 2012.

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 2012 and in the year 2011.

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 2012, the Group had a staff roster of 106 (30 June 2011: 106), of which 78 (30 June 2011: 79) employees were employed in Mainland China and 28 (30 June 2011: 27) employees were employed 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 such as share options.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate practices and procedures. The corporate governance principles of the Company emphasise a quality board, transparency and accountability to all shareholders of the Company.

Throughout the six months ended 30 June 2012, the Group complied with all Code Provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Main Board Listing Rules) and the Corporate Governance Code, Appendix 14 to the Main Board Listing Rules (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012).

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 2012 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 the 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 2012 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 2012 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 2012 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, 24 August 2012