新澤控股有限公司
New Heritage Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

RESULTS

The board of directors (the "Directors" or the "Board") of New Heritage Holdings Ltd. (the "Company" or "New Heritage") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	4	**272,102**	375,182
Cost of sales		**(223,202)**	(318,494)
Gross profit		**48,900**	56,688
Other income	4	**4,736**	10,990
Selling expenses		**(10,154)**	(13,848)
Administrative expenses		**(55,548)**	(43,523)
Fair value adjustments on investment properties		**22,337**	8,400
Gain on disposal of investment properties		**2,477**	835
Finance costs	5	**(1,937)**	(6,205)
Share of results of associates		**20,417**	18,500
Loss on extinguishment of convertible notes		**–**	(829)
Profit before income tax	6	**31,228**	31,008
Income tax expense	7	**(15,730)**	(20,131)
Profit for the year		**15,498**	10,877
Profit for the year attributable to:			
Owners of the Company		**8,208**	12,163
Non-controlling interests		**7,290**	(1,286)
		15,498	10,877
Earnings per share attributable to the owners of the Company during the year	9	*HK cents*	*HK cents*
– Basic		**0.64**	0.95
– Diluted		**0.64**	0.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**15,498**	10,877
Other comprehensive income		
Exchange gain on translation of financial statements of foreign operations	**8,148**	38,611
Share of exchange gain on translation of financial statements of an associate	**908**	5,499
Share of revaluation surplus of an associate's hotel property	**4,014**	2,465
Other comprehensive income for the year, net of tax	**13,070**	46,575
Total comprehensive income for the year	**28,568**	57,452
Total comprehensive income attributable to:		
Owners of the Company	**19,631**	50,768
Non-controlling interests	**8,937**	6,684
	28,568	57,452

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		**37,048**	37,048
Property, plant and equipment		**49,359**	60,904
Investment properties		**304,594**	297,340
Interests in associates		**137,402**	134,306
Deferred tax assets		**167**	2,011
		528,570	531,609
Current assets			
Properties held under development		**418,816**	446,056
Properties held for sale		**294,334**	284,086
Inventories		**65**	74
Accounts receivable	*10*	**139**	84
Deposits paid, prepayments and other receivables		**32,486**	48,952
Tax recoverable		**12,338**	1,294
Restricted bank deposits		**38,876**	92,860
Cash and cash equivalents		**290,999**	265,725
		1,088,053	1,139,131
Total assets		**1,616,623**	1,670,740
Current liabilities			
Accounts payable	*11*	**92,197**	89,865
Accruals, deposits received and other payables		**135,810**	89,484
Borrowings		**219,527**	187,247
		447,534	366,596
Net current assets		**640,519**	772,535
Total assets less current liabilities		**1,169,089**	1,304,144
Non-current liabilities			
Borrowings		**19,771**	190,654
Convertible notes		**74,350**	69,675
Deferred tax liabilities		**47,347**	40,691
		141,468	301,020
Total liabilities		**589,002**	667,616
NET ASSETS		**1,027,621**	1,003,124
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**12,854**	12,845
Reserves		**915,542**	895,341
Proposed final dividend		**2,571**	3,854
		930,967	912,040
Non-controlling interests		**96,654**	91,084
TOTAL EQUITY		**1,027,621**	1,003,124

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies are consistent with those as described in the Group's financial statements for the year ended 31 December 2011, except that the Group has adopted a number of amendments which are relevant to the Group's operations and are mandatory for the financial year ended 31 December 2012 as detailed in note 2.

2. ADOPTION OF AMENDMENTS TO HKFRSs – first effective 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 has no material impact on the Group's financial statements.

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.

The Group did not have any transfer of financial assets in the current year. Therefore, the adoption of the amendments does not have any impact on the current year's results and financial position.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets
The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 "Investment Property" is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property 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. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date. The amendment will be applied retrospectively.

The Group has investment property measured at fair value of approximately HK$304,594,000 as at 31 December 2012 (2011: HK$297,340,000). The Group has assessed that the presumption in the amendments to HKAS 12 should be adopted in respect of certain investment properties of the Group located in the People's Republic of China (the "PRC") with carrying amounts of approximately HK$77,674,000 (2011: HK$79,679,000). Accordingly, the associated deferred tax of these investment properties has been re-measured on the presumption that they are recovered entirely through sale. The Group has rebutted the presumption in respect of its other investment properties located in the PRC with carrying amounts of approximately HK$226,920,000 (2011: HK$217,661,000) as they are assessed to be depreciable and are held by subsidiaries with a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Deferred tax in relation to these investment properties has not been re-measured.

This change in accounting policy has been applied retrospectively. However, the management concludes that the adoption of amendments to HKAS 12 does not have any significant impact on the current and prior years' results and on the financial position as at 31 December 2011, accordingly, the comparative figures have not been restated.

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.

3. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2012, there have been no changes from prior years 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 generated by the Group's operating segments are summarised as follows:

	2012			
	Property development *HK$'000*	**Property investment and leasing** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Revenue:				
From external customers	**258,937**	**13,165**	**–**	**272,102**
Inter-segment revenue	**–**	**–**	**–**	**–**
Total segment revenue	**258,937**	**13,165**	**–**	**272,102**
Reportable segment profit	**22,420**	**16,400**	**–**	**38,820**
Interest income	**2,694**	**619**	**–**	**3,313**
Depreciation of property, plant and equipment	**(491)**	**(1,866)**	**–**	**(2,357)**
Gain on disposal of investment properties	**–**	**2,477**	**–**	**2,477**
Impairment loss on properties held for sale	**(759)**	**–**	**–**	**(759)**
Fair value adjustments on investment properties	**–**	**22,337**	**–**	**22,337**
Finance costs	**–**	**(1,937)**	**–**	**(1,937)**
Reportable segment assets	**1,034,068**	**348,629**	**–**	**1,382,697**
Additions to non-current segment assets during the year	**5**	**79**	**–**	**84**

	2011			
	Property development *HK$'000*	Property investment and leasing *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue:				
From external customers	362,763	12,419	–	375,182
Inter-segment revenue	6,481	122	(6,603)	–
Total segment revenue	369,244	12,541	(6,603)	375,182
Reportable segment profit	28,763	6,556	–	35,319
Interest income	5,245	675	–	5,920
Depreciation of property, plant and equipment	(547)	(2,860)	–	(3,407)
Gain on disposal of investment properties	–	835	–	835
Impairment loss on properties held for sale	(1,507)	–	–	(1,507)
Fair value adjustments on investment properties	–	8,400	–	8,400
Finance costs	(3,452)	(2,753)	–	(6,205)
Reportable segment assets	1,063,784	363,863	–	1,427,647
Additions to non-current segment assets during the year	29	262	–	291

3. SEGMENT INFORMATION *(Continued)*

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2012	2011
	HK$'000	*HK$'000*
Total segment profit	**38,820**	35,319
Share of results of associates	**20,417**	18,500
Loss on extinguishment of convertible notes	**–**	(829)
Equity-settled employee share-based payments	**(2,947)**	–
Corporate overheads	**(25,235)**	(23,903)
Other unallocated income	**173**	1,921
Profit before income tax	**31,228**	31,008
Reportable segment assets	**1,382,697**	1,427,647
Goodwill	**37,048**	37,048
Interests in associates	**137,402**	134,306
Corporate assets	**59,476**	71,739
Total assets	**1,616,623**	1,670,740

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the PRC.

The Group has a large number of customers and there was no significant revenue derived from specific external customers for the years ended 31 December 2012 and 2011.

4. REVENUE AND OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Revenue, which also represents the Group's turnover		
Proceeds from sale of properties held for sale	**258,937**	362,763
Rental income	**13,165**	12,419
	272,102	375,182
Other income		
Interest income	**3,325**	6,005
Exchange gain, net	**233**	2,937
Others	**1,178**	2,048
	4,736	10,990

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest charges on borrowings which are repayable within five years:		
Bank loans	**10,093**	13,022
Other loan	**8**	–
Imputed interest expense on loans from non-controlling shareholders	**2,071**	2,315
	12,172	15,337
Interest charges on borrowings which are repayable after five years:		
Bank loans	**497**	2,916
	12,669	18,253
Interest charge on convertible notes	**9,188**	5,669
Total interest expense on financial liabilities not at fair value through profit or loss	**21,857**	23,922
Less: Amount capitalised in properties held under development *	**(19,920)**	(17,717)
	1,937	6,205

* The finance costs have been capitalised at a rate of 3.29% (2011: 3.15%) 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 years ended 31 December 2012 and 2011, the interest on bank borrowings which contain a repayment on demand clause amounted to approximately HK$1,811,000 and HK$1,634,000 respectively.

6. PROFIT BEFORE INCOME TAX

	2012	2011
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Cost of properties held for sale recognised as expense	**220,115**	315,423
Depreciation of property, plant and equipment	**3,581**	4,758
Less: Amount capitalised in properties held under development	**(292)**	(36)
	3,289	4,722
Outgoings in respect of investment properties that generated rental income during the year	**3,087**	3,071
Operating lease charges in respect of land and buildings	**309**	336
Auditor's remuneration		
– Audit services	**1,280**	1,200
– Other services	**634**	150
Staff costs (including directors' emoluments)		
– Directors' fee	**836**	788
– Salaries and other benefit in kind	**33,378**	34,238
– Amount recognised as expense for retirement benefit costs	**2,549**	1,362
– Equity-settled employee share-based payments	**2,947**	–
Less: Amount capitalised in properties held under development	**(13,276)**	(11,497)
	26,434	24,891
Loss on disposal of property, plant and equipment	**8,174**	15
Loss on extinguishment of convertible notes	**–**	829
Impairment loss on amount due from an associate	**192**	–
Impairment loss on other receivables	**1,602**	–
Impairment loss on properties held for sales	**759**	1,507
Gain on disposal of investment properties	**(2,477)**	(835)
Exchange gain, net	**(233)**	(2,937)

7. INCOME TAX EXPENSE

	Notes	2012 HK$'000	2011 HK$'000
Current tax – the PRC			
Corporate income tax	*(a)*	**8,699**	5,270
Land appreciation tax ("LAT")	*(b)*		
– current year		**6,273**	11,741
– over-provision in prior years		**(7,380)**	–
		7,592	17,011
Deferred taxation		**8,138**	3,120
Total income tax charge		**15,730**	20,131

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 years ended 31 December 2012 and 2011.

No Hong Kong profits tax has been provided for as the Group had no estimated assessable profits for the year (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.

8. DIVIDENDS

Dividends attributable to the year:

	2012 HK$'000	2011 HK$'000
Proposed 2012 final dividend of 0.2 HK cents (2011: 0.3 HK cents) per ordinary share	**2,571**	3,854

The final dividend proposed after the years ended 31 December 2012 and 2011 had not been recognised as a liability at the end of the reporting period, but reflected as an appropriation of retained profits for the year.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately HK$8,208,000 (2011: HK$12,163,000) and on weighted average of 1,284,780,869 (2011: 1,279,169,644) ordinary shares in issue during the year.

In the calculation of diluted earnings per share attributable to the owners of the Company for the year ended 31 December 2012, the potential shares arising from the conversion of the Company's convertible notes would increase the earnings per share attributable to the 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 the owners of the Company is based on the profit attributable to the owners of the Company of approximately HK$8,208,000 and on weighted average of 1,286,858,075 ordinary shares outstanding during the year ended 31 December 2012, being the weighted average number of ordinary shares of 1,284,780,869 used in basic earnings per share calculation adjusted for the effect of share options issued of 2,077,206.

In the calculation of diluted earnings per share attributable to the owners of the Company for the year ended 31 December 2011, the potential shares arising from the conversion of the Company's convertible notes would increase the earnings per share attributable to the 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 the owners of the Company is based on the profit attributable to the owners of the Company of approximately HK$12,163,000 and on weighted average of 1,280,795,438 ordinary shares outstanding during the year ended 31 December 2011, being the weighted average number of ordinary shares of 1,279,169,644 used in basic earnings per share calculation adjusted for the effect of share options issued of 1,625,794.

10. ACCOUNTS RECEIVABLE

Accounts receivable generally have credit terms of 30 to 60 days (2011: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in Renminbi. The ageing analysis of the Group's accounts receivable, based on invoice dates, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**139**	63
31–60 days	**–**	–
61–90 days	**–**	–
91–120 days	**–**	–
121–365 days	**–**	21
	139	84

11. ACCOUNTS PAYABLE

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

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Within 30 days		**75**	171
31–60 days		**9**	64
61–90 days		**–**	–
91–365 days		**91**	70
Over 365 days		**1,345**	1,253
Rent received on behalf of landlords	*(a)*	**1,520**	1,558
Accrued construction cost and other project-related expenses	*(b)*	**90,677**	88,307
		92,197	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 service providers.

(b) Included in the above amounts are construction cost and other project-related expenses payable amounted to approximately HK$90,677,000 (2011: HK$88,307,000) as at 31 December 2012 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 31 December 2012.

CHAIRMAN'S STATEMENT

Results and Dividends

For the year ended 31 December 2012, New Heritage's revenue fell about 27% from the previous year to approximately HK$272.1 million (HK$375.2 million in 2011). Its profit attributable to the owners of the Company fell about 33% from the previous year to approximately HK$8.2 million (HK$12.2 million in 2011).

The Board has recommended the payment of a final dividend of 0.2 HK cents per ordinary share (0.3 HK cents in 2011) in cash for the year ended 31 December 2012 to shareholders whose names appear on the Register of Members of the Company on 23 May 2013, and will seek the approval of the Company's shareholders at the forthcoming Annual General Meeting on 15 May 2013 for the payment of this final dividend. The dividend warrants are expected to be dispatched to registered shareholders on or around 5 June 2013.

Business Review and Outlook

The second half of 2012 saw a recovery in the PRC property market, particularly in sales volumes of smaller-sized apartment units and a mild rise in prices due to credit easing by the banks which stemmed from cuts in the Reserve Ratio Requirements ("RRR") and also interest rates. Home Purchase Restrictions ("HPR") continued to be enforced in the major cities and these continued to suppress sales of villas and larger apartment units. Housing starts lagged behind as developers focused on improving cashflow and balance sheet strengthening during the course of the year.

Our company's major product in 2012 was the low density townhouse project, Taihu Garden Court ("TGC"), in Guangfu Town in the Wuzhong District of Suzhou, which is subject to HPR so the sales volume and prices did not meet our expectations. However, sales of the remaining units in Phases 1 and 2 of our project, Lakeside Garden Court ("LGC"), in Wujiang District as well as some of our investment properties in Suzhou Garden Villa ("SGV") exceeded our expectations and are in line with the industry trend mentioned above. Our sales of LGC Phase 3 villas in Wujiang were also booked in this financial year and became the main contributor to our revenue stream in 2012 as Wujiang was not subject to HPR. Pre-sales of LGC Phase 4 which are small-sized high-rise apartments have also started in earnest with favourable homebuyers' response and are expected to complete in 2014.

In the coming months we expect to see further improvements in development margins which could well increase the risk of government intervention by raising the cost of credit or the imposition of a property tax. We believe it is still politically unacceptable to the government to have property prices increase much faster than the economic growth of the nation despite there being more low cost housing available now in the market. The continuing urbanisation trend in the PRC will however continue to encourage residential housing development. Our company has been building up our war chest with a view to giving us options across the spectrum including more land acquisition activities, ramping up our development pipeline or reshuffling our products and targets across different sectors or geographical areas. We continue to avoid expensive and overpriced sites and locations with an overabundant supply of housing at price points which undercut the market.

I would like to express my sincere gratitude to our strategic partners, lenders and shareholders for their continued support in these very trying times, as well as to my fellow Board members and loyal colleagues and staff who have worked so hard and continue to do so throughout the course of the year and beyond.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

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

Property Development

For the year 2012, the Central Government of the PRC started easing lending to the sector from the middle of the year. HPR however, continued to be imposed to curb speculation and investment. Townhouses and high-grade residential property markets still suffered due to such austerity measures.

During the year under review, HPR were still not applicable in Wujiang District. This coupled with the administrative amalgamation of the former Wujiang City to the Suzhou municipality as Wujiang District in September 2012, resulted in homebuyers and investors increased expectations for a much more prosperous Wujiang, thereby creating a buoyant market with soaring transaction volumes and some increases in property prices. The Group had taken the bold and intuitive step during the previous year's downturn and earlier in the year to start construction of new phases and so captured such opportunities to expedite the pre-sales of Phases 3 and 4 of our project LGC in Shengze Town, Wujiang before other projects were ready to come onto the market.

The Group's development projects in Suzhou proceeded on schedule in the year under review.

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

Although the general townhouse market in the Greater Suzhou municipality suffered from the strict HPR measures, TGC benefitted from its outstanding architectural design, beautiful classical landscaping and astute sales market targeting, achieving a comparatively decent result in 2012 compared to other townhouse projects nearby.

During the year, a low-density townhouse from Phase 1 of gross floor area about 300 sq.m. was sold, with sales turnover of about HK$3.2 million. Only an inventory of 8 townhouses of Phase 1 remained for sale. Phase 2 comprised 110 low-density townhouses of total gross floor area of about 24,700 sq.m. of which 41 townhouses with gross floor area around 9,100 sq.m. were sold in the reporting period and generated revenue of about HK$112.4 million.

Phase 3, which consists of 84 low-density townhouses with a total gross floor area of around 20,000 sq.m., will be completed in the coming year. Incorporating further design improvements, these townhouses will be even more sought after by local buyers.

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 a gross floor area of approximately 154,700 sq.m.. Ever since our arrival in Shengze Town, this project has enjoyed a sound reputation amongst the local community in architectural design, modernity and practicability of living as well as its customer-oriented philosophy, while respecting the local culture and characteristics. These values are reflected in the remarkably high owner-occupancy rate of the project.

The total gross floor area of Phase 1 is around 41,000 sq.m.. During the year under review, approximately 700 sq.m. of the few remaining units in the four high-rise residential buildings were sold, generating a revenue about HK$4.7 million.

During the year, a total gross floor area of around 3,000 sq.m. of the few remaining apartments in Phase 2 was sold, and about HK$22.6 million of revenue was generated. As of 31 December 2012, Phase 2, which comprises 4 blocks of high-rise residential buildings with a total gross floor area about 35,900 sq.m., was 100% sold or contracted for.

Phase 3, which comprises 86 low-density townhouses designed by an internationally renowned architecture firm with a gross floor area around 19,600 sq.m., was completed as scheduled during the second half of 2012. During the year under review, 42 townhouses with gross floor area about 9,700 sq.m. were sold, generating revenue of around HK$116.0 million. Many are buyers excited at the prospect of moving into their first ever villas. Public praise of our efficient use of space, practical layout and modern elevations has attracted buyers from neighbouring townships. The Group's objective is to sell the remaining villas at a much better premium price, so sales were suspended towards the end of 2012.

Phase 4 will consist of 6 blocks of high-rise residential buildings of mainly small apartment units (under 90 sq.m. each) with a total gross floor area of about 58,200 sq.m.. Construction commenced as scheduled. The project's sound reputation, pioneering use of show flats in this township, together with the currently market-favoured small apartment units, resulted in a successful pre-sale launch towards the end of 2012 such that 124 units of gross floor area of about 11,000 sq.m. were pre-sold for a total contract sum of about HK$91.0 million to be recognised as revenue. Phase 4 is scheduled for delivery in 2014.

3. ***Wuzhong Office Building,*** *Wuzhong, Suzhou*

This project is centrally located in the upcoming Yuexi subdistrict of Wuzhong and surrounded by various government office buildings. The site area of this project is approximately 14,600 sq.m. and usage is commercial. The design of this building comprises of office, Small Office/Home Office ("SOHO") units and retail space, with saleable gross floor area around 58,400 sq.m.. Construction of the metro subway station nearby has already been underway in the latter part of the year in review. The Group still wishing to focus on its traditional strength in the residential sector and less so on the commercial/office building sector, has therefore also been exploring the possibility of seeking co-investors or buyers for this project.

Property Investment

During the year under review, the Group's 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 gradual increase in traffic of Suzhou Metro Line 1 and the progressive commercialisation of the region attracted more qualified residential buyers who showed interest in purchasing the Group's remaining SGV high-rise apartments.

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

SGV Plaza of retail gross floor area around 11,000 sq.m. generated rental income of about HK$7.1 million in the period under review, with about 93% occupancy rate as of 31 December 2012. Only one of the major tenants' lease was not renewed in accordance with our strategy to improve tenant mix. The vacancy period is expected to be relatively short.

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

Garden Court Plaza, a 3-storey retail centre with a total gross floor area of around 4,500 sq.m., was 100% let and generated rental income of approximately HK$3.0 million for the year.

3. ***SGV Apartments,*** *Suzhou New District*

During the year under review, the Group sold about 1,600 sq.m. of investment apartments with proceeds of about HK$21.9 million. As of 31 December 2012, the Group still held approximately 6,000 sq.m. (37 units) of residential investment property. Rental revenue under the year of review was approximately HK$3.1 million.

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

During the year under review, the operational results of Beijing Landmark have continued to improve steadily when compared with that of 2011. Due to renovation of other hotels in close proximity 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 and 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 subsidiaries – Suzhou New Heritage Wuzhong Limited (developer of Wuzhong Garden Court which has been undergoing the process of voluntary liquidation as at 31 December 2012) and Suzhou New Heritage GF Limited (developer of TGC).

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.

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 year ended 31 December 2012 was approximately HK$272.1 million (2011: HK$375.2 million), representing a decrease of about 27% when compared with last year. The decrease in the Group's revenue was mainly due to decrease in revenue from recognised property development sale.

The revenue from recognised property development sales included the disposal of 42 low-density townhouses in TGC Phases 1 and 2, 32 residential apartment units and 42 low-density townhouses in LGC Phases 1, 2 and 3 of approximately HK$115.6 million, approximately HK$27.3 million and approximately HK$116.0 million respectively. The Group's total gross floor area of development properties sold for the year ended 31 December 2012 was approximately 22,800 sq.m. (2011: 48,900 sq.m.).

Leasing revenue from investment properties for the year ended 31 December 2012 was approximately HK$13.2 million (2011: HK$12.4 million). The leasing revenue generated from the investment properties in Suzhou Garden Villa and two retail centres was approximately HK$3.1 million (2011: HK$3.7 million) and approximately HK$10.1 million (2011: HK$8.7 million) respectively.

Operating Results

For the year ended 31 December 2012, the Group's gross profit amounted to approximately HK$48.9 million (2011: HK$56.7 million). The gross profit margin for the year ended 31 December 2012 was approximately 18% as compared to approximately 15% last year.

Finance costs for the year amounted to approximately HK$1.9 million as compared to approximately HK$6.2 million last year. The decrease was mainly due to the increase in finance costs capitalised to properties held under development. There was a non-cash item of approximately HK$0.2 million (2011: HK$1.2 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 31 December 2012 was conducted by an independent property valuer which resulted in a positive fair value adjustment of approximately HK$22.3 million for the year ended 31 December 2012 (2011: HK$8.4 million).

During the year, certain investment properties were sold for a total consideration of approximately HK$21.9 million (2011: HK$11.9 million).

Share of results of associates mainly represented the profit contributed by Beijing Landmark to the Group for the year of approximately HK$20.4 million (2011: HK$18.5 million).

For the year ended 31 December 2012, the profit attributable to the owners of the Company was approximately HK$8.2 million (2011: HK$12.2 million) which represented a basic earnings per share of 0.64 HK cents (2011: 0.95 HK cents).

Liquidity, Financial Resources and Gearing

Cash and cash equivalents as at 31 December 2012 amounted to approximately HK$291.0 million (2011: HK$265.7 million).

The Group had total bank borrowings of approximately HK$122.5 million as at 31 December 2012 (2011: HK$265.2 million). Borrowings classified as current liabilities were approximately HK$219.5 million (2011: HK$187.2 million) and the Group's gearing ratio as at 31 December 2012 was approximately 12% (2011: 26%), which was based on total bank borrowings to total equity.

Current, Total and Net Assets

As at 31 December 2012, the Group had current assets of approximately HK$1,088.0 million (2011: HK$1,139.1 million) and current liabilities of approximately HK$447.5 million (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$640.5 million as at 31 December 2012.

As at 31 December 2012, the Group recorded total assets of approximately HK$1,616.6 million (2011: HK$1,670.7 million) and total liabilities of approximately HK$589.0 million (2011: HK$667.6 million), representing a debt ratio (total liabilities over total assets) of approximately 36% (2011: 40%). Net assets of the Group was approximately HK$1,027.6 million as at 31 December 2012 (2011: HK$1,003.1 million).

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

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

Charge on Assets

As at 31 December 2012, bank loans of approximately HK$89.2 million were secured by certain of the Group's land and buildings and properties held under development of approximately HK$38.3 million and approximately HK$71.6 million respectively.

As at 31 December 2011, bank loans of approximately HK$243.1 million were secured by certain of the Group's land and buildings, investment properties and properties held under development of approximately HK$39.1 million, approximately HK$158.7 million and approximately HK$211.0 million respectively.

Contingent Liabilities

The Directors considered that there were no material contingent liabilities as at 31 December 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 year 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 years ended 31 December 2012 and 2011. Nevertheless, any appreciation in the currency value of Renminbi against Hong Kong dollars will contribute positively to the Group's result.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As at 31 December 2012, the Group had a staff roster of 103 (2011: 106), of which 75 (2011: 78) employees were based in the mainland China and 28 (2011: 28) employees in Hong Kong SAR. The remuneration of employees was in line with the 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 the granting of share options within an approved scheme.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 0.2 HK cents per ordinary share in cash for the year ended 31 December 2012 to shareholders whose names appear on the register of members of the Company on 23 May 2013. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 15 May 2013 (the "Annual General Meeting"), the dividend warrants will be dispatched to shareholders of the Company on or around 5 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2013 to 15 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 May 2013.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 23 May 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on both days of 22 May 2013 to 23 May 2013, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 May 2013.

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 year ended 31 December 2012, the Group complied with all the code provisions as set out in the Code on Corporate Governance Practices (from 1 January 2012 to 31 March 2012) and Corporate Governance Code (from 1 April 2012 to 31 December 2012) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2012.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2012.

The consolidated financial statements have been audited by the Group's auditor, BDO Limited. The unqualified auditor's report will be included in the 2012 Annual Report to shareholders.

SCOPE OF WORK OF BDO LIMITED

The financial figures in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2012. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by BDO Limited on this announcement.

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

The Company has not redeemed any of its shares during the year. Other than the issue of 860,000 shares by the Company during the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND CIRCULAR

The annual results announcement is published on the websites of the Company (www.nh-holdings.com) and the Stock Exchange (www.hkex.com.hk). The 2012 Annual Report and a circular containing the notice of Annual General Meeting 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 annual results announcement only gives a summary of the information and particulars of the 2012 Annual Report from which the contents of this announcement are derived.

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

Hong Kong, 21 March 2013