

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong.

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22 November 2005

The Directors
New Heritage Holdings Ltd.
Tanrich Capital Limited
Altus Capital Limited

Dear Sirs

We set out below our report on the financial information of New Heritage Investments Limited (“NH Investments”) for each of the years ended 31 December 2002, 2003, 2004 and the six months ended 30 June 2005 (the “Relevant Periods”) for inclusion in the prospectus of New Heritage Holdings Ltd. (the “Company”) dated 22 November 2005 (the “Prospectus”) in connection with the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited.

NH Investments was incorporated in Hong Kong on 20 July 1984 as a limited liability company.

The statutory accounts of NH Investments were prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and audited by Glass Radcliffe Chan, Baker Tilly Hong Kong Limited and Grant Thornton for the years ended 31 December 2002, 2003 and 2004 respectively. For the purpose of this report, the directors of NH Investments have prepared management accounts for the six months ended 30 June 2005 in accordance with HKFRS issued by the HKICPA.

We have examined the audited accounts or unaudited management accounts, where applicable, of NH Investments in the Relevant Periods and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The financial information as set out in Sections I to IV below (“Financial Information”) has been prepared based on the audited accounts or, where appropriate, the unaudited management accounts of NH Investments, which were prepared in accordance with and comply with all applicable HKFRS issued by the HKICPA, after making such adjustments as are appropriate. The directors of NH Investments are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of NH Investments are responsible for the preparation of the Financial Information of NH Investments. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of NH Investments as at 31 December 2002, 2003, 2004 and 30 June 2005 and of the results and cash flows of NH Investments for the Relevant Periods.

The unaudited comparative financial information of NH Investments for the six months ended 30 June 2004 has been prepared solely for the purpose of this report. The directors of NH Investments are responsible for preparing this comparative financial information. It is our responsibility to form an independent conclusion, based on our review, on this comparative financial information and to report our conclusion to you. For the purpose of this report, we have performed a review of the financial information for the six months ended 30 June 2004 in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consists principally of making enquiries of the management of NH Investments and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information for the six months ended 30 June 2004. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the financial information for the six months ended 30 June 2004.

I. FINANCIAL INFORMATION

1. Income statements

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2002	2003	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
Revenue	4	39	8	265	–	202
Administrative and other operating expenses		(3,780)	(3,858)	(1,527)	(287)	(722)
Loss from operations	5	(3,741)	(3,850)	(1,262)	(287)	(520)
Share of profit of an associate		10,544	8,511	19,374	7,563	10,060
Profit before taxation		6,803	4,661	18,112	7,276	9,540
Taxation	6	–	–	–	–	–
Profit attributable to equity holders of NH Investments		<u>6,803</u>	<u>4,661</u>	<u>18,112</u>	<u>7,276</u>	<u>9,540</u>
Dividend	7	<u>10,118</u>	<u>6,240</u>	<u>–</u>	<u>20,124</u>	<u>–</u>
Earnings per share – basic	8	<u>HK\$6.80</u>	<u>HK\$4.66</u>	<u>HK\$18.11</u>	<u>HK\$6.69</u>	<u>HK\$9.54</u>

2. Balance sheets

		At 31 December			At 30 June
		2002	2003	2004	2005
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	9	17	–	–	–
Interest in an associate	10	80,717	77,633	90,066	80,165
Other investments	11	19,841	19,841	–	–
		<u>100,575</u>	<u>97,474</u>	<u>90,066</u>	<u>80,165</u>
Current assets					
Amount due from a related company		–	–	–	120
Other receivables		198	195	262	480
Dividend receivable		11,475	–	–	–
Cash at banks and in hand		139	162	170	17,267
		<u>11,812</u>	<u>357</u>	<u>432</u>	<u>17,867</u>
Current liabilities					
Other payables		88	45	47	55
Dividend payable		–	–	–	20,124
Amount due to a director	12	–	141	114	–
Amounts due to related companies	12	3,626	1,048	1,079	1,759
		<u>3,714</u>	<u>1,234</u>	<u>1,240</u>	<u>21,938</u>
Net current assets/(liabilities)		<u>8,098</u>	<u>(877)</u>	<u>(808)</u>	<u>(4,071)</u>
Total assets less current liabilities		108,673	96,597	89,258	76,094
Non-current liabilities					
Advances from shareholders	13	89,226	79,289	52,600	–
Net assets		<u>19,447</u>	<u>17,308</u>	<u>36,658</u>	<u>76,094</u>
EQUITY					
Capital and reserves attributable to the equity holders of NH Investments					
Share capital	14	10,000	10,000	10,000	62,600
Reserves	15	9,447	7,308	26,658	13,494
		<u>19,447</u>	<u>17,308</u>	<u>36,658</u>	<u>76,094</u>

3. Cash flow statements

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Cash flows from operating activities					
Profit before taxation	6,803	4,661	18,112	7,276	9,540
Adjustments for:					
Bad debts written off	95	–	–	166	–
Bank interest income	–	(8)	(15)	–	(2)
Depreciation	17	17	–	–	–
Share of profit of an associate	(10,544)	(8,511)	(19,374)	(7,563)	(10,060)
Operating loss before working capital changes	(3,629)	(3,841)	(1,277)	(121)	(522)
Decrease/(Increase) in amount due from an associate	38	–	(107)	22	(194)
Decrease/(Increase) in amount due from a related company	2	–	–	(120)	–
(Increase)/Decrease in other receivables	(153)	3	(67)	(384)	(7)
Increase/(Decrease) in other payables	38	(43)	2	8	2
Increase/(Decrease) in amount due to a director	–	141	(27)	(114)	–
Increase/(Decrease) in amounts due to related companies	708	(2,578)	31	680	717
Net cash used in operating activities	(2,996)	(6,318)	(1,445)	(29)	(4)
Cash flows from investing activities					
Dividend received from an associate	–	22,510	8,286	17,126	8,285
Interest received	–	8	15	–	2
Net cash generated from investing activities	–	22,518	8,301	17,126	8,287
Cash flows from financing activities					
Proceeds from/(Repayment of) advances from shareholders	3,017	(16,177)	(6,848)	–	–
Net cash generated from/(used in) financing activities	3,017	(16,177)	(6,848)	–	–
Net increase in cash and cash equivalents	21	23	8	17,097	8,283
Cash and cash equivalents at the beginning of the year/period	118	139	162	170	162
Cash and cash equivalents at the end of the year/period	<u>139</u>	<u>162</u>	<u>170</u>	<u>17,267</u>	<u>8,445</u>
Analysis of the balance of cash and cash equivalents					
Cash at banks and in hand	<u>139</u>	<u>162</u>	<u>170</u>	<u>17,267</u>	<u>8,445</u>

4. Statements of changes in equity

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Attributable to equity holders of NH Investments					
Share capital					
Balance at 1 January	10,000	10,000	10,000	10,000	10,000
Issue of share capital	—	—	—	52,600	—
Balance at the end of the year/period	10,000	10,000	10,000	62,600	10,000
Available-for-sale financial assets revaluation reserve					
Balance at 1 January	—	—	—	—	—
Fair value adjustment taken to equity	—	—	(15,692)	—	(15,692)
Transferred to income statement on sale	—	—	15,692	—	—
Balance at the end of the year/period	—	—	—	—	(15,692)
Property, plant and equipment revaluation reserve					
Balance at 1 January	23,793	20,029	19,839	20,993	19,839
Share of associate's revaluation surplus/(deficit)	(3,764)	(190)	1,154	(238)	—
Balance at the end of the year/period	20,029	19,839	20,993	20,755	19,839
Exchange reserve					
Balance at 1 January	(20,156)	(20,167)	(20,537)	(20,453)	(20,537)
Share of associate's translation reserve movement	(11)	(370)	84	(78)	—
Balance at the end of the year/period	(20,167)	(20,537)	(20,453)	(20,531)	(20,537)
Statutory reserve					
Balance at 1 January	978	2,254	3,477	4,400	3,477
Share of associate's statutory reserve movement	1,276	1,223	923	1,903	—
Balance at the end of the year/period	2,254	3,477	4,400	6,303	3,477
Retained profits					
Balance at 1 January	11,922	7,331	4,529	21,718	4,529
Profit attributable to shareholders	6,803	4,661	18,112	7,276	9,540
Dividend paid	(10,118)	(6,240)	—	(20,124)	—
Share of associate's statutory reserve movement	(1,276)	(1,223)	(923)	(1,903)	—
Balance at the end of the year/period	7,331	4,529	21,718	6,967	14,069
Total equity	19,447	17,308	36,658	76,094	11,156

II. NOTES TO THE FINANCIAL INFORMATION**1. PRINCIPAL ACCOUNTING POLICIES****Statement of compliance**

The Financial Information has been prepared in accordance with the Standards and Interpretations of the Hong Kong Financial Reporting Standards (herein collectively referred to as "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as applicable to Accountants' Report included in the Prospectus.

Basis of preparation of Financial Information

NH Investments has early adopted new or revised HKFRS which are effective for accounting periods beginning on or after 1 January 2005, issued by the HKICPA for the preparation of this Financial Information of NH Investments for the year ended 31 December 2004. The following is the list of HKFRS which are relevant to its operation:

HKFRS 3	Business Combinations
HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39	Transition and Initial Recognition of Financial Assets and Financial
Amendment	Liabilities

All the above standards have been applied retrospectively except where specific transitional provisions require a different treatment as set out in note 1(d).

The Financial Information has been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the NH Investments had net current liabilities of HK\$4,071,000 as at 30 June 2005. The going concern basis has been adopted on the basis of the continuing financial support is provided by the holding company, New Heritage Holdings Ltd.

The Financial Information has been prepared in accordance with the significant accounting policies set out below and these accounting policies are in accordance with the HKFRS. The Financial Information has been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets. The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of NH Investments. The principal accounting policies adopted are as follows:

(a) Associates

Associates are all entities over which NH Investments has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

NH Investments' share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When NH Investments' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, NH Investments does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between NH Investments and its associates are eliminated to the extent of NH Investments' interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by NH Investments.

(b) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of NH Investments are measured using the currency of the primary economic environment in which NH Investments operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is NH Investments' functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Foreign operation

The results and financial position of the associate has a functional currency different from the presentation currency and are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- (3) all resulting exchange differences are recognised as a separate component of equity.

(c) Property, plant and equipment

(i) Depreciation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	10%
Office equipment	20%

The assets' useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

(ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to NH Investments and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(d) Investments

As a result of early adoption of HKAS 39 "Financial Instruments: Recognition and Measurement" in the year ended 31 December 2004, investments classified as available-for-sale financial assets are non-derivatives. Investment is included in non-current assets unless management intends to dispose of the investment within twelve months from the balance sheet date.

Purchase and sales of investments are recognised on trade-date which is the date on which NH Investments commits to purchase or sell the asset. Investment is initially recognised at fair value plus transaction costs. Investment is derecognised when the rights to receive cash flows from the investments have expired or have been transferred and NH Investments has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains or losses arising from changes in fair value are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statements as gains and losses from investment.

Prior to the early adoption of HKAS 39, investments are classified as other investments and are carried at cost less impairment losses.

(e) Other receivables and amount due from a related company

Other receivables and amount due from a related company are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is an objective evidence that NH Investments will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective rate of interest rate.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(g) Income tax

Income tax for the year comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in associates, except where NH Investments is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Most changes in deferred tax is charged or credited to the income statement. Only changes in deferred tax assets and liabilities that relate to a change in value of assets and liabilities that is charged directly to equity are charged or credited directly to equity.

(h) Impairment testing of property, plant and equipment

NH Investments' property, plant and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

The individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

(i) Other payables, amounts due to a director/ related companies and advances from shareholders

Liabilities for other payables and amounts due to a director/ related companies and advances from shareholders are initially carried at fair value, whether or not billed to NH Investments, and subsequently measured at amortised cost using the effective interest method less settlement payments.

(j) Equity

Share capital is determined using the nominal value shares that have been issued.

The revaluation reserves comprise gains and losses due to the revaluation of certain financial assets and the associate's property, plant and equipment.

Foreign currency translation differences are included in the exchange reserve.

Statutory reserve appropriation of the associate is included in the statutory reserve.

Retained earnings include all current and prior period results as determined in the income statement.

(k) Revenue recognition

Dividend income is recognised when NH Investments' right as a shareholder to receive payment is established.

Interest income is recognised on a time proportion basis.

(l) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term highly liquid investments with original maturities of three months or less.

2. FINANCIAL INSTRUMENTS

NH Investments does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage NH Investments' exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, NH Investments employs a conservative strategy regarding its risk management. As the directors of NH Investments consider that NH Investments' exposure to market risk is kept at a minimum level, NH Investments has not used any derivatives or other instruments for hedging purposes. NH Investments does not hold or issue derivative financial instruments for trading purposes. The financial assets of NH Investments comprise primarily other receivables, bank balances and cash and amount due from a related company. The financial liabilities of NH Investments comprise other payables, amounts due to a director and related companies and advances from shareholders.

(a) Interest rate risk

NH Investments has no significant interest-bearing assets, the income and operating cash flows are substantially independent of changes in market interest rates.

(b) Foreign exchange risk

NH Investments has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The currencies giving rise to this risk are primarily U.S. Dollars, Sri Lanka Rupee and Renminbi.

(c) Credit risk

The carrying amounts of other receivables represent NH Investments' maximum exposure to credit risk in relation to its financial assets. NH Investments has no other significant concentration of credit risk. No other financial assets carry a significant exposure to credit risk.

(d) Fair value

The fair value of NH Investments' financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

3. SEGMENT INFORMATION

Investment holding is the only business segment of NH Investments throughout the Relevant Periods. The major investment held by NH Investments is investment in an associate which engages in hotel ownership and property investment in the People's Republic of China ("PRC"). No geographical segment analysis is presented as no revenue and contribution to operating results is attributable to investments of NH Investments for the Relevant Periods. Accordingly, no separate business and geographical segment information is prepared.

4. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Revenue comprises:					
Bank interest income	—	8	15	—	2
Exchange gain	39	—	50	—	—
Sundry income	—	—	200	—	200
	<u>39</u>	<u>8</u>	<u>265</u>	<u>—</u>	<u>202</u>

Turnover

Turnover represents dividend received and receivable. No dividend in respect of the other investments was received for the Relevant Periods.

5. LOSS FROM OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Loss from operations is arrived at after charging:					
Adjustment arising from the excess included in the carrying amount of the company's interest in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of investment	1,928	1,854	—	—	—
Depreciation	17	17	—	—	—
Auditors' remuneration	15	15	15	8	—
Bad debts written off	95	—	—	166	—
Management fee	1,152	1,152	1,152	—	576
Operating lease charges in respect of land and buildings	<u>288</u>	<u>288</u>	<u>288</u>	<u>—</u>	<u>144</u>

6. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Hong Kong profits tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

No Hong Kong profits tax has been provided as NH Investments did not derive any assessable profits in Hong Kong for the Relevant Periods.

Reconciliation between taxation and accounting profit at applicable tax rates is as follows:

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before taxation	<u>6,803</u>	<u>4,661</u>	<u>18,112</u>	<u>7,276</u>	<u>9,540</u>
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	1,089	816	3,170	1,273	1,670
Tax effect of non-deductible expenses	604	675	267	50	126
Tax effect of non-taxable revenue	<u>(1,693)</u>	<u>(1,491)</u>	<u>(3,437)</u>	<u>(1,323)</u>	<u>(1,796)</u>
Total taxation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. NH Investments has unrecognised tax losses of approximately HK\$1,517,000 for each of the Relevant Periods to carry forward against future taxable income. These tax losses have no expiry date under current tax legislation.

7. DIVIDEND

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interim dividend of HK\$10.12, HK\$6.24, HK\$Nil, and HK\$20.12 per share	<u>10,118</u>	<u>6,240</u>	<u>—</u>	<u>20,124</u>	<u>—</u>

8. EARNINGS PER SHARE

Earnings per share are calculated based on profit attributable to equity holders of NH Investments for the Relevant Periods and 1,000,000 shares in issue during the three years ended 31 December 2004 and the weighted average number of shares of 1,087,182 ordinary shares for the six months ended 30 June 2005.

No dilutive earnings per share has been presented as NH Investments had no dilutive potential shares.

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002			
Cost	169	29	198
Accumulated depreciation	(135)	(29)	(164)
Net book amount	<u>34</u>	<u>–</u>	<u>34</u>
Net book value			
At 1 January 2002	34	–	34
Depreciation	(17)	–	(17)
At 31 December 2002	<u>17</u>	<u>–</u>	<u>17</u>
At 31 December 2002 and 1 January 2003			
Cost	169	29	198
Accumulated depreciation	(152)	(29)	(181)
Net book amount	<u>17</u>	<u>–</u>	<u>17</u>
Net book value			
At 1 January 2003	17	–	17
Depreciation	(17)	–	(17)
At 31 December 2003	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2003 and 1 January 2004			
Cost	169	29	198
Accumulated depreciation	(169)	(29)	(198)
Net book amount	<u>–</u>	<u>–</u>	<u>–</u>
Net book value			
At 1 January 2004 and 2005	–	–	–
Depreciation	–	–	–
At 31 December 2004 and 30 June 2005	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2004, 1 January 2005 and 30 June 2005			
Cost	169	29	198
Accumulated depreciation	(169)	(29)	(198)
Net book amount	<u>–</u>	<u>–</u>	<u>–</u>

10. INTEREST IN AN ASSOCIATE

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	80,807	77,723	90,049	80,170
Amount due (to)/from an associate	(90)	(90)	17	(5)
	<u>80,717</u>	<u>77,633</u>	<u>90,066</u>	<u>80,165</u>

The amount due (to)/from an associate is unsecured, interest free and has no fixed terms of repayment.

Particulars of the associate as at 31 December 2002, 2003, 2004 and 30 June 2005 are as follows:

Name	Place of incorporation and operations	Percentage of interest held by NH Investments	Principal activity
Beijing Landmark Towers Co., Ltd.	PRC	30.05%	Hotel ownership and property investment

Information on the associate

Summary of the financial information of Beijing Landmark Towers Co., Ltd. for the years ended 31 December 2002, 2003, 2004 and the six months ended 30 June 2005, over which NH Investments had significant influence are as follows:

	Year ended 31 December			Six months ended 30 June
	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	188,295	166,424	207,698	104,730
Profit after taxation	35,084	28,324	64,473	25,173

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	533,612	508,444	494,604	490,329
Current assets	53,331	17,083	39,595	22,544
Current liabilities	198,367	224,430	190,270	201,431
Non-current liabilities	120,043	42,694	44,598	44,976

11. OTHER INVESTMENTS

	At 31 December			At
	2002	2003	2004	30 June
	HK\$'000	HK\$'000	HK\$'000	2005
Listed shares, at cost				
Listed overseas	19,841	19,841	–	–
Market value of listed shares	2,737	4,084	–	–

Particulars of other investments at 31 December 2002 and 2003 are as follows:

Name	Place of incorporation and operation	Percentage of interest held by NH Investments	Principal activities
Overseas Realty (Ceylon) Limited	Sri Lanka	3%	Property development and investment holding

Overseas Realty (Ceylon) Limited is a company limited by shares incorporated in Sri Lanka and whose ordinary shares are listed on the Colombo Stock Exchange. NH Investments had interest in 6,788,993 ordinary shares of Rs10 each in the issued and paid up share capital of Overseas Realty (Ceylon) Limited, representing 3% interest in the issued and paid up share capital of Overseas Realty (Ceylon) Limited. Such investment was disposed of to Unity Builder Limited (formerly known as New Heritage Investments Limited), which is a company incorporated in the British Virgin Islands and is a related company of NH Investments, during the year ended 31 December 2004.

12. AMOUNTS DUE TO A DIRECTOR/RELATED COMPANIES

Amounts due are unsecured, interest-free and have no fixed terms of repayment.

13. ADVANCES FROM SHAREHOLDERS

Advances from shareholders are unsecured, interest-free and not repayable within one year.

14. SHARE CAPITAL

Movements of share capital of NH Investments during the Relevant Periods are as follows:

	2002		Year ended 31 December 2003		2004		Six months ended 30 June 2005	
	Number of share	HK\$'000	Number of share	HK\$'000	Number of share	HK\$'000	Number of share	HK\$'000
<i>Authorised:</i>								
Ordinary shares of HK\$10 each								
At the beginning of the year/period	1,000,000	10,000	1,000,000	10,000	1,000,000	10,000	1,000,000	10,000
Increase in authorised share capital	—	—	—	—	—	—	9,000,000	90,000
At the end of the year/period	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>	<u>10,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>								
At the beginning of the year/period	1,000,000	10,000	1,000,000	10,000	1,000,000	10,000	1,000,000	10,000
Issue of shares	—	—	—	—	—	—	5,260,000	52,600
At the end of the year/period	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>	<u>6,260,000</u>	<u>62,600</u>

On 20 May 2005 the authorised share capital of NH Investments was increased from HK\$10,000,000 divided into 1,000,000 shares of HK\$10 each to HK\$100,000,000 by the creation of a further 9,000,000 shares of HK\$10 each ranking pari passu in all respects with the existing shares of NH Investments.

On 28 June 2005, a subscription agreement was entered into between NH Investments and its registered shareholders pursuant to which NH Investments capitalised and set off on a dollar to dollar basis the outstanding shareholders' loan in the total amount of HK\$52,600,000 owed to its shareholders, by having applied such amount to allot and issue at par of 5,260,000 shares of HK\$10 each, on the same day.

15. RESERVES

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment revaluation reserve	20,029	19,839	20,993	20,755
Exchange reserve	(20,167)	(20,537)	(20,453)	(20,531)
Statutory reserve*	2,254	3,477	4,400	6,303
Retained profits	<u>7,331</u>	<u>4,529</u>	<u>21,718</u>	<u>6,967</u>
	<u>9,447</u>	<u>7,308</u>	<u>26,658</u>	<u>13,494</u>

* According to the relevant PRC Laws, the associate is required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the associate's registered capital. The transfer of this reserve must be made before the distribution of dividend to the associate's equity owners. The statutory reserve is non-distributable other than upon the liquidation of the associate.

16. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

None of the directors and senior management received or will receive any fees or emoluments in respect of their services to NH Investments during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by NH Investments to any of the directors or senior management as an inducement to join or upon joining NH Investments or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

17. RETIREMENT BENEFIT SCHEMES

NH Investments did not participate in any retirement benefit plan during the Relevant Periods and no contribution was paid during the Relevant Periods. NH Investments has no obligations for the payment of retirement and other post-retirement benefits of employees or retirees.

18. COMMITMENTS

As at 31 December 2002, 2003 and 2004 and 30 June 2005, there were no material commitments for NH Investments.

19. RELATED PARTY TRANSACTIONS

NH Investments had the following transactions with its related companies:

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fee paid to a related company	1,152	1,152	1,152	–	576
Operating lease charges paid to a related company	288	288	288	–	144

During the year ended 31 December 2004, NH Investments sold other investments to a related party at the consideration of HK\$19,841,000 which was the cost of the investment.

In the opinion of the directors, the above transactions are based on the terms mutually agreed by both parties in the ordinary course of the business.

20. CONTINGENT LIABILITIES

As at 31 December 2002, 2003 and 2004 and 30 June 2005, there were no material contingent liabilities for NH Investments.

III. SUBSEQUENT EVENTS

Subsequent to 30 June 2005, the entire interest of NH Investments was acquired by a subsidiary of New Heritage Holdings Ltd. and the directors of NH Investments consider Belbroughton Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

IV. SUBSEQUENT ACCOUNTS

No audited accounts of NH Investments have been prepared in respect of any period subsequent to 30 June 2005.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong