



## REPORT OF THE AUDITORS



*Suite 1303, Shanghai Ind. Investment Building  
60 Hennessy Road, Wanchai, Hong Kong*

**TO THE MEMBERS OF  
NEW CITY (BEIJING) DEVELOPMENT LIMITED**  
*(incorporated in Cayman Islands with limited liability)*

We have audited the financial statements on pages 25 to 69 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

### SCOPE LIMITATION ON THE RECOVERABILITY OF CERTAIN AMOUNTS

As at 31 December 2004, the prepayments and other receivables of the Group included an interest free loan due from a third party and temporary advances to third parties of HK\$37.6 million and HK\$12 million respectively, both of the balance sheets of the Company and the Group included an amount due from a former director of HK\$2.5 million, and the prepayments and other receivables of the Company included a temporary advance to a third party of HK\$6.1 million. We were unable to obtain sufficient financial information relating to the financial position of these parties so as to assess the recoverability.



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Any adjustments found to be necessary had we been able to satisfy ourselves as to the recoverability of such amounts would have a consequential impact on the net liabilities of the Company and the Group as at 31 December 2004 and the results of the Group for the year then ended. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS**

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which describe the liquidity position of the Group and concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends on continuous support from its bankers, creditors and shareholders and the ability to generate adequate working capital in the future. The financial statements do not include any adjustments that may be necessary should the future operations cannot generate adequate working capital. We consider that appropriate disclosures have been made in respect of the fundamental uncertainty relating to the going concern basis and our opinion is not qualified in this respect.

### **OPINION**

Except for any adjustments that might have been found necessary had we been able to satisfy ourselves regarding the matters as set out in the scope limitation under the basis of opinion section of this report, in our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2004 and of the results and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work as set out in the basis of opinion section of this report, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

#### **KLL Associates CPA Limited**

*Certified Public Accountants (Practising)*

#### **Lee Ka Leung, Daniel**

*Practising Certificate Number P01220*

Hong Kong, 26 April 2005