



BDO McCabe Lo Limited
Certified Public Accountants
德豪嘉信會計師事務所有限公司

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TO THE SHAREHOLDERS OF NEW CITY (BEIJING) DEVELOPMENT LIMITED

新城市(北京)建設有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 70 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 statements and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed 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:

As at 31 December 2005, the prepayments and other receivables of the Group included an interest free loan due from a third party of HK\$36.8 million, an amount due from a minority equity owner of a subsidiary of the Group of HK\$12.6 million and temporary advances to third parties of HK\$12.1 million, and both the prepayments and other receivables of the Group and the Company included an amount due from a former director of HK\$2.5 million and temporary advances to third parties of HK\$7.0 million. We were unable to obtain sufficient information about the financial position of these parties so as to assess the recoverability of these amounts.

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 Group and the Company as at 31 December 2005 and the results of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the preparation 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 the Company and the adoption of the going concern basis in the preparation of the financial statements. The financial statements have been prepared on a going concern basis, the validity of which depends on continuous support from the Group's bankers, creditors and shareholders and the Group's and the Company's ability to generate adequate working capital in the future. The financial statements do not include any adjustments that would be necessary should future operations be unable to 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.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to satisfy ourselves regarding the recoverability of the amounts set out in the basis of opinion section of this report, in our opinion the financial statements given a true and fair view of the state of the affairs of the Group and the Company as at 31 December 2005 and of the Group's results and cash flows 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 in respect of prepayments and other receivables, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

BDO McCabe Lo Limited

Certified Public Accountants

Lee Ka Leung, Daniel

Practising Certificate no. P01220

Hong Kong, 8 May 2006