



SHINEWING (HK) CPA Limited
20/F., Shui On Centre
6-8 Harbour Road, Hong Kong

**TO THE SHAREHOLDERS OF
NEW CITY (CHINA) DEVELOPMENT LIMITED
(FORMERLY KNOWN AS NEW CITY (BEIJING) DEVELOPMENT LIMITED)**
(incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of New City (China) Development Limited (the "Company") and its subsidiaries (collectively referred as the "Group") on pages 25 to 62, which comprise the consolidated balance sheet as at 31st December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the consolidated financial statements

The Company's directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely 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. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matter described in the basis for disclaimer of opinion paragraph and the fundamental uncertainties relating to the going concern basis, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Included in the consolidated balance sheet as at 31st December 2006, the prepayments and other receivables, included an amount due from a third party of HK\$35.2 million (2005: HK\$36.8 million), an amount due from a minority equity owner of a subsidiary of the Group of HK\$12.6 million (2005: HK\$12.6 million), temporary advances to third parties of HK\$25.5 million (2005: HK\$19.1 million) and an amount due from a former director of HK\$2.5 million (2005: HK\$2.5 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 as at 31st December 2006 and the results of the Group for the year then ended.

Fundamental uncertainties relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the consolidated financial statements which describe the liquidity position of the Group, the Group has certain overdue bank borrowings and other borrowings and the adoption of the going concern basis in the preparation of the consolidated financial statements.

As at 31st December 2006, the Group had net current liabilities of approximately HK\$185 million and net liabilities of approximately HK\$195 million. In addition, the Group has overdue bank borrowings and other borrowings totaling approximately HK\$90 million and HK\$70 million, respectively and such amounts have become repayable on demand. Based on the current financial position of the Group, the Group might have difficulty to repay the overdue bank and other borrowings in cash. If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the Group at 31st December 2006. We consider that appropriate disclosures have been made but because of the significant uncertainty relating to whether the going concern basis adopted in the consolidated financial statements is appropriate, we have disclaimed our opinion.

Disclaimer of opinion: disclaimer on view given by consolidated financial statements

Because of the significance of the matters described in the paragraphs of the basis for disclaimer of opinion and the fundamental uncertainties relating to the going concern basis, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31st December 2006 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lo Wa Kei

Practising Certificate Number: P03427

Hong Kong

30th April 2007