



INDEPENDENT AUDITORS' REVIEW REPORT

**To the Board of Directors
Century City International Holdings Limited**

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 10 to 30.

Respective responsibilities of Directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion 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.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report 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 interim financial report.

Fundamental uncertainty - Investments in two investee companies

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 11 to the interim financial report concerning the outcome of the negotiations with the relevant government authorities in the People's Republic of China in respect of the resumption in 2000 of a land site beneficially and collectively held by two investee companies (the "Investee Companies"), which is included in long term investments under non-current assets of Paliburg Holdings Limited ("PHL"), a principal listed subsidiary company of the Group, and its subsidiary companies (the "PHL Group"). The carrying value of the PHL Group's investments in the Investee Companies amounted to HK\$56.9 million (31st December, 2003 - HK\$56.9 million) as at 30th June, 2004. As further described in note 11 to the interim financial report, the directors of PHL are not able to determine with reasonable certainty the ultimate outcome of the negotiations with respect to the grant of



the land use rights and the resolution of certain other outstanding issues with the other parties involved in the Investee Companies. Should the Investee Companies ultimately fail to secure the title to the land site or the PHL Group's proposed disposal of its investments in the Investee Companies fail to materialise, appropriate adjustment against the carrying value of the PHL Group's investments in the Investee Companies might be required. Details of the circumstances relating to this fundamental uncertainty are described in note 11 to the interim financial report.

Fundamental uncertainty relating to the going concern basis

In arriving at our review conclusion, we have also considered the adequacy of the disclosures made in note 2 to the interim financial report which explain the circumstances giving rise to the fundamental uncertainty relating to the successful implementation of the debt restructuring proposal (the "Debt Restructuring") to replace the Group's existing informal standstill arrangement.

The interim financial report has been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Debt Restructuring. The interim financial report does not include any adjustments that would result from the failure of the Debt Restructuring. Details of the circumstances relating to this fundamental uncertainty are described in note 2 to the interim financial report.

Review conclusion

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 interim financial report for the six months ended 30th June, 2004.

Ernst & Young

Certified Public Accountants

Hong Kong
16th September, 2004