



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 6 to 22.

Directors' Responsibilities

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 Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review Work Performed

We conducted our review in accordance with SAS 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of 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 - Provisions against investments in two investee companies

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 12 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 of a land site beneficially and collectively held by two investee companies (the "Investee Companies"). The carrying value of the Group's investments in the Investee Companies amounted to HK\$298.9 million as at 30th June, 2001 which has been classified under long term investments. The Directors are currently unable to determine with reasonable certainty the outcome of the negotiations for the reversion of the land site to the Investee Companies. Accordingly, it is not possible to determine at this stage as to whether any provision against the Group's investments in the Investee Companies is necessary. Details of the circumstances relating to this fundamental uncertainty are described in note 12 to the interim financial report.

Fundamental uncertainties relating to the going concern basis

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 2 to the interim financial report which explain the circumstances giving rise to the fundamental uncertainties relating to:

- i. the outcome of the proposed restructuring/settlement of the existing outstanding indebtedness of the Group to replace the Group's existing informal standstill arrangement ("the Debt Restructuring");
- ii. the outcome of the negotiations with the bondholders for the proposed settlement of two outstanding bonds of Paliburg Holdings Limited, a listed subsidiary company of the Group, and its subsidiary companies (the "PHL Group") (the "Bonds Settlement");

- iii. the outcome of the proposed bilateral facilities arrangement with the other financial creditors of the PHL Group to replace the PHL Group's existing informal standstill arrangement (the "Bilateral Facilities Arrangement");
- iv. the successful implementation of the disposal of certain identified assets of the PHL Group, including those of Regal Hotels International Holdings Limited ("RHIHL"), another listed subsidiary company of the Group, and its subsidiary companies (the "RHIHL Group") (the "Disposals"); and
- v. the securing of the ongoing support of the relevant lenders of two loans aggregating HK\$4,901.6 million as at 30th June, 2001 (the "Regal Loans") following the non-compliance with certain loan covenants of the Regal Loans by the RHIHL Group, and the outcome of the proposed refinancing arrangement for certain of the Regal Loans and the proposed working capital fund-raising arrangement through equity issues of RHIHL (the "Financing Arrangements").

The interim financial report has been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Debt Restructuring, the Bonds Settlement, the Bilateral Facilities Arrangement, the Financing Arrangements, the successful implementation of the Disposals and the non-issuance of the notice by the agents who act on behalf of the relevant lenders of the Regal Loans to declare the Regal Loans immediately due and repayable (the "Declaration Notice"). The interim financial report does not include any adjustments that would result from the failure of the Debt Restructuring, the Bonds Settlement, the Bilateral Facilities Arrangement, the Financing Arrangements or the implementation of the Disposals, or the issuance of the Declaration Notice. Details of the circumstances relating to these fundamental uncertainties are described in note 2 to the interim financial report.

Because the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme, we are unable to reach a review conclusion.

Inability to reach a review conclusion

On account of the foregoing fundamental uncertainties relating to the appropriateness of the going concern basis, we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 30th June, 2001.

Without further modifying our review conclusion above, we draw attention to the fact that:

- (i) the comparative condensed consolidated profit and loss account and condensed consolidated statement of recognised gains and losses for the six months ended 30th June, 2000 have not been reviewed in accordance with SAS 700; and
- (ii) as disclosed in note 1 to the interim financial report, a comparative condensed consolidated cash flow statement in respect of the six months ended 30th June, 2000 has not been prepared.

Ernst & Young

Certified Public Accountants

Hong Kong
20th September, 2001