



Report of the Auditors



To the members
Century City International Holdings Limited
(Incorporated in Bermuda with limited liability)

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Annual Report 1999

We have audited the financial statements on pages 62 to 134 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 to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an 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 Company's and the Group'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. 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 uncertainties relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the financial statements which explain the circumstances giving rise to the fundamental uncertainties relating to:

- (i) the status of the standstill arrangements with the financial creditors of the Group and Paliburg Holdings Limited, a principal listed subsidiary company of the Group, together with its subsidiary companies (the "PHL Group") (collectively, the "Standstill Arrangements");



- (ii) the possible outcome of the measures undertaken by the Directors to improve the financial position, profitability and operations of the Group;
- (iii) the proposed restructuring of the Group's certain liabilities provided in the prior year (the "Restructuring");
- (iv) the proposed long term mortgage-backed refinancing arrangement of the PHL Group (the "Refinancing Arrangement");
- (v) the continued successful implementation of the disposals of certain other identified assets of the PHL Group (the "Disposal Programmes"); and
- (vi) the proposed discussions with the relevant lenders of Regal Hotels International Holdings Limited, another principal listed subsidiary company of the Group, and its subsidiary companies, to obtain waivers for the failure to comply with certain loan covenants and/or secure their agreement not to enforce their rights (the "Waiver Discussions").

The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Standstill Arrangements; the financial position and profitability improvement measures undertaken by the Directors of the Company; the Restructuring; the Refinancing Arrangement; the continued successful implementation of the Disposal Programmes; and the Waiver Discussions. The financial statements do not include any adjustments that would result from the failure of the Standstill Arrangements; the financial position and profitability improvement measures undertaken by the Directors of the Company; the Restructuring; the Refinancing Arrangement; the continued implementation of the Disposal Programmes; or the Waiver Discussions. We consider that appropriate disclosures and estimates have been made and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 31st December, 1999 and of the loss 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.

Ernst & Young
Certified Public Accountants

Hong Kong
19th May, 2000