



## Report of the Auditors



**To the members**  
**Regal Hotels International Holdings Limited**  
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 58 to 111 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 uncertainty 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 uncertainty relating to the possible outcome of the discussions with the relevant lenders of two loans (totalling HK\$4,893.2 million as at 31st December, 1999) with a view to obtaining waivers in respect of the Group's failure to maintain the relevant loan covenants and/or to 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 Waiver Discussions. The financial statements do not include any adjustments that would result from the failure of 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