ERNST & YOUNG
安永會計師事務所

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

We have audited the financial statements on pages 27 to 76 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 2 to the financial statements which explain the circumstances giving rise to the fundamental uncertainty relating to the Group securing the ongoing support of the relevant lenders of two loans aggregating HK$4,894.1 million as at 31st December, 2000 (the "Loans") following the Group's non-compliance with certain loan covenants of the Loans.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support of the relevant lenders of the Loans including the non-issuance of the notice by the agents who act on behalf of the relevant lenders of the Loans to declare the Loans immediately due and repayable (the "Declaration Notice"). The financial statements do not include any adjustments that would result from the issuance of the Declaration Notice. We consider that appropriate disclosures 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 of the state of affairs of the Company and of the Group as at 31st December, 2000 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
17th April, 2001