



INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2004 (2003 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments constitute primarily the ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of these hotels during the year under review, their future prospects as well as the commentary on the local hotel industry, changes in general market conditions and their potential impact on the operating performance of these hotels, together with the progress and prospects of the Regalia Bay development are contained in the section headed "Review and Outlook" above. A detailed review of the other business operations and outlook of the Group is also contained in the section headed "Review and Outlook" above.

Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities amounted to HK\$133.9 million (2003 - HK\$54.3 million). Net interest payment for the period amounted to HK\$52.2 million (2003 - HK\$53.7 million).

During the period under review, there was no change in the capital structure of the Company.

Borrowings

As at 30th June, 2004, the Group's gross borrowings net of cash and bank balances amounted to HK\$5,388.2 million (31st December, 2003 - HK\$5,431.6 million). Gearing ratio based on total assets of HK\$10,107.0 million (31st December, 2003 - HK\$9,893.1 million) was 53.3% (31st December, 2003 - 54.9%). As disclosed in note 2 to the condensed consolidated financial statements, the Company itself is in the course of finalising the detailed terms of a debt restructuring proposal with its financial creditors.