

## INTERIM DIVIDEND

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Highlights

The Group's significant investments constitute primarily its 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 period 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 above headed "Review and Outlook".

### Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities totalled HK\$160.0 million (2003 – HK\$55.8 million). Net interest payment for the period amounted to HK\$49.8 million (2003 – HK\$51.8 million).

As previously disclosed in the 2003 Annual Report of the Company, in January 2004, Richtech Holdings Limited, a wholly owned subsidiary company of the Company, issued additional 5% guaranteed convertible bonds due 2004 ("5% Convertible Bonds") in an aggregate principal amount of HK\$30.0 million ("5% Optional Bonds") to a third party purchaser (the "CB Purchaser"), who subscribed for the HK\$30.0 million 5% Optional Bonds pursuant to the relevant subscription agreement dated 12th September, 2002 relating to the issue of the 5% Convertible Bonds. During January and February 2004, Guo Yui Investments Limited ("Guo Yui"), a wholly subsidiary company of Paliburg Holdings Limited, acquired from the CB Purchaser 5% Optional Bonds in an aggregate principal amount of HK\$28.0 million. In March 2004, such HK\$28.0 million 5% Optional Bonds acquired by Guo Yui and the remaining HK\$2.0 million 5% Optional Bonds held by the CB Purchaser were all converted and, as a result, a total of 624,999,999 new ordinary shares were issued based on the adjusted conversion price of HK\$0.048 per ordinary share.

Subsequent to the period under review, on 12th July, 2004, 195.0 million new ordinary shares were issued by the Company to the relevant purchaser under the SP Agreement (as supplemented) (as referred to in the sub-section headed "Material Disposals of Subsidiary Companies" below) at the issue price of HK\$0.20 per ordinary share in settlement of the termination fee payable by the Group for the termination of the SP Agreement. The 195.0 million new ordinary shares were issued pursuant to the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 12th June, 2003. Further details relating to the issue of the 195.0 million new ordinary shares were disclosed in the sub-section headed "Material Disposals of Subsidiary Companies" below.