

MANAGEMENT

DISCUSSION ANALYSIS

BUSINESS REVIEW

Even though 2000 was a year of further consolidation for the property markets in both Hong Kong and Shanghai, the core business of Multifield still performed up to our expectation. The rental derived from the service apartments in Shanghai was particularly pleasing and accounted for 55% of the turnover whereas the rental from the Hong Kong property portfolio still maintained at a very satisfactory level. However, the financial results of the core property business this year were badly affected by the performance of Oriental Explorer Holdings Limited (formerly known as Linkful International Holdings Limited), a listed steel trading and manufacturing group, in which Multifield had an equity interest of 22.7%. Oriental Explorer incurred substantial losses in its joint venture steel mills in China due to the volatile steel prices and surging costs of fuel and electricity. However, shareholders could be well assured as restructuring and rationalization of the loss making steel manufacturing plants are already underway and Oriental Explorer's financial wealth is still in a strong position.

Hong Kong

Although the economic outlook uncertainty which had been plaguing the market over the last few years was diminishing throughout the year, it would take some time before confidence could be rebuilt.

Against such setback in market sentiment, the Hong Kong property portfolio, mainly comprise Multifield Building at North Point, Multifield Plaza at Tsimshatsui and Multifield Centre at Mongkok, continued to perform well with a monthly rental of over HK\$3.3 million. As the Hong Kong market as a whole has yet to recover, Multifield has continued to adopt a very selective and cautious investment strategy regarding property investment to enable the Group to maintain its niche and strength in the market. The business focus of the Group has been strictly adhered to and regular review and evaluation of its property portfolio has been carried out in order to restructure its property portfolio mix by disposing of those units at different buildings, and consolidating its interests in the entire project for long-term investments as and when opportunities arise.

Shanghai

During the year, Multifield was again recognized as one of the leading and best performing service apartment owners and operators in Shanghai. The number of service apartments under our ownership and management grew consistently over the last 6 years. At present, over 400 service apartments and houses are currently under our management. Multifield's property portfolio, predominantly high quality and well-managed residential properties, was very much in demand by the expatriates working in Shanghai.

The Group's Shanghai service apartment chain, operating under the name of "Windsor Renaissance", has already built up a market niche in Shanghai and has continued to contribute a strong return on investment with an overall occupancy rate of close to 90%. Meanwhile, Multifield will continue to strengthen various aspects of its management. Apart from boosting the motivation of its staff to better take advantage of any opportunities in the horizon, Multifield will also strive to enhance the quality of its services and to innovate new services to its customers.

PROSPECTS

The property market showed some progressive revitalization towards the end of 2000 and a number of positive prevailing factors are assisting sentiment in the market currently, especially the lowering of the HK prime lending rate, the present competitive mortgage rate, the withdrawal of certain subsidized housing sites from the land sale programme along with the abandonment of 85,000 construction target generally. It is anticipated that the Hong Kong economy will further improve in 2001 and with an improvement in employment rate and GDP growth, the confidence in the property market would resume in the not too distant future.

With China's imminent admission into the World Trade Organization ("WTO"), China is poised to boost foreign investment into Shanghai as well as Hong Kong. The Board is of a strong belief that Multifield's Hong Kong and Shanghai property portfolio will continue to perform well and have a steady growth. Hence, this core business is expected to generate a stable stream of income to Multifield.

Multifield remains well positioned to deliver solid performance into the future and for the year ahead, Multifield will concentrate on the development of its prime residential land bank in Shanghai of 54,550 sq.m. of which Multifield has a 48% equity interest. Upon completion in late 2001/early 2002, it is expected that over 120 detached houses and townhouses of first class hotel quality will be added to the Shanghai property portfolio.

Whilst 2001 will continue to see Multifield concentrating on organic growth in the property sector, we nevertheless remain attuned to market opportunities. We strongly believe that we have the necessary skills and expertise to enable us to assess and assimilate any market opportunities which may arise.

LIQUIDITY AND FINANCIAL RESOURCES

Multifield generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 31 December 2000, Multifield has available aggregate banking facilities of approximately HK\$812 million which had all been utilized and were secured by legal charges on certain investment properties, fixed assets and properties held for sale in Hong Kong and Shanghai. As at 31 December 2000, out of the total outstanding bank borrowings of approximately HK\$738 million (out of which HK\$628 million were denominated in Hong Kong dollars and the remaining balance in Renminbi), HK\$43 million are repayable within one year, HK\$152 million are repayable in the second year with the remaining balance repayable beyond the second year. Multifield's cash and bank balances and short term bank deposits as at 31 December 2000 amounted to approximately HK\$57 million. Multifield's gearing ratio as at 31 December 2000 was approximately 41% based on the total bank borrowings of approximately HK\$738 million and the aggregate of the shareholders' funds, minority interests and total bank borrowings of approximately HK\$1,789 million.

NUMBER AND REMUNERATION OF EMPLOYEES

Multifield had approximately 250 employees in Hong Kong and Shanghai as at year end. Remuneration is reviewed annually and in addition to the basic salaries, Multifield also provides staff benefits including discretionary bonus, contributory provident fund and professional tuition/training subsidies in order to retain quality employees.