

MANAGEMENT

DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2004, as Hong Kong experienced a recovery in its economy and Mainland's economy has shown impressive performance, the Group performed very well with a after tax net profit of approximately HK\$81 million, an increase of 48.5% as compared with 2003. During the year under review, the Group remained very focused in its core rental and international steel trading businesses.

PROPERTY INVESTMENT

Shanghai

The Group's Shanghai service apartment chain, operating under the name "Windsor Renaissance", has already built up a market niche in Shanghai and has continued to contribute a strong return of investment with occupancy rate consistently maintained over 90%. Our trademark, "Windsor Renaissance", which represents a symbol of high quality service apartments, has been nicely accepted by the expatriate community in Shanghai and our tenant base covers hundreds of multinational corporations from all over the world. It is evidenced by a nearly 100% occupancy rate for the Group's newly established residential project during mid 2003, known as "Windsor Place". At present, a portfolio of around 400 service apartments and villas are under our management.

Hong Kong

The Group maintained an occupancy rate more than 85% for its Hong Kong portfolio and contributed stable gross rental revenue of approximately HK\$29 million (2003: HK\$32 million) from investment properties in Hong Kong for the year ended 31 December 2004.

STEEL TRADING

The international steel trading business was a major business of Oriental Explorer Holdings Limited, the subsidiary acquired on 27 June 2003.

Succeeding from 2003, the year of 2004 was still a period with intense competition among the international steel trading. Steel prices were escalating at a fast pace and customers were not willing to acquire bulk volume and accumulate stock of steel products at high price. Besides, margins continued to be squeezed as a number of participants in this market sector sought to achieve growth and higher market share through unsustainable price cutting and risk taking. Against this background, with an established worldwide network of supplier and customer base and successful business methodology adopted, the Group has again uphold its market position. For the year of 2004, our steel trading division recorded a trading volume of steel products of approximately 150,000 mt with a turnover of HK\$526 million, representing a significant increase over the previous year.

Moreover to this plausible result, to further ensure success in forthcoming years, regular steel trading meetings have constantly been carried out to review and assess the business logistics and risk portfolio. Furthermore, critical reviews and assessments had been carried out for all steel trading transactions to ensure that they have been undertaken in a smooth and professional manner. Continuous effort has also been devoted to develop into outsourcing sources and expanding business opportunities.

FURTHER ACQUISITION OF TRIPLE LUCK INVESTMENTS LIMITED (“TRIPLE LUCK”)

On 4 August 2004, the Group, through Lucky Business International Limited (“Lucky Business”), one of its wholly owned subsidiary, entered into a conditional agreement (“Agreement”) with Ponting Limited (“Ponting”) to purchase from Ponting the equity interest in Triple Luck for a consideration of HK\$40,914,685 and it was satisfied by the allotment and issue of 179,844,769 fully paid shares of Multifield International Holdings Limited (“the Company”) at HK\$0.2275 per share on 6 October 2004.

The directors of the Company believed that with full control over Triple Luck, an investment holding company holding 8 floors and unit 701 in Multifield Plaza and Unit 7B in Rose Mansion, the asset base of the Group and the efficiency of the Group’s management control would be enhanced.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 31 December 2004, the Group had outstanding bank loans amounting to approximately HK\$602 million, which were secured by legal charges on certain investment properties and properties held for sale in Hong Kong and Shanghai. As at 31 December 2004, out of the total outstanding bank borrowings of approximately HK\$602 million denominated in Hong Kong dollars, HK\$130 million are repayable within one year, HK\$99 million are repayable in the second year with the remaining balance repayable beyond the second year. The Group’s cash and bank balances and short term bank deposits as at 31 December 2004 amounted to approximately HK\$91 million. The Group’s gearing ratio as at 31 December 2004 was approximately 27% based on the total bank borrowings of approximately HK\$602 million and the aggregate of the shareholders’ funds, minority interests and total bank borrowings of approximately HK\$2,270 million.

PERSONNEL

As at 31 December 2004, the Group had a total of 560 employees, of whom 530 were based in the PRC and 30 in Hong Kong. The remuneration packages of the Group’s employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group’s employees are reviewed regularly.

PROSPECTS

Hong Kong has recently seen light in the tunnel for its economy and its property market has performed well during 2004. With a more favourable inflation and interest rate environment, we believe, the Hong Kong property sector will continue to perform well in 2005. Accordingly, it is our intention to restructure our investment portfolio and search for investment opportunities in Hong Kong when suitable opportunities arise.

As regard to our investment in Shanghai, we feel very optimistic about our service apartment chain operation. Shanghai, as the financial and commercial hub of China, is bound to be the fastest growing city in China in the forthcoming years. As we have already established a firm footing and a strategic presence in Shanghai, we are very confident that we are extremely well positioned to deliver solid performance in this sector of business in the future. With the continuing opening up policy adopted by the Chinese Central Government, we strongly believe that the property market in Shanghai would flourish in the long run even though there may be some control measures likely to be introduced by the government to cool down the prevailing property market sentiment. At present, we are progressively but cautiously searching for appropriate land bank and investment opportunities to cater for future growth in Shanghai. We strongly believe that the Group is heading the right direction and is extremely well placed to capitalize on this exciting opportunity.

As regards to our international steel trading business, the Group remains well positioned to deliver solid performance into the future after further development of its supplier and customer base during the year. It is envisaged that the Group will continue to develop its core business activities in the Asia Pacific regions.

The achievements in the past several years, which brought the Group to its current strong position, allowed us to look forward with confidence about the future. The Board and management of the Group are dedicated to rewarding the shareholders who have supported the Group by their investment and have decided to continue to upkeep the dividend policy by proposing a final dividend of 0.325 HK cents per share.

REVIEW BY AUDIT COMMITTEE

The Group's audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's audited results for the year ended 31 December 2004. The Audit Committee comprises the three independent non-executive directors of the Company.