



MULTIFIELD INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 898)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 HK\$'000	2004 HK\$'000 (Restated)
TURNOVER	2	1,319,655	701,466
Cost of sales		<u>(1,144,251)</u>	<u>(550,639)</u>
Gross profit		175,404	150,827
Other revenue and gains	2	82,047	42,014
Administrative expenses		(59,755)	(52,631)
Other operating expenses		<u>(4,163)</u>	<u>(6,058)</u>
Operating profit	4	193,533	134,152
Finance costs		<u>(27,786)</u>	<u>(13,070)</u>
PROFIT BEFORE INCOME TAX		165,747	121,082
Income tax	5	<u>(18,082)</u>	<u>(7,537)</u>
PROFIT FOR THE YEAR		<u>147,665</u>	<u>113,545</u>
ATTRIBUTABLE TO			
Equity holders of the Company		126,597	81,262
Minority interests		<u>21,068</u>	<u>32,283</u>
		<u>147,665</u>	<u>113,545</u>
DIVIDENDS	6		
Interim		—	6,270
Proposed final		<u>—</u>	<u>13,586</u>
		<u>—</u>	<u>19,856</u>
BASIC EARNINGS PER SHARE	7	<u>3.03 cents</u>	<u>2.01 cents</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(Restated)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	16,072	16,013
Investment properties	2,672,840	2,547,000
Prepaid land lease payments	484	493
Goodwill		
Goodwill	—	432
Negative goodwill	—	(89,614)
Available-for-sale financial assets/Long term investments	<u>11,023</u>	<u>15,930</u>
Total non-current assets	<u>2,700,419</u>	<u>2,490,254</u>
CURRENT ASSETS		
Inventories	2,341	2,740
Properties held for sale	281,851	281,851
Trade receivables	9,233	7,902
Prepayments, deposits and other receivables	17,357	28,695
Financial assets at fair value through profit or loss/Short term investments	102,058	77,880
Income tax recoverable	1,164	542
Pledged deposits	25,463	7,800
Cash and cash equivalents	<u>192,776</u>	<u>83,468</u>
Total current assets	<u>632,243</u>	<u>490,878</u>
TOTAL ASSETS	<u>3,332,662</u>	<u>2,981,132</u>
LESS: CURRENT LIABILITIES		
Trade payables	1,908	4,526
Accrued expenses and other payables	44,604	41,513
Deposits received	45,878	43,967
Interest-bearing borrowings	66,314	130,069
Income tax payable	<u>101,640</u>	<u>103,536</u>
Total current liabilities	<u>260,344</u>	<u>323,611</u>
NET CURRENT ASSETS	<u>371,899</u>	<u>167,267</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,072,318</u>	<u>2,657,521</u>

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(Restated)</i>
LESS: NON-CURRENT LIABILITIES		
Interest-bearing borrowings	727,736	471,536
Due to a director	17,634	128,521
Deferred income tax liabilities	<u>395,116</u>	<u>389,045</u>
 Total non-current liabilities	 <u>1,140,486</u>	 <u>989,102</u>
 Net assets	 <u><u>1,931,832</u></u>	 <u><u>1,668,419</u></u>
CAPITAL AND RESERVES		
Equity attributable to equity holders of the Company		
Share capital	41,804	41,804
Reserves	1,192,505	945,925
Proposed final dividend	<u>—</u>	<u>13,586</u>
 Minority interests	 <u>1,234,309</u> <u>697,523</u>	 <u>1,001,315</u> <u>667,104</u>
 Total equity	 <u><u>1,931,832</u></u>	 <u><u>1,668,419</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for the available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

Adoption of new/revised HKFRSs and changes in accounting policies

In 2005, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 33, 36, 37 and 38 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(i) *HKAS 17 — Leases*

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effects of the above changes are summarised in the section headed under "Summary of the impact of changes in accounting policies" below. The comparative amounts in the consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of the leasehold land.

(ii) *HKAS 32 and HKAS 39 — Financial Instruments*

In prior years, the Group classified its investments in unlisted equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses. Debt securities that the Group has the ability to hold to maturity are classified as held-to-maturity securities and are stated in the balance sheet at amortised cost less impairment losses. The investments in listed securities are classified as short term investments and stated at fair value and the gains or losses arising from changes in the fair values of such securities are credited or charged to the income statement in the period in which they arise.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurement. HKAS 32 required retrospective application while HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis.

Upon the adoption of HKASs 32 and 39, debt securities, investments in listed securities, and investments in unlisted equity securities are classified as held-to-maturity financial assets, financial assets at fair value through profit or loss, and available-for-sale financial assets, respectively. Held-to-maturity financial assets are stated at amortised cost less impairment losses. Available-for-sale financial assets are classified at fair value, where an active market exists, with any realised gains and losses recognised in equity. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by valuation techniques are carried at cost less impairment. Financial assets at fair value through profit or loss are carried at fair value.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Trade and other receivables were previously carried at cost less impairment of receivables.

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings were previously stated at cost.

The effect of the above changes are summarised in the section headed under "Summary of the impact of changes in accounting policies" below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(iii) *HKAS 40 — Investment Property*

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier year. The effects of the above changes to the Group are summarised in the section headed under "Summary of the impact of changes in accounting policies" below.

(iv) *HKFRS 2 — Share-based Payment*

In prior years, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments (“equity-settled transactions”), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions as a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005. As no share options have been granted since the establishment of the share option scheme of the Company on 27 June 2003 and all the share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were granted before 7 November 2002, the adoption of HKFRS 2 has had no impact on the financial statements of the Group.

(v) *HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets*

In prior years, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group’s interest in the net fair value of the acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as “negative goodwill”), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise the carrying amounts of negative goodwill against retained earnings.

The effects of the above changes are summarised in the section headed under “Summary of the impact of changes in accounting policies” below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

The Group has not applied the following new/revised HKFRSs, that have been issued but are not yet effective, to these financial statements:

HKAS 1 Amendment	Capital Disclosures (<i>Note (a)</i>)
HKAS 21 Amendment	Net Investment on a Foreign Operation (<i>Note (b)</i>)
HKAS 39 Amendment	The Fair Value Option (<i>Note (b)</i>)
HKFRS 7	Financial Instruments: Disclosures (<i>Note (a)</i>)

Notes:

- (a) Effective for accounting periods beginning on or after 1 January 2007
- (b) Effective for accounting periods beginning on or after 1 January 2006

The Group has already commenced an assessment of these HKFRSs which are effective for accounting periods beginning on or after 1 January 2006 but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position.

Summary of the impact of changes in accounting policies

(1) Effect on consolidated balance sheet as at 1 January 2005 and 31 December 2005

As at 1 January 2005	Effect of adopting				Total HK\$'000
	HKAS 17#	HKASs 32 and 39* Change in classification of equity investments	HKAS 40* Surplus on revaluation of investment properties	HKFRS 3* Derecognition of negative goodwill	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	(313)	—	—	—	(313)
Prepaid land lease payments	493	—	—	—	493
Negative goodwill	—	—	—	89,614	89,614
Available-for-sale financial assets	—	15,930	—	—	15,930
Long term investments	—	(15,930)	—	—	(15,930)
Financial assets at fair value through profit and loss	—	77,880	—	—	77,880
Short term investments	—	(77,880)	—	—	(77,880)
Minority interests	79	—	—	9,758	9,837
Investment property revaluation reserve	—	—	(464,967)	—	(464,967)
Investment revaluation reserve	—	(7,701)	—	—	(7,701)
Available-for-sale investment revaluation reserve	—	7,701	—	—	7,701
Retained profits	<u>101</u>	<u>—</u>	<u>464,967</u>	<u>79,856</u>	<u>544,924</u>

* Adjustments taken effect prospectively from 1 January 2005

Adjustments/presentation taken effect retrospectively

As at 31 December 2005	Effect of adopting				Total HK\$'000
	HKAS 17	HKASs 32 and 39 Change in classification of equity investments HK\$'000	HKAS 40 Surplus on revaluation of investment properties HK\$'000	HKFRS 3 Derecognition of negative goodwill HK\$'000	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments HK\$'000				
Property, plant and equipment	(284)	—	—	—	(284)
Prepaid land lease payments	484	—	—	—	484
Negative goodwill	—	—	—	73,100	73,100
Available-for-sale equity investments	—	11,023	—	—	11,023
Long term investments	—	(11,023)	—	—	(11,023)
Financial assets at fair value through profit and loss	—	102,058	—	—	102,058
Short term investments	—	(102,058)	—	—	(102,058)
Minority interests	88	—	—	8,524	8,612
Investment property revaluation reserve	—	—	(528,602)	—	(528,602)
Investment revaluation reserve	—	(7,412)	—	—	(7,412)
Available-for-sale investment revaluation reserve	—	7,412	—	—	7,412
Retained profits	<u>112</u>	<u>—</u>	<u>528,602</u>	<u>64,576</u>	<u>593,290</u>

(2) Effect on opening balance of total equity as at 1 January 2004 and 2005

	Effect of adopting				Total HK\$'000
	HKAS 17	HKAS 40 Surplus on revaluation of investment properties HK\$'000	HKFRS 3 Derecognition of negative goodwill HK\$'000		
Effect of new policies (Increase / (decrease))	Prepaid land lease payments HK\$'000				
As at 1 January 2004					
Minority interests	70	—	—	—	70
Retained profits	90	—	—	—	<u>90</u>
					<u>160</u>
As at 1 January 2005					
Minority interests	79	—	9,758	—	9,837
Investment property revaluation reserve	—	(464,967)	—	—	(464,967)
Retained profits	101	464,967	79,856	—	<u>544,924</u>
					<u>89,794</u>

(3) Effect on consolidated income statement for the years ended 31 December 2005 and 2004

Effect of new policies	Effect of adopting			Total HK\$'000
	HKAS 40 Surplus on revaluation of investment properties HK\$'000	HKAS 17 Prepaid land lease payments HK\$'000	HKFRS 3 Discontinuation of amortisation of goodwill/ recognition of negative goodwill as income HK\$'000	
Year ended 31 December 2005				
Decrease in administrative expenses	—	20	108	128
Increase / (decrease) in other revenue and gains	54,905	—	(16,513)	38,392
Total increase / (decrease) in profit	<u>54,905</u>	<u>20</u>	<u>(16,405)</u>	<u>38,520</u>
Increase/ (decrease) in basic earnings per shares	<u>1.31 cents</u>	<u>—</u>	<u>(0.39) cents</u>	<u>0.92 cents</u>
Year ended 31 December 2004				
Decrease in administrative expenses	—	20	—	20
Total increase in profit	<u>—</u>	<u>20</u>	<u>—</u>	<u>20</u>
Increase / (decrease) in basic earnings per shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

2. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, the total amounts received and receivable from the provision of serviced apartment and property management services, and rental income, net of PRC business taxes, from property letting, after elimination of all significant intra-group transactions.

An analysis of turnover, other revenue and gains is as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Turnover</u>		
Rental income from property letting	156,622	156,201
Serviced apartment and property management	12,206	7,090
Trading of steel	1,143,393	525,737
Manufacturing and trading of electronic products	<u>7,434</u>	<u>12,438</u>
	<u>1,319,655</u>	<u>701,466</u>
<u>Other revenue and gains</u>		
Interest income	7,248	1,678
Fair value gains on investment properties	54,905	—
Gain on disposal of financial assets at fair value through profit or loss/short term investments	5,165	7,621
Gain on disposal of items of property, plant and equipment	—	5,874
Negative goodwill recognised as income	—	15,780
Dividend income from listed investments	3,174	2,071
Others	<u>11,555</u>	<u>8,990</u>
	<u>82,047</u>	<u>42,014</u>

3. SEGMENT INFORMATION

(a) Geographical segments

The following tables present revenue, profit and certain expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group

	Hong Kong		Elsewhere in the PRC		Thailand		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Sales to external customers	38,288	41,075	137,974	134,654	1,143,393	525,737	1,319,655	701,466
Other revenue	876	705	14,968	4,124	20	—	15,864	4,829
Total	39,164	41,780	152,942	138,778	1,143,413	525,737	1,335,519	706,295
Segment results	13,748	2,194	93,250	98,551	3,835	2,280	110,833	103,025
Interest and dividend income and unallocated gains							86,431	32,042
Unallocated expenses							(3,731)	(915)
Operating profit							193,533	134,152
Finance costs							(27,786)	(13,070)
Profit before income tax							165,747	121,082
Income tax							(18,082)	(7,537)
Profit for the year							147,665	113,545

(b) Business segments

The following tables present revenue information for the Group's business segments for the years ended 31 December 2005 and 2004:

Group

	Property investment		Provision of serviced apartment and property management services		Steel trading		Electronic products		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
Sales to external customers	156,622	156,201	12,206	7,090	1,143,393	525,737	7,434	12,438	1,319,655	701,466

4. OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting):

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	1,121,317	521,750
Cost of services provided	22,934	28,889
Depreciation of owned assets	2,578	3,830
Amortisation of goodwill	—	287
Provision for impairment of goodwill	432	628
Minimum lease payments under operating leases for land and buildings	1,130	1,667
Provision for bad and doubtful debts	327	—
Loss on disposal of items of property, plant and equipment	20	285
Loss on disposal of investment properties	<u>21,456</u>	<u>8,617</u>
Employee benefits expense (including directors' remuneration)		
Wages and salaries	11,515	10,886
Pension scheme contributions	<u>91</u>	<u>356</u>
	<u>11,606</u>	<u>11,242</u>
Fair value losses, net		
Financial assets at fair value through profit or loss	3,731	—
Foreign exchange differences, net	(18,786)	126
Unrealised loss on revaluation of listed investments, net	<u>—</u>	<u>5,143</u>

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong		
Charge for the year	751	1,382
Overprovision in prior years	—	(330)
Current tax — the Mainland China		
Charge for the year	11,260	6,485
Deferred tax	<u>6,071</u>	<u>—</u>
Total tax charge for the year	<u>18,082</u>	<u>7,537</u>

6. DIVIDENDS

The Board of Directors has resolved not to recommend the payment of any dividend in respect of the year ended 31 December 2005 (2004: 0.475 HK cent per ordinary share).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to equity holders of the Company for the year ended 31 December 2005 of approximately HK\$126,597,000 (2004: HK\$81,262,000 (restated)) and the weighted average number of 4,180,371,092 (2004: 4,043,276,309) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2004 and 2005 have not been disclosed as no diluting events existed during both years.

BUSINESS REVIEW

During the year of 2005, the Group focused principally in its core rental and international steel trading businesses. During the year, the Group maintained a steady growth and recorded net profit of approximately HK\$148 million, an increase of 30% as compared with 2004.

PROPERTY INVESTMENT

Shanghai

We are proud of the performance of the Group's Shanghai segment. The Group's Shanghai service apartment chain, operating under the name "Windsor Renaissance", has already built up a market niche in Shanghai and continuously contributed a strong return of investment with consistently high occupancy rate of over 90%. The expatriate community in Shanghai has regarded "Windsor Renaissance" a symbol of high quality service apartments and our tenant base covers hundreds of multinational corporations from all over the world. At present, a portfolio of around 400 service apartments and villas are under our management.

Hong Kong

The Group maintained an occupancy rate close to 85% for its investment properties in Hong Kong and received stable gross rental revenue of approximately HK\$31 million (2004: HK\$29 million) from such properties in Hong Kong for the year ended 31 December 2005.

To strengthen our solid base of recurrent earning growth, the Group acquired four properties amounted to approximately HK\$68 million in the second half of 2005.

STEEL TRADING

2005 was still a year with intense competition in the international steel trading as a result of the control measures introduced by the central government. Steel prices fluctuated significantly and customers were not willing to acquire bulk volume and accumulate stock of steel products at comparatively high price. 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 2005, our steel trading division recorded a trading volume of steel products of approximately 322,000 mt with a turnover of HK\$1,143 million, representing a significant increase of 117% over the previous year.

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 2005, the Group had outstanding bank loans and other interest-bearing borrowings amounting to approximately HK\$794 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 2005, among the total outstanding borrowings, HK\$66 million are repayable within one year, HK\$65 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 2005 amounted to approximately HK\$218 million. The Group's gearing ratio as at 31 December 2005 was approximately 29% based on the total borrowings of approximately HK\$794 million and the aggregate of the shareholders' funds, minority interests and total borrowings of approximately HK\$2,726 million.

PERSONNEL

As at 31 December 2005, the Group had a total of 480 employees, of whom 450 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

Despite the growing pressure from high oil prices and rising interest rates, Hong Kong's real GDP growth of 7.3% was recorded in 2005 as solid export growth and domestic demand continued to support a steady recovery. Housing demand remains strong and rental rates continue to grow since buyers' and tenants' confidence is bolstered by strengthening economic prospect and rising income of buyers. To strengthen our solid base of earning growth, the Group will continue to enhance its investment portfolio through its progressive yet steady growth strategy, focused on seeking for appropriate land bank and good investment opportunities. We strongly believe that the Group is heading the right direction and is extremely well placed to capitalize on any exciting opportunities.

During the year of 2005, the State and the local government of Shanghai City intensified their macro-economic controls on property industry and property market. The control measures implemented by the government were aimed to suppress speculative demands by controlling demand and supply. We believed that it is good to see that property industry and

property market in Shanghai have paved a healthy, orderly, stable development trend ultimately. Besides, the year of 2006 is the first year of the Eleventh-Five Year Social and National Economic Plan of the PRC. According to the major economic benchmarks under the “Eleventh-Five Year Plan” of Shanghai, it was aimed to maintain the economic growth rate at 9% or above and carry out urban re-development for old zones that classified as Class II or below at a target of 4 million square meters.

In view of the prosperous economic development trend of the Mainland China and Shanghai, the Group is of the view that the property industry in Shanghai will continue to grow steadily after necessary adjustments. Indeed, we feel very optimistic about our service apartment chain operation in Shanghai, as we have already established a firm footing and a strategic presence in Shanghai to deliver solid performance in this sector of business. The Group will under the principle of prudence carefully while actively identify development projects that have potential for development, and put much effort on identifying new development projects opportunities and high quality land banks 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.

Regarding our international steel trading business, the Group will continue to deliver solid performance into the future after further development of its supplier and customer base in previous years. We forecasted that the coming year would still be a hard time for international steel market and accordingly, continuous effort has also been devoted to develop outsourcing and expanding business opportunities.

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.

CORPORATE GOVERNANCE REPORT

In the opinion of the directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005.

- (a) Under the code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the Bye-laws of the Company, at each general meeting, one third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant Bye-laws, if necessary, in order to ensure compliance with the Code on Corporate Governance Practices.

- (b) Under the code provision of A.2, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company does not present have any officer with the title of “chief executive officer”. Mr. Lau Chi Yung, Kenneth is the chairman and managing director of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

MODEL CODE FOR DIRECTOR’S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Based on specific enquiry of all the directors of the Company, the directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2005.

AUDIT COMMITTEE

The Audit Committee, comprising of three independent non-executive Directors, has already discussed with management of the Company about the accounting policies and internal controls system adopted by the Group and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2005 before submitting to the Board for approval.

PURCHASES, SALES OR REDEMPTIONS OF THE COMPANY’S LISTED SECURITIES

During the year, there were no purchases, sales or redemptions of the Company’s listed securities by the Company or by any of its subsidiaries.

PUBLICATION OF ANNUAL REPORT

The full text of the Company’s 2005 Annual Report will be sent to the shareholders of the Company and posted on the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors of the Company comprises five Directors of whom two are Executive Directors, namely Mr. Lau Chi Yung, Kenneth and Mr. Lau Michael Kei Chi; and three Independent Non-executive Directors, namely Mr. Choy Tak Ho, Mr. Lee Siu Man, Ervin and Mr. Wong Yim Sum.

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 19 April 2006

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Multifield International Holdings Limited (the "Company") will be held at 8th Floor, Multifield House, No. 54 Wong Chuk Hang Road, Hong Kong on Wednesday, 28 June 2006 at 3:30 p.m. for the following purposes:-

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2005.
2. To re-elect Directors and authorise the Board of Directors to fix the remuneration of the Directors.
3. To appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT:-

- (A) subject to paragraph (C) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to allot, issue and deal with shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (A) of this Resolution, otherwise than pursuant to (i) a Rights issue, (ii) the exercise of the subscription rights attaching to any warrants of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers or employees of the Company and/or any of its subsidiaries or other eligible persons of shares or rights to acquire shares in the capital of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the dividend on shares of the Company in accordance with the Bye-laws of the Company, or (v) any offer, agreement or option made or granted prior to the date of passing this Resolution, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(D) for the purpose of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

“Rights issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised body or any stock exchange.”

5. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:-

- (A) subject to paragraph (B) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to repurchase shares in the capital of the Company and warrants, if any, issued by the Company be and is hereby generally and unconditionally approved;
- (B) the amount of the securities of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (A) of this Resolution shall:-
 - (i) in the case of shares, not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of the passing of this Resolution; and
 - (ii) in the case of warrants, if any, not exceed 10% of warrants outstanding as at the date of the passing of this Resolution

and the authority pursuant to paragraph (A) of this Resolution shall be limited accordingly; and

(C) for the purpose of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

6. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT conditional upon resolutions nos. 4 and 5 set out in the notice convening this meeting being duly passed, the general mandate granted to the Directors of the Company to exercise the power of the Company to allot and issue shares pursuant to resolution no. 4 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 set out in the notice convening this meeting, provided that such an amount shall not exceed 10% of the nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution.”

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 19 April 2006

Notes:

- (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (ii) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney or authority, must be lodged at the Company’s Branch Share Registrar in Hong Kong, Tengis Limited, 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or the adjourned meeting as the case may be).
- (iii) An explanatory statement containing further details regarding resolutions nos 4 to 6 will be sent to shareholders shortly together with the 2005 Annual Report.