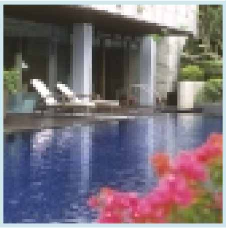
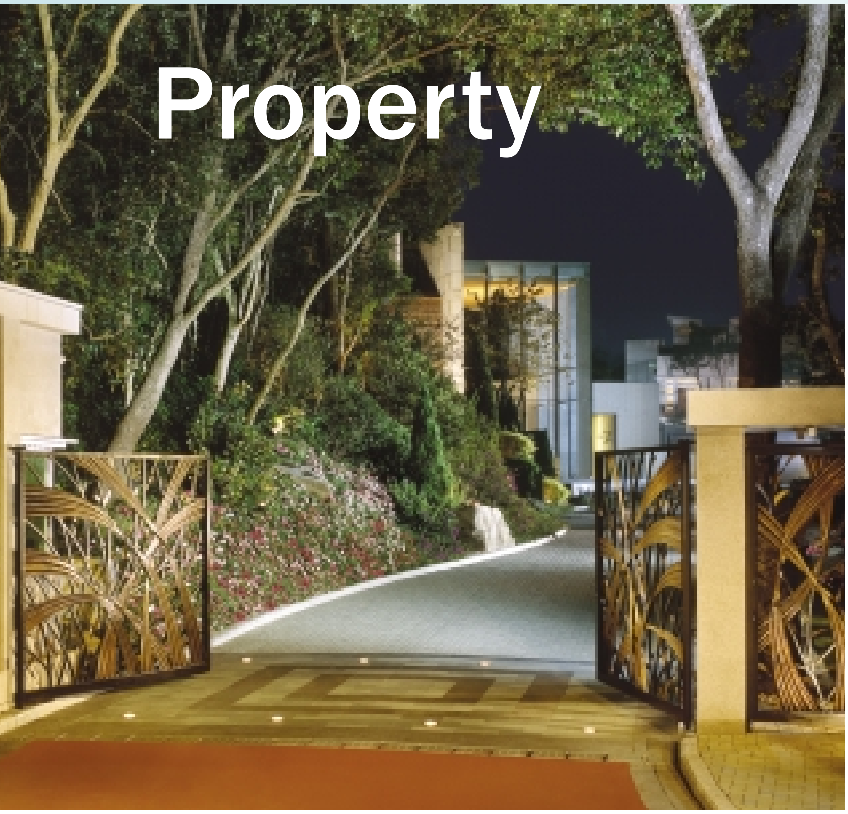
Property



Property



Residential Property Development

In 2005, the Property Development business reported a net profit of HK$189.1 million, as compared to HK$102.4 million in 2004. During the first half of the year, we launched sales of Tower V of the Waterfront, selling over 70% of the units and generating sales revenue of HK$1,590 million with an average sales price of approximately HK$8,000 per square foot. The market began to consolidate in the third quarter after almost two years of increases in both prices and transactions but started picking up again at the beginning of the fourth quarter. The Group launched the first phase of the Giverny (in which the Group has a 50% interest) in October. Sales results were very encouraging. We have sold 20 villas generating a total sales revenue of HK$653 million on an entry price of HK$20 million, or HK$12,000 per square foot, for the smallest mountain view property and up to HK$83 million, or HK$20,000 per square foot, for one of the prime detached houses with sea views. These prices reflect market recognition of the Wing Tai Asia brand, the quality of the product and the success of our marketing campaign in bringing out the value of the Sai Kung area as the "back garden" of Hong Kong providing a luxurious lifestyle to residents.

Construction of The Grandville in Shatin, Hong Kong (in which the Group has a 40% interest) and Kovan Melody in Singapore (in which the Group has a 12% interest) is progressing according to plan. These two developments are expected to be completed in 2006, when revenue and profit from the pre-sale of these properties will be recognised in accordance with the Group's accounting policies.

The Group is in discussions with the government on the modification of the lease of the site at 157 Argyle Street to allow for the construction of a high-rise residential development project. The gross floor area of this development project is expected to be approximately 90,000 square feet.

Property Investment and Management

In 2005, the Group's Property Investment business reported a net profit of HK$178.2 million, as compared to HK$47.3 million in 2004. This came mainly from the revaluation gains from its investment properties portfolio which includes the investment properties held and managed by the Group's Hospitality Investment and Management business.

The commercial properties market in Hong Kong was very strong in 2005. In April 2005, the Group was successful in its bid for the former Bank of East Asia Building situated at 314-324 Hennessy Road, Wanchai. The building has a gross floor area of approximately 120,000 square feet and will provide both retail and office space when its renovation is complete in 2007.

Winsor Properties Holdings Limited, in which the Group holds a 15% interest, is a 30% partner in this commercial property project. The Group's intention is to refurbish the building to provide grade A office and upscale retail space to serve the rapidly changing Wan Chai district and capture the upswing in the retail and office market in Hong Kong. With a promising outlook for the retail industry and office market, this property is expected to bring a stable source of income to the Group.

In October 2005, the Group formed a strategic partnership with the founder of Lifestyle Consulting (Shanghai) Ltd ("LCS"), a retail properties development and management specialist, to invest in a retail mall with approximately 400,000 square feet of floor space in the prime Huai Hai Zhong Lu area. MSREF is the majority investor in this project while our partnership is the manager/operator of the property. The founder of LCS is one of the key executives who was instrumental in the development and operation of Xin Tian Di. The retail mall is being renovated as a modern and innovative, lifestyle-oriented shopping and meeting place and is targeted to open by the end of 2006.

With significant improvement in property prices, the market value of the Group's three Hong Kong industrial properties at Shui Hing Centre, Unimix Industrial Centre and 81 Hung To Road, appreciated by HK$55.0 million in 2005. Average rental has improved by 15% in 2005 with year-end occupancy rates similar to last year at around 90%.

Hospitality Investment and Management

2005 marked Lanson Place's first year of boutique hotel operation in Hong Kong and its entry into the China serviced residences market. Lanson Place Residences and Lanson Place Hotels are now being represented in Hong Kong, Shanghai, Singapore and Kuala Lumpur. The Group will continue to search for promising opportunities in strategic cities in China and other parts of Asia.

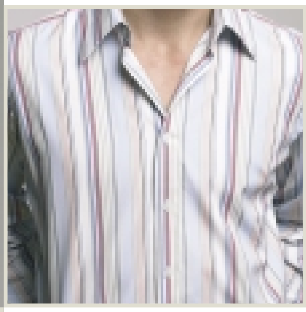
The renovation of the property at 133 Leighton Road was completed in November 2005 and a hotel license was obtained. The property is managed by Lanson Place and soft-opened for business in December 2005 as Lanson Place Boutique Hotel and Residences. The boutique hotel and residences has 194 suites and is located in the heart of Causeway Bay. The majority of the suites have open views of the mountains or Victoria Park, appealing to their target market of discerning corporate business travellers from around the world. The performance of the boutique hotel and residences has far exceeded the investment budget since opening and the business outlook is positive, given improving economic conditions in Hong Kong. Since the tourism industry in Hong Kong is projected to continue to pick up under favourable economic conditions, the performance of this property is expected to further improve in 2006 when it commences full operation.

In June 2005, the Group acquired a 23.4% interest in Jin Lin Tian Di, a luxury apartment complex in the prime Xin Tian Di area of Shanghai, China. This represents the Group's first foray into the property market in China. Lanson Place will operate this property as a luxurious up-market serviced residences, targeting senior expatriates of multinational corporations with offices in Shanghai. Property refurbishment is now completed and Lanson Place Jin Lin Tian Di has soft-opened for business with 106 apartments of an average size of around 2,000 square feet. The initial response to this property has been very encouraging in terms of both rental rates and occupancy. Within three months of opening, we achieved 50% occupancy and one of the highest rental rates in Shanghai, exceeding our business plan. With demand for high-end serviced apartments continuing to be keen in Shanghai in 2006, the performance of this operation looks promising.

Occupancy at Lanson Place Winsland Residences in Singapore was 85% in 2005, as compared to the market average of 83%.

In Kuala Lumpur, Lanson Place Ambassador Row Residences achieved 78% occupancy, while Kondo 8 Ampang Hilir maintained its position among the leading condominiums in the Ampang area, continuing to outperform the market with 96% occupancy during 2005.

Apparel



Apparel

The Group's garment manufacturing operations, through Shui Hing Textiles International Limited and Unimix Holdings Limited, contributed an operating profit, excluding restructuring and other one-time costs, of HK$3.5 million in 2005 as compared to HK$30.4 million for the year 2004. At HK$992.4 million, turnover showed a small decrease in 2005, as against HK$1,032.8 million in 2004.

Gieves & Hawkes plc

The dip in profitability in 2005 was due to the adverse operating environment brought on by unsettled Sino-US and Sino-EC textile trade arrangement in the first half of 2005. Price competition was intense and orders were shifted offshore or cancelled and, as expected, the Apparel business contribution margin deteriorated accordingly. On the other hand, ongoing cost improvement plans have progressed satisfactorily, with the closure of non-core business units and the realignment of our production capabilities in China and offshore, among other measures.

In the second half of 2005, with the confirmation of the new Sino-US and Sino-EC textile trade arrangement, a more stable market emerged. With a leaner and more focused but flexible base, the Group was able to capitalise on this change in market condition and return to profitability.

While remaining challenging, the 2006 operating environment is expected to offer steady and predictable growth opportunities for Chinese textile products. Although there are adverse factors do exist, including high oil, power and material costs, the Apparel operation is now leaner and more focused while offering flexibility in the production base. We continue to invest in design and development, logistics and technology, and to achieve closer collaboration with our key customers. On the production side, we will continue to improve and reengineer our manufacturing facilities to enhance flexibility and service quality while seeking opportunities to expand our capacity in China and offshore. Our technological capability will be further enhanced with the implementation of an ERP system upgrade which provides a fully integrated order



tracking system to improve our production and logistics management. We will implement an RFID production tracking system to help us improve production effectiveness and efficiency through better planning, loading and line balancing. With our continuous investment in infrastructure and a more orderly market, the Group has every confidence in the long-term profitability of this business.

Gieves & Hawkes plc

Gieves & Hawkes plc ("G&H"), the Group's menswear retail and licensing operation in the U.K., reported an operating profit of HK$4.9 million in 2005 as compared to a loss of HK$0.2 million in 2004.

The new licensee for Japan, appointed in September 2004 and the wholesale division launched in 2003 are now contributing a healthy stream of income to G&H. In addition, two new concession stores at House of Fraser, in Manchester and in Birmingham, which opened in the second half of 2005, were able to capture the shift of retail footfall from London to other major cities following the London bombings in July 2005.

In line with the Group's strategy, G&H will continue to bolster the GIEVES & HAWKES and GIEVES brands and to develop its wholesale and license operations as well as expand retail points at strategic locations.

Strategic Investments

Winsor Properties Holdings Limited ("Winsor")

Winsor is a listed company in Hong Kong, principally engaged in properties rental and management, logistics management and properties development. The Group owns 14.7% of the company (a stake which was subsequently increased to 15% in March 2006).

In Hong Kong, one of the key assets held by Winsor is a prime office site at 102 How Ming Street in Kwun Tong. It will be developed into two grade A office towers with a gross area of approximately 1,300,000 square feet. The Group is the project manager of this development project. Winsor also holds quality industrial and godown buildings in Hong Kong.

Winsor also holds properties interests in Singapore including interest in Suntec City and interests in residential properties development with Wing Tai Holdings Limited.

Mission System Consultant Limited

The Group owns 42.5% of Mission System Consultant Limited ("MSC"), a software provider offering Enterprise Resources Planning solutions to garment manufacturers and traders.

In 2005, MSC continued to expand with the addition of larger and more renowned corporate clients to its customer base. MSC's progress is steady and is preparing for a global launch of its products and offerings in the U.S. in 2006. MSC also introduced a ground-breaking factory floor RFID-based product for manufacturers in 2005; completing its portfolio of offerings and cementing its reputation as a full solutions supplier for the apparel supply chain. 2006 will see rewarding growth from MSC's sourcing and manufacturing customer base.

SUNDAY Communications Limited

On 13 June 2005, the Group sold its investments in SUNDAY Communications Limited to PCCW for cash consideration of approximately HK$266.6 million. Profit on the disposal amounting to HK$67.1 million is reported in 2005. Details of the disposal are set out in a circular to shareholders dated 6 July 2005.

Segmental Information

The analysis of the Group's turnover and profit from operations by business segment and geographical segment is as follows:

For the year ended 31 December	Turnover 2005 HK$'M	Turnover 2004 HK$'M	Profit from operations 2005 HK$'M	Profit from operations 2004 HK$'M
Business segment				
Garment manufacturing and trading	**1,066.1**	1,107.6	**(21.0)**	15.6
Branded products distribution	**235.6**	214.0	**4.1**	(1.1)
Property development	**375.4**	61.5	**209.0**	38.2
Property investment and management	**67.8**	58.4	**296.9**	49.1
Investing activities	**23.0**	14.3	**86.2**	4.9
Unallocated corporate expenses	**–**	–	**(45.9)**	(49.3)
	1,767.9	1,455.8	**529.3**	57.4
Geographical segment				
North America	**746.2**	853.0	**3.3**	9.4
Hong Kong	**423.8**	138.5	**522.0**	46.7
United Kingdom	**310.0**	262.0	**2.5**	(2.8)
Other European countries	**143.1**	119.7	**0.8**	(0.3)
Other areas	**144.8**	82.6	**0.7**	4.4
	1,767.9	1,455.8	**529.3**	57.4

Liquidity and Financial Resources

The Group's equity attributable to the shareholders of the Company totalled HK$1,856.6 million as at 31 December 2005 as compared to HK$1,363.9 million as at the end of 2004. The increase in equity attributable to the shareholders of the Company can be mainly attributed to the profit for the year 2005 of HK$368.5 million and investment revaluation reserve of HK$144.1 million, offset by the distribution of the 2004 final dividend in the first half of 2005.

As at 31 December 2005, the Group's net bank borrowings (total bank borrowings net of cash and bank balances) was HK$964.0 million (2004: HK$1,012.3 million), representing 48.6% of the Group's net assets, which compares against 71.0% recorded at the end of 2004. Interest for the Group's bank borrowings was mainly on a floating rate basis. A majority (around 70.6%) of the Group's bank borrowings was repayable in periods beyond one year, and the Group had unutilised banking facilities in excess of HK$480 million as at the end of 2005 (2004: HK$500 million).

Foreign Currencies

The Group continues to conduct its business mainly in United States Dollar and Hong Kong Dollar and our policy is to hedge most transactions in other foreign currencies. In addition, the majority of our assets are situated in Hong Kong. Thus, our exposure to exchange rate fluctuations is minimal.

Contingent Liabilities

As at 31 December 2005, the Group's contingent liabilities were guarantees given to banks of HK$1.6 million.

Pledge of Assets

The Group's advances to associates/jointly controlled entities at 31 December 2005 include amounts of HK$162.3 million which are subordinated to the loans facilities of associates/jointly controlled entities. The associates/jointly controlled entities are engaged in property development. The Group's advances to the associates/jointly controlled entities include amounts of HK$128.7 million which are assigned, and the shares in these associates/jointly controlled entities beneficially owned by the Group are pledged to the financial institutions.

At 31 December 2005, certain of the Group's investment properties, freehold properties, leasehold land, leasehold building and properties under development with carrying value of HK$1,308.0 million, HK$59.5 million, HK$298.4 million, HK$96.2 million and HK$4.5 million respectively were pledged to secure credit facilities for the Group.

In addition to the above, HK$802.9 million of properties under development for sale included in the consolidated balance sheet of the Group represents the Group's proportionate share in jointly controlled entities which are pledged as security for bank facilities extended to the jointly controlled entities.

Employees

As at 31 December 2005, the Group had in excess of 6,000 staff and workers. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to the prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme to provide retirement benefits for all of its employees in Hong Kong. In addition, there is a defined contribution top-up scheme for qualifying employees of certain Hong Kong subsidiaries of the Group. The Group also operates a funded defined benefit pension scheme for certain overseas employees engaged prior to May 2001.

Employees are eligible under the Company's share option scheme and share incentive scheme in which the share options and incentive shares are generally exercisable within a period of one to five years from the date of grant.