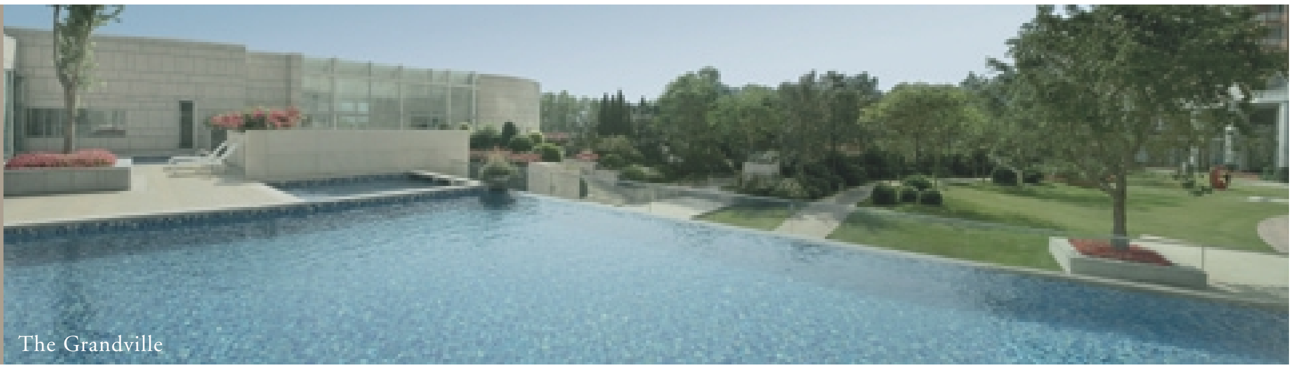
PROPERTY

The Giverny

MANAGEMENT DISCUSSION AND ANALYSIS


The Grandville

BUSINESS REVIEW

For the year ended 31 December 2006, the Group reported a consolidated profit for the year attributable to the equity holders of the Company of HK$738.3 million, compared with HK$368.5 million reported in 2005. Turnover for the Group was HK$2,699.4 million for the year ended 31 December 2006, compared with HK$1,767.9 million for the year ended 31 December 2005.

Property

The Group's property division, which includes residential development projects, hospitality investment and management, and investment properties, recorded profits of HK$819.1 million, representing an increase of 129% as compared with HK$357.3 million for the same period in 2005. The substantial increase is mainly attributed to the profit for The Grandville and valuation gains on the Group's investment properties.

Residential Property Development

Under the Wing Tai Asia brand, well-respected for quality property development, we have launched a number of prestigious residential projects since 1999. We create and add value by bringing out the best in a piece of land or property and its environment, by integrating international vision, excellent design and quality with innovative marketing.

The Grandville, which was successfully pre-sold at the end of 2004, was completed and handed over to the buyers in the second half of 2006. In accordance with the Group's accounting policy, HK$1,265.6 million of turnover and HK$567.6 million of profit attributable to the Group were recognised in 2006 from The Grandville. The Group's maiden launch towards the end of 2006 of Grand 8 on the Park, a luxurious eight-house complex, received positive market response. Subsequent to the year end, all the remaining units of The Grandville have been sold.

Despite keen interest from property agents and potential purchasers, the Group's sales and marketing strategy for The Giverny, a luxurious villa development in Hebe Haven, Sai Kung, has not yet included a formal relaunch following the development's first launch in October 2005. During the year under review, the management continued to add value to the estate and closely monitor the regular maintenance of the premises to ensure that they are maintained with the highest quality and are in perfect condition on delivery.

The construction of Kovan Melody, a residential development comprising 778 apartment units in Singapore as a joint venture with Wing Tai Holdings Limited, was completed with the Temporary Occupation Permit obtained in December 2006. Approximately 77% of units were sold up to year end 2006 and a further 13% were sold by the end of March 2007.

The residential development at 157 Argyle Street (80% owned by the Group) will provide about 90,000 square feet of floor space upon its scheduled completion in 2009. After extensive negotiations with the HKSAR Government, the Group has accepted its revised offer on the land premium in respect of the lease modification in January 2007. Site planning and various building approval submissions are currently underway.

Subsequent to the year end, the Group entered into two memoranda of agreements ("MOAs") with major developers in Hong Kong to co-develop the two pieces of land situated at Tai Po Town Lot Nos. 187 and 188, Pak Shek Kok, Tai Po. The Group has 15% interest in each respective MOA and the attributable floor area is 165,000 square feet.

Hospitality Investment and Management

Lanson Place has officially opened two new properties in 2006, Lanson Place Hotel in Hong Kong and Lanson Place Jin Lin Tian Di Residences in Shanghai. In just over one full year of operation, both properties achieved occupancy of around 90%.

Lanson Place Hotel has become Hong Kong's first member of "Small Luxury Hotels of the World" and was also awarded Boutique Hotel of the Year in the SCMP/Harper's Bazaar Style Awards 2007. Small Luxury Hotels of the World is an unrivalled collection of over 400 independent hotels in more than 65 countries, offering an infinite variety of exceptional guest experiences. The SCMP/Harper's Bazaar Style Awards 2007 was established in 2006 to celebrate the individual spirit of design and innovation. Among highly competitive peers, Lanson Place Hotel is the choice of a professional steering committee as well as public voters and was awarded Boutique Hotel of the Year in early 2007.

Lanson Place Jin Lin Tian Di Residences, the Group's first foray into the China property market, is recognised as one of the leading serviced residences in Shanghai in terms of quality and service. The average monthly rental of Lanson Place Jin Lin Tian Di was around US$6,000.

Occupancy of Lanson Place Winsland in Singapore was 92%. In Kuala Lumpur, Lanson Place Ambassador Row occupancy was maintained at 75%, while Lanson Place Kondo 8 was able to sustain its leading position in the Ampang area with occupancy of 96% in 2006.


Lanson Place Hotel

In Beijing, the construction of Lanson Place Central Park is substantially completed and interior work is now being carried out. The opening date of the property is targeted to be the first half of 2008. While we are working on the opening of this serviced residence, the Group is continuing to look for new projects in different cities in China.

Lanson Place's expansion trail is not only focused on China, but we are also looking for projects in other gateway cities in South East Asia, including Singapore and Malaysia.


Lanson Place Hotel

Property Investment and Management

The Group's expansion into commercial and retail properties in Hong Kong and expansion into China provide the segmental and geographic diversification necessary to balance and enrich our property portfolio. Our portfolio now comprises commercial properties, industrial properties and investment properties in the Group's hospitality business.

Renovation of the former Bank of East Asia Building situated at 314-324 Hennessy Road, Wanchai is expected to be completed in 2007. This project represents the Group's first foray into the office and retail sectors of the Hong Kong property market. The renovated building is expected to create a new landmark in the area.

Construction and renovation of Infiniti, a joint venture retail mall on the prime Huai Hai Road area in Shanghai, has largely been completed. Ongoing marketing campaign and leasing negotiations have generated leasing contracts at satisfactory rates. The mall is expected to open soon.

USI Property Management Limited, our subsidiary, is the project manager of the development at 102 How Ming Street in Kwun Tong. The twin-tower office development will provide 1.2 million square feet of Grade-A office space. Superstructure construction work has commenced in late 2006 and the overall site is scheduled to complete in the second half year of 2008.

In 2006, the Group's industrial buildings, comprising Shui Hing Centre and Unimix Industrial Centre, recorded a fair value gain of HK$95.0 million. The properties achieved high occupancy rates of around 90% throughout the year. The Group expects the industrial buildings to continue to generate stable rental income for the Group.

APPAREL

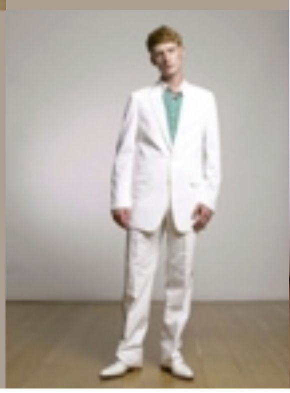
Apparel

The Group's garment manufacturing operation, comprised of Shui Hing Textiles International Limited and Unimix Holdings Limited, generated an aggregate turnover of HK$889.3 million in 2006 compared to HK$992.4 million in 2005 – roughly 10% decline. The 2006 operations resulted in an operating loss of HK$2.8 million compared to an operating profit of HK$3.5 million in the previous year.

The operating environment remained difficult in 2006. Competition remained stiff while major costs of production such as labor and fuel rose steadily. The renminbi's appreciation also impacted adversely on margin.

The Group embarked on several improvement initiatives and cost control measures. Production process reengineering has started alongside facility upgrading, including the set up of new factories in Cambodia and Mainland China. Sales and research & development have been realigned to strengthen collaboration on customer service and market expansion. All these have put USI Apparel in a stronger market position while at the same time halting spiraling production costs.

2007 will be an active year for USI Apparel putting more emphasis on sales growth, productivity and cost efficiency. The Group will continue to invest significantly in technology, design, product development and logistics so as to enhance our competitive edge and potential for growth in the near future.



Gieves & Hawkes plc

The turnover of Gieves & Hawkes plc ("G&H") for 2006 was HK$257.4 million, as compared to HK$235.6 million last year. The increase in turnover was due to the opening in 2006 of nine new retail points in the United Kingdom (one own store and eight concessions). However, also owing to the opening of these new retail points, G&H incurred one-time start-up costs in 2006. As a result, G&H's operating profit declined to HK$1.0 million in 2006 from HK$4.9 million profit in 2005.

In line with the Group's strategy, G&H will continue to invest in the Gieves & Hawkes and Gieves brands and to develop its licensing operations as well as expand the retail network in strategic locations.

STRATEGIC INVESTMENTS


13 WEEK
186.67


0141

Strategic Investments

On 11 April 2007, USI announced its intention to make a voluntary conditional offer to acquire the issued shares (other than those already owned by USI) of Winsor Properties Holdings Limited by issuing new USI shares. The offer intends to restructure the interests of USI and Wing Tai Holdings Limited ("Wing Tai") in Winsor, in order to create enhanced value for shareholders of both USI and Winsor.

As at 11 April 2007, USI held approximately 16.56% of the issued share capital of Winsor, whilst Wing Tai held a further approximately 27.65%. In addition, Wing Tai held approximately 21% of the issued share capital of USI and is a substantial shareholder of USI.

USI believes that this restructuring exercise will be instrumental to better position the Company to pursue its business. Both USI and Winsor will be able to leverage this strengthened shareholding relationship to capitalise on growth opportunities in the property development and investment sector.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's equity attributable to the equity holders of the Company totalled HK$2,712.8 million as at 31 December 2006 as compared to HK$1,856.6 million as at the end of 2005. The increase in equity attributable to the equity holders of the Company was mainly attributed to the profit for the year 2006 of HK$738.3 million and an increase in investment revaluation reserve of HK$156.8 million offset by the distribution of the 2005 final dividend in the first half of 2006.

As at 31 December 2006, the Group's net bank borrowings (total bank borrowings net of cash and bank balances) was HK$660.2 million (2005: HK$964.0 million), representing 22.5% of the Group's net assets, which is lower than 48.6% recorded at the end of 2005 due to the repayment of certain construction project loans in 2006. Interest for the Group's bank borrowings was mainly on a floating rate basis. A majority (around 94%) of the Group's bank borrowings was repayable in periods beyond one year, and the Group had unutilised banking facilities in excess of HK$676.0 million as at the end of 2006 (2005: HK$480.0 million).

Foreign Currencies

The Group continues to conduct its business mainly in United States Dollars, Renminbi Yuan and Hong Kong Dollars. For transactions in other foreign currencies, we have a policy to hedge most such dealings. 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 2006, the Group's contingent liabilities were guarantees given to banks of HK$1.9 million.

Pledge of Assets

The Group's advances to associates/jointly controlled entities at 31 December 2006 include amounts of HK$148.0 million which are subordinated to the loans facilities of associates/jointly controlled entities. The associates/jointly controlled entities include amounts of HK$109.3 million which are assigned, and the shares in these associates/jointly controlled entities beneficially owned by the Group are pledged to financial institutions.

At 31 December 2006, certain of the Group's investment properties, freehold properties, leasehold land, leasehold buildings and properties under development with carrying value of HK$1,558.0 million, HK$59.5 million, HK$38.7 million, HK$92.4 million and HK$11.9 million respectively were pledged to secure credit facilities for the Group.

PROSPECTS

Since the beginning of 2007, the property market in Hong Kong showed signs of a significant increase in market activities. The increased number of applicants for government lands and the active bidders in land auctions have given buyers confidence for a sustainable revival of the property market in 2007.

The Group shares the positive outlook for the property market in Hong Kong and the Mainland China. In 2007, the Group will continue to focus on luxury residential property development, in which the Group has a proven track record and extensive experience. The encouraging market support for Grand 8 on the Park and the keen anticipation for Giverny fueled the Group's confidence for the latter's relaunch, scheduled for April 2007. A series of marketing campaigns are planned to promote the property. In addition, construction of 157 Argyle Street will commence this year as the Group has recently reached an agreement with the Government on land premium and lease modification. Upon completion, the project will add to USI's portfolio of quality luxury residential developments. The Group will also start planning the two residential development projects in Pak Shek Kok with its partners and will once again demonstrate its value creation capability.

Apart from the luxury residential property market, the Group anticipates significant growth on all fronts. For property investment, the completion of the renovation of former Bank of East Asia Building on Hennessy Road will become a new source of stable income for the Group in the coming years. The Lanson Place in Hong Kong, Shanghai, Kuala Lumpur and Singapore, which is now a leading hospitality management brand in those cities, will maintain considerable growth in line with the robust business and leisure traffic in the region and the stronger recognition of the brand.

The Group is optimistic about the market potential in the PRC and will consider suitable investment projects across the border should such opportunities arise.

The Group will actively consider suitable acquisition opportunities in order to strengthen its financial position with an aim to become a niche player in the property market and create value for its shareholders.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK6.5 cents (2005: HK5.5 cents) per share for the year ended 31 December 2006. Including the interim dividend of HK5.0 cents (2005: HK1.5 cents) per share paid on 20 October 2006, the total dividends payout for the year ended 31 December 2006 shall be HK11.5 cents per share. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, final dividend will be payable on 14 June 2007 to shareholders registered as at 8 June 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 June 2007 to 8 June 2007, both days inclusive, during which period there will be no transfer of shares. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on 4 June 2007.

EMPLOYEES

As at 31 December 2006, 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, including executive directors, are eligible under the Company's share option scheme in which the share options are generally exercisable in stages within a period of one to five years from the date of grant.