

INTERIM RESULTS

The interim results for the six months ended 31 August 2001 have not been audited by the Company's auditors, but have been reviewed by the Audit Committee on 22 November 2001.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 31 August 2001

		2001	2000
	Notes	HK\$'000	HK\$′000
TURNOVER	2	214,083	205,002
Cost of sales		(150,813)	(119,124)
Income from counter and consignment sales		30,577	26,694
Other revenue		12,787	26,792
Gain on disposal of a subsidiary		_	44,260
Selling and distribution costs		(93,848)	(136,559)
General and administrative expenses		(61,197)	(81,668)
Other operating expenses		(3,611)	(3,222)
LOSS FROM OPERATING ACTIVITIES	3, 4	(52,022)	(37,825)
Finance costs – interest expenses		(18,523)	(28,351)
Share of profits less losses of associates		(7,983)	(9,401)
LOSS BEFORE TAX		(78,528)	(75,577)
Tax	5	(3,385)	(3,009)
LOSS BEFORE MINORITY INTERESTS		(81,913)	(78,586)
Minority interests		2,052	8,308
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(79,861)</u>	(70,278)
LOSS PER SHARE	6		
Basic		(13.91 cents)	(12.24 cents)
Diluted		<u>N/A</u>	N/A

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES – UNAUDITED

For the six months ended 31 August 2001

	Note	2001 HK\$'000	2000 HK\$'000
Exchange differences on translation of the financial statements of foreign entities	15	(450)	573
Surplus/(deficit) on revaluation of an investment property of an associate	15	(18,067)	39,664
Net gain/(loss) not recognised in the profit and loss account		(18,517)	40,237
Net loss from ordinary activities attributable to shareholders		(79,861)	(70,278)
Total recognised gains and losses		(98,378)	(30,041)

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

31 August 2001

		31 August 2001	28 February 2001
	Notes	HK\$'000	HK\$′000
NON-CURRENT ASSETS			
Fixed assets	7	375,521	391,749
Properties under development	8	339,912	408,939
Long term receivables		7,899	11,018
Interests in associates		884,985	959,389
Long term investments	9	54,270	20,129
Rental deposits		12,789	13,110
		1,675,376	1,804,334
CURRENT ASSETS			
Properties held for sale	10	56,278	860
Inventories		75,659	74,051
Debtors	11	2,285	2,318
Prepayments, deposits and other receivables		46,377	86,521
Marketable securities	12	368,079	470,886
Pledged cash and bank balances		30,724	36,257
Pledged deposits with banks		5,147	19,976
Cash and bank balances	13	126,972	28,125
		711,521	718,994
CURRENT LIABILITIES			
Interest-bearing bank loans and overdrafts, secured		467,019	448,863
Creditors, deposits and accrued expenses	14	70,422	93,967
Tax		3,274	. 74
Unclaimed dividends		4,606	4,606
		545,321	547,510
NET CURRENT ASSETS		166,200	171,484
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TOTAL ASSETS LESS CURRENT LIABILITIES		1,841,576	1,975,818
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured		(300,000)	(330,946)
MINORITY INTERESTS		(5,750)	(10,668)
		1,535,826	1,634,204
CARITAL AND DECERVES			
CAPITAL AND RESERVES Issued share capital		287,154	287,154
Share premium account		267,134	267,134
Reserves	15	1,248,646	1,347,024
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		1,535,826	1,634,204

Walter K W MA

Director

Philip K H MA

Director

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 31 August 2001

	2001 HK\$'000	2000 HK\$'000
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Net cash inflow/(outflow) from operating activities	79,680	(132,952)
Returns on investments and servicing of finance	(6,649)	(2,219)
Taxes paid	_	(3,557)
Investing activities	41,922	257,064
Net cash inflow before financing activities	114,953	118,336
Financing activities	(32,862)	(41,914)
Increase in cash and cash equivalents	82,091	76,422
Cash and cash equivalents at beginning of period	23,018	(1,885)
Effects of foreign exchange rate changes, net	(450)	573
Cash and cash equivalents at end of period	104,659	75,110
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	126,972	89,839
Bank overdrafts	(22,313)	(14,729)
	104,659	75,110

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 August 2001

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting". The accounting policies and basis of presentation are the same as those used in the annual financial statements for the year ended 28 February 2001. Figures for the year ended 28 February 2001 are extracted from the Group annual financial statements for that year.

2. SEGMENTAL INFORMATION - TURNOVER

		For	the six mon			
		2001 Other	31 Aug	ust	2000 Other	
	Hong Kong	territories	Total I	Hong Kong	territories	Total
	HK\$′000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:						
Department store operations	180,882	804	181,686	182,241	1,321	183,562
Restaurant operations	12,801	_	12,801	15,164	_	15,164
Property rental, net of outgoings	6,085	1,965	8,050	21,958	3,589	25,547
Gross proceeds from sales of						
properties	-	42,626	42,626	-	-	-
Securities trading	(18,925)	(12,155)	(31,080)	(20,761)	1,490	(19,271)
	180,843	33,240	214,083	198,602	6,400	205,002
By geographical location:						
Hong Kong	180,843	_	180,843	198,602	_	198,602
The People's Republic of China						
("PRC"), excluding Hong Kong	_	2,769	2,769	_	3,707	3,707
United Kingdom	-	42,626	42,626	-	1,203	1,203
Others		(12,155)	(12,155)		1,490	1,490
	180,843	33,240	214,083	198,602	6,400	205,002

3. SEGMENTAL INFORMATION - LOSS FROM OPERATING ACTIVITIES

For	the	six	months	ended
		31	August	

		2001 Other			2000 Other	
	Hong Kong	territories	Total I	Hong Kong	territories	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:						
Department store operations	67,369	44	67,413	69,252	383	69,635
Restaurant operations	8,613	_	8,613	10,591	_	10,591
Property rental, net of outgoings	6,085	1,965	8,050	21,958	3,589	25,547
Sales of properties	_	10,274	10,274	_	_	_
Securities trading	(18,925)	(12,155)	(31,080)	(20,761)	1,490	(19,271)
Interest income	7,374	_	7,374	12,600	5,246	17,846
Income from counter and						
consignment sales	25,280	5,297	30,577	21,885	4,809	26,694
Others	2,474	2,939	5,413	8,445	49,514	57,959
Operating expenses	(132,630)	(26,026)	(158,656)	(187,771)	(39,055)	(226,826)
	(34,360)	(17,662)	(52,022)	(63,801)	25,976	(37,825)
By geographical location:						
Hong Kong	(34,360)	_	(34,360)	(63,801)	_	(63,801)
PRC, excluding Hong Kong	_	(7,362)	(7,362)	_	(12,710)	(12,710)
United Kingdom	_	4,001	4,001	_	32,805	32,805
Others	_	(14,301)	(14,301)	_	5,881	5,881
	(34,360)	(17,662)	(52,022)	(63,801)	25,976	(37,825)

4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	For the six r	For the six months ended 31 August		
	31 A			
	2001	2000		
	HK\$′000	HK\$'000		
Depreciation	11,531	19,802		

5. TAX

Tax in the condensed consolidated profit and loss account represents:

	For the six	For the six months ended 31 August		
	31			
	2001	2000		
	HK\$'000	HK\$'000		
Provision for tax in respect of profit for the period:				
Hong Kong	-	-		
Overseas	3,200	2,370		
	3,200	2,370		
Associates	185	639		
Tax charge for the period	3,385	3,009		

No provision for Hong Kong tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2000: Nil).

Overseas tax has been provided on the profits of the overseas subsidiaries in accordance with tax laws of the country in which these subsidiaries operate.

6. LOSS PER SHARE

The calculation of loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$79,861,000 (2000: HK\$70,278,000) and the 574,308,000 (2000: 574,308,000) shares in issue throughout the period.

No diluted loss per share is presented for both current and last period as there are no dilutive potential ordinary shares.

7. FIXED ASSETS

The valuations of the Group's investment properties have been independently reviewed by DTZ Debenham Tie Leung Limited as at 31 August 2001 on an open market basis and the amount was same as that as at 28 February 2001.

8. PROPERTIES UNDER DEVELOPMENT

592,451 73,098 535,757) - 279,147 408,939
535,757) - 279,147
- 279,147 —
108,939
As at
ebruary
2001
HK\$′000
9,623
10,506
20,129
HK\$'000
_
_
860

11. DEBTORS

The maturity profile of current portion of the amounts due from purchasers of units in the Sincere House at 31 August 2001 was as follows:

		As at	As at
		31 August	28 February
		2001	2001
		HK\$'000	HK\$'000
	0 – 3 months	552	556
	4 – 6 months	565	571
	7 – 12 months	1,168	1,191
		2,285	2,318
12.	MARKETABLE SECURITIES		
		As at	As at
		31 August	28 February
		2001	2001
		HK\$'000	HK\$'000
	Listed investments, at market value:		
	Hong Kong	50,431	68,940
	Overseas	317,648	401,946
		368,079	470,886
13.	CASH AND BANK BALANCES		
		As at	As at
		31 August	28 February
		2001	2001
		HK\$′000	HK\$′000
	Cash on hand and in banks	75,772	27,152
	Deposits with banks	51,200	973
		126,972	28,125

14. CREDITORS

The age analysis of trade creditors at 31 August 2001 was as follows:

	As at	As at
	31 August	28 February
	2001	2001
	HK\$′000	HK\$'000
0 - 3 months	26,607	19,534
4 - 6 months	307	216
7 – 12 months	110	173
Over 1 year	828	531
	27,852	20,454

15. RESERVES

			Investment		
			property		
	Retained	General	revaluation		
	profits	reserve	reserves	Total	
	HK′000	HK'000	HK′000	HK′000	
At 1 March 2001	1,025,349	34,088	287,587	1,347,024	
Share of revaluation deficit of an associate	_	_	(18,067)	(18,067)	
Exchange adjustment	_	(450)	_	(450)	
Loss for the period	(79,861)			(79,861)	
At 31 August 2001	945,488	33,638	269,520	1,248,646	

16. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group received interest income of HK\$5,250,000 (2000: HK\$6,615,000) from an associate in respect of the amount due from it. The amount was calculated at an interest rate of HIBOR plus 1.5% per annum. The amount due from this associate at 31 August 2001 amounted to HK\$212,163,000 (31 August 2000: HK\$263,763,000).

17. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	As at	As at
	31 August	28 February
	2001	2001
	HK\$′000	HK\$'000
Guarantees executed by the Company in favour of banks		
to secure a loan granted to an investee company	10,950	14,950
Guarantees executed by the Company in favour of banks		
to secure a loan granted to an associate	228,477	753,616

18. OUTSTANDING COMMITMENTS

Outstanding commitments at the balance sheet date were as follows:

	As at	As at	
	31 August	28 February	
	2001	2001	
	HK\$′000	HK\$'000	
Irrevocable letters of credit	24,493	13,707	
Capital commitments contracted, but not provided for	56,292	78,108	
Commitments to purchase foreign currencies	82,018	89,626	
Commitments to sell foreign currencies	82,691	88,531	

In addition to the above, certain associates of the Group had outstanding capital commitments in aggregate of approximately HK\$211,756,000 (28 February 2001: HK\$316,000,000) as at the balance sheet date in respect of the property development projects in London, the United Kingdom. In the opinion of the management, these property development projects will be financed by bank borrowings instead of internal financial resources.

19. SUBSEQUENT EVENT

Pursuant to a sale and purchase agreement dated 20 August 2001, the Company disposed of its entire interests in an associate, Lee Theatre Reality Limited, at a consideration of approximately HK\$508,000,000, to the substantial shareholders of Lee Theatre Reality Limited. The transaction was completed in September and resulted in a gain of approximately HK\$70,000,000.

INTERIM RESULTS

During the period under review, Hong Kong's economy continues to encounter the impact of the slowdown of world's economy. It continues to record a negative GDP and a high unemployment rate that has further weakened the retail industry in Hong Kong. In order to sustain the Group's financial position, it has continued to concentrate its efforts on consolidating its operations by improving its turnover and reducing its debt level. The Group's total turnover has increased by 4.4% that was mainly contributed by disposition of property assets whereas sales from the department store operations has dropped by 1% that was mainly due to the continuous sluggish retail market during the period under review. The Group has further reduced its expense level in which its financial costs was reduced by 35%, and overall general expenses by 25.1%. The total turnover was up to HK\$214 million while net loss was HK\$79.9million.

BUSINESS REVIEW AND FUTURE PROSPECTS

Weak market sentiments in Hong Kong coupled with declining consumer confidence was reflected in the overall retail operations for the period under review. The retail industry is in for a tough road ahead as the Group continues to eliminate sectors of the business that are unprofitable whilst providing a range of value for money products. In better serving the needs of customers with strong spending power, the Group has recently launched a selection of contemporary merchandise to suit their tastes.

We continued to implement a focused and targeted strategy in all our stores including Central, Mongkok Argyle Street, the Grand Century Place and the Shamshuipo Dragon Centre. The Lee Theatre Store was closed in August 2001 that is in line with our strategy of reducing operational costs to healthier levels. During the period under review, the Group managed to reduce its overall general expenses by 25.1%, which resulted from the consolidation of operations and process improvements.

During the period, we recorded sales from one of our U.K. projects – Pembroke House in Chesham Street, Belgravia. Although the global property market is expected to remain sluggish for the short term, its outlook in the long term remains positive. We have adopted a cautious marketing strategy on all our projects including Hyde Park Lancaster Gate apartments as well as the lifestyle living apartments in Jubilee Street, Stepney.

In line with our strategy, we have reduced our financial costs by 35% during the period under review and will continue to minimize our financial costs by taking advantages of low interest rates and using the proceeds from sales of properties to defray its and other bank loans. We will continue to reduce total liability and increase the Group's cash position by tight control on the Group's expenses especially on interest expenses, manpower and occupancy costs before the end of the current fiscal year. Continuous process improvement is one of the major goals of the Group to improve its profit margin. We have been working closely with our foreign and local suppliers to reduce production and distribution costs.

The Group has also committed itself to focus its efforts on revenue generating areas. The Group has a renewed focus on providing better customer service; better selection of merchandise; competitive pricing as well as reconfiguring overall shop floor area to be more accessible and inviting. Sincere's private label – SX (Sincere Executive), for young office ladies executive, was successfully launched in October 2001. With the Group previous successes in the U.K. property market, we would continue to seek out opportunities.

Despite concerted management efforts in adopting stringent measures, the economic downturn has hit the confidence of consumers from all ranks of life. The terrorist attack has brought about further uncertainties to the US as well as to the global economy. The slowdown in the US economy will certainly prolong the process of consolidation and recovery in the global as well as the local economy. Company restructuring is on the increase in light of the current economic downturn. However, in order to sustain our market presence, we need to have a flexible labour force capable of carrying the Group forward. The impact will be an increase in streamlining exercises and relocation of labour force to where they are best needed. The Group encourages a conservative but focused approach to become more resilient in every respect. We will continue to beef up our marketing strategy and target customers looking for a contemporary, value-formoney product mix. The Group feels it is imperative to target consumers with large disposable incomes through promoting "lifestyle" living as an unique segment of the market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position for the period under review has reflected the management's commitment to improve the indebtedness risk profile of the Group. The percentage of long-term indebtedness to total indebtedness as at 31 August 2001 was 39%, as compared to 42% as at 28 February 2001. The Group's current ratio is 1.30 and a gearing ratio (long term liabilities to shareholders' funds) is 20%, as compared to 1.31 and 21% as at 28 February 2001, respectively.

EMPLOYEES AND REMUNERATION POLICIES

The Group remunerates its employees largely based on industry practice. Remuneration packages comprised salary, commissions and bonuses based on individual merits.

INTERIM DIVIDEND

The Board of Directors of the Company has decided not to declare an interim dividend for the year ending 28 February 2002.

PRINCIPAL SHAREHOLDERS

At 31 August 2001, according to the register of interests kept by the Company pursuant to the Securities (Disclosure of Interests) Ordinance (Cap. 396) of the Laws of Hong Kong (the "SDI Ordinance") and so far as is known to the directors, The Sincere Life Assurance Company Limited and The Sincere Insurance and Investment Company Limited were interested in 183,136,032 and 75,608,064 shares of HK\$0.50 each in the Company representing 31.89% and 13.17% of the issued share capital of the Company, respectively. Save for the above, there were no other shareholders who had registered an interest, directly or indirectly, of 10% or more of the issued share capital of the Company.

DIRECTORS' SHAREHOLDINGS

At 31 August 2001, the interests of the directors in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which had been notified to the Company pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 or Part 1 of the Schedule of the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein were as follows:

(a) Company

	Number of ordinary shares held			
	Personal	Family	Corporate	Other
Directors	interests	interests	interests	interests
Walter K W MA	9,925,000	_	_	_
Philip K H MA	2,000,000	_	_	_
John K K MA	3,200,000	_	_	_
King Wing MA	992,576	_	_	_
Eric K K LO	2,200,400	_	_	_
Charles M W CHAN	40,000	_	_	_

(b) Associated corporations

At 31 August 2001, Walter K W MA, Philip K H MA, John K K MA, King Wing MA and Eric K K LO held 527, 713, 2,382, 575 and 216 ordinary shares, respectively, in The Sincere Life Assurance Company Limited. In addition, at 31 August 2001, Philip K H MA and John K K MA held 500 and 565 promoter shares, respectively, in The Sincere Life Assurance Company Limited.

At 31 August 2001, Walter K W MA, Philip K H MA, John K K MA, King Wing MA and Eric K K LO held 4,521, 2,485, 2,197, 6 and 1,019 ordinary shares, respectively, in The Sincere Insurance and Investment Company Limited.

At 31 August 2001, Walter K W MA, Philip K H MA and John K K MA held 10, 10 and 10 ordinary shares, respectively, in The Sincere Company (Perfumery Manufacturers) Limited.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

At no time during the financial period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARE

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the period.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period, except that the non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's articles of association.