

## EXECUTIVE CHAIRMAN'S STATEMENT



*The Group is now more flexible in both financial and human resources to capture any emerging opportunities.*

On behalf of the Board of Directors of The Sincere Company, Limited, I would like to present the shareholders with the Annual Report for the year ended 28 February 2001.

### RESULTS

The year under review was a difficult and challenging year for Sincere. The retail operations had sustained its turnover on comparable stores and despite the closure of some unprofitable outlets. The drop in turnover was due to the fact that there was no disposal of property during the period. As a result of the fluctuation in the investment market, the Group has experienced a significant loss during the period. This year of business consolidation had required a number of provisions being made, thus further reducing the attributable profits for the period. Yet debt reduction and cost saving were the key. The bank debt was reduced by close to 32%, and general expenses were reduced by over \$10 million.

### EQUITY

The number of issued shares of HK\$0.50 each as at February 28, 2001 was 574,308,000. There was no movement in the share capital of the Group in the year under review. Details of the share capital of the Group are set out in note 25 to the financial statements.

## **EXECUTIVE CHAIRMAN'S STATEMENT** (Continued)

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's financial position reflected the effort of the management to improve the indebtedness risk profile of the Group. The percentage of long term indebtedness to total indebtedness as at 28 February 2001 was 42%, as compared to 34% as at 29 February 2000. The Group's current ratio is 1.31 and a gearing ratio (long-term liabilities to shareholders' funds) of 21%.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 28 February 2001, the Group had 902 (2000: 1,086) employees. The Group remunerates its employees largely based on industry practice. Remuneration packages comprised salary, commissions and bonuses based on individual merits.

### **CONTINGENT LIABILITIES**

Details of the contingent liabilities are set out in note 32 to the financial statements.

### **PLEDGE OF ASSETS**

Details of the pledge of assets are set out in note 12 and 21 to the financial statements.

### **SEGMENTAL INFORMATION**

The principal activities of the Company and its subsidiaries have not changed during the year and mainly consisted of the operation of department store, the rental of properties, property development, securities trading and the operation of restaurants.

Details of the segmental information are set out in note 3 and 4 to the financial statements.

### **DIVIDEND**

The Board of Directors has resolved not to recommend the payment of a final dividend for the year ended 28 February 2001.

## EXECUTIVE CHAIRMAN'S STATEMENT (Continued)

### BUSINESS REVIEW

Last year, Hong Kong's retail sector still showed weak consumer buying behavior while the Group continued in its consolidation and focusing strategies. Despite the closure of the Kowloon City Plaza ("KCP") store in July 2000, our retail operations surpassed the overall Hong Kong department store industry performance during the period under review. In the coming September 2001, we will further consolidate our unprofitable business by not renewing the lease of Lee Theatre Plaza store. Results showed that we have been effective in eliminating unprofitable business operations, while at the same time preparing for expansion of our specialty store network.

Other stores in Central, Mongkok Argyle Street, the Grand Century Place and the Shamshuipo Dragon Centre have contributed towards the overall Group performance. We are persistent to improve our customer services in terms of merchandise and pricing, as well as shopping environment, to maintain our unique presence in the market.

Our Mövenpick Marché restaurant operation recorded a steady revenue stream despite seasonal fluctuations.

In the PRC, our strategies in leasing out most of the space of our Shanghai entertainment complex gave us a stable rental income. We intend to replicate our business model in Dalian to minimize major operating expenses for further profit maximization. With a steady flow of rental revenue, the Group intends to adopt a prudent approach to launching new developments of Dalian servicing apartments under uninspiring market conditions.

There was no disposal of Hong Kong property during the year under review, and, accordingly no contribution from this sector.

In the UK, the Group continues to make a significant investment under favourable market conditions. The renovation work at Pembroke House, Belgravia, is in full swing and ready for completion in the second half of 2001. Sales from another project in Jubilee Street where modernization is under way will take place in the end of 2001. The Park Lane project, which will open as the Marriott International flagship is on schedule for the fourth quarter 2002. The Group further acquired a block of Hyde

## **EXECUTIVE CHAIRMAN'S STATEMENT** (Continued)

Park Lancaster Gate apartments in January 2001, the same area where the Group had a successful project in the mid 90's. In June 2001, the Group participated in an exciting newly built high-rise apartment building project in the trendy Canary Wharf West India Quay area.

### **PROSPECTS**

Last year, the Sincere Group carried out a focused approach to conserve resources. In addition, the retail operations have been energized with the new appointment of personnel with extensive expertise and knowledge.

Moreover, the Group is still undertaking major restructuring of its operation during the year in review. Eliminating unnecessary expenses and utilizing resources is necessary for us to further reinforce our market presence over time, along with economic recovery.

Our Group is now more flexible in both financial and human resources to capture any emerging opportunities as they arise. We are undertaking a vigilant approach, but we are continuously committed to business process re-engineering, resources utilization and customization, as well as continuous technological enhancement.

### **APPRECIATION**

The year under review has been an important one for Sincere. This is the year of consolidation and strategic planning for the Group's future growth. In the long term, we aim to elevate customer awareness through quality products, premium services and extensive industry know-how. On behalf of the Board of Directors, I would like to express my gratitude to our shareholders, management and staff for their genuine dedication, as well as for the continued support of our loyal customers and business partners.

**Walter K W MA**  
*Executive Chairman*

21 June 2001