

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements of the Company and the Group for the financial year ended 28 February 2001.

PRINCIPAL ACTIVITIES

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

Details of the Group's turnover and contribution to trading results by activity and geographical location are set out in notes 3 and 4 to the financial statements, respectively.

RESULTS

The Group's loss for the financial year ended 28 February 2001 and the state of affairs of the Company and the Group as at that date are set out in the audited financial statements on pages 26 to 71.

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 74.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the financial year ended 28 February 2001.

FIXED ASSETS

Changes to the fixed assets of the Company and the Group are disclosed in note 12 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group are set out in note 13 to the financial statements and page 73 of the annual report.

REPORT OF THE DIRECTORS (Continued)

PROPERTIES HELD FOR SALE

Details of the properties held for sale of the Group are set out in note 19 to the financial statements and page 73 of the annual report.

CAPITALISED INTEREST

The amount of interest capitalised during the financial year was HK\$3,603,000.

SUBSIDIARIES AND ASSOCIATES

Particulars of the subsidiaries and associates are set out in notes 15 and 16 to the financial statements, respectively.

BORROWINGS

Particulars of the Group's borrowings are disclosed in note 23 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the financial year ended 28 February 2001, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

RESERVES

Movements in the reserves of the Company and the Group during the financial year are set out in note 27 to the financial statements.

DONATIONS

Donations made by the Group during the financial year amounted to HK\$9,500.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

The directors who served during the financial year were as follows:

Executive Directors:

Walter K W MA (Chairman)

Philip K H MA (Group Managing Director)

John K K MA (Secretary)

Independent Non-Executive Directors:

King Wing MA

Eric K K LO

Charles M W CHAN

In accordance with article 99 of the Company's articles of association, all directors continue in office for the ensuring year.

No director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Details of the biographies of the directors and a senior executive are set out on page 21 to 22.

PRINCIPAL SHAREHOLDERS

At 28 February 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.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' INTERESTS IN SHARES

At 28 February 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

| Directors | Number of ordinary shares held | | | |
|------------------|--------------------------------|------------------|---------------------|-----------------|
| | Personal interests | Family interests | Corporate interests | Other 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 28 February 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 28 February 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 28 February 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.

REPORT OF THE DIRECTORS (Continued)

At 28 February 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 year 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.

DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, rental income amounting to approximately HK\$14,748,310 was received by the Company from Joyce Boutique Limited ("Joyce"), a company incorporated in Hong Kong, of which Walter K W MA and Eric K K LO are directors, for the sub-leasing of certain areas of Lee Theatre Plaza.

During the financial year, the Company invested in a 10% equity interest in and advanced an interest-free shareholder loan to Goldian Limited ("Goldian"), a company incorporated in Hong Kong, of which Walter K W MA and Eric K K LO are directors and Philip K H MA is an alternate director to Walter K W MA. The total sum of the investment and loan advancement amounted to HK\$21,351,000.

In the opinion of the directors, the above transactions were transacted on what they considered arm's length bases between the Company and Joyce and Goldian and were conducted in the ordinary course of business of the relevant companies.

Apart from the above, none of the directors had a significant beneficial interest in any contract of significance to the business of the Company or any of its subsidiaries to which the Company or any of its subsidiaries was a party during the financial year.

REPORT OF THE DIRECTORS (Continued)

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year.

DIRECTORS' REMUNERATION AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' remuneration and that of the five highest paid individual in the Group are set out in note 28 to the financial statements.

RETIREMENT SCHEME

Particulars of the retirement scheme of the Group are set out in note 7 to the financial statements.

BIOGRAPHIES OF DIRECTORS

Directors

Mr Walter K W MA, aged 71, is the Executive Chairman. He became a director in 1966, Chairman in 1978 and an executive director in 1982. Mr MA is a Certified Public Accountant. He is a director of The Sincere Life Assurance Company Limited and The Sincere Insurance and Investment Company Limited.

Mr Philip K H MA, aged 45, is the Group Managing Director. He joined the board of directors in 1990, became an executive director in 1992, has been President since 1993 and was retitled as Group Managing Director in 1996. He holds an MBA degree. Mr MA is currently in charge of all aspects of the Group's operations. He is a director of The Sincere Life Assurance Company Limited and The Sincere Insurance and Investment Company Limited.

Mr John K K MA, aged 71, has been an executive director since 1982. He joined Sincere in 1961 and became a director in 1966. He also heads The Sincere Life Assurance Company Limited and The Sincere Insurance and Investment Company Limited as the controller.

REPORT OF THE DIRECTORS (Continued)

Dr King Wing MA, aged 69, has been a non-executive director of the Company since 1980. He is a general medical practitioner with over 37 years' experience in England, the United States of America and Hong Kong.

Mr Eric K K LO, aged 52, has been a non-executive director since December 1993. Mr LO is currently the director of Hsin Chong Land Limited.

Mr Charles M W CHAN, aged 45, became a non-executive director of the Company in November 1995. Mr Chan is an executive director of International Hoteliers Limited.

Senior executive

Ms Joanna CHARRINGTON, aged 53, joined the Company in March 2001 and is the General Manager in charge of the retail operations. Ms CHARRINGTON has over 25 years of senior management experience in the capacity of Regional Sales Director/Director of International Brand and General Manager for Asia Market.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

AUDIT COMMITTEE

The Company has established an Audit Committee (the "Audit Committee") on 8 November 1999 in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules. The work of the Audit Committee has covered the full financial year ended 28 February 2001. The present members of the Audit Committee are King Wing MA, Eric K K LO and Charles M W CHAN.

SUBSEQUENT EVENT

Details of the subsequent event are set out in note 34 to the financial statements.

REPORT OF THE DIRECTORS (Continued)

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

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 Listing Rules throughout the year, 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.

ON BEHALF OF THE BOARD

Walter K W MA
Executive Chairman

Hong Kong, 21 June 2001