The Group is positive in its efforts to strengthen its financial position; build a strong team and control costs growth in order to capture business opportunities, maximise shareholders' return and ensure customers' satisfaction.

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 2002.

RESULTS

The year under review was a year of continuous consolidation of our efforts in meeting the challenges derived from the slow down of world economy and its impact on the Hong Kong retail industry. The retail operations had focused on the strategy of closing unprofitable outlets while keeping an eye on potential expansion in the coming years. The overall conservative approach in the investment market had minimized the Group's risk and thus reduced the losses significantly during the period. The completion of a property project during the year had increased the Group's turnover even though the retail operations' turnover dropped by 13% due to the closure of Lee Theatre Plaza store. Tight control on Group's expenses and better re-allocation of the Group's assets continue to play an important role in the overall strategy. General and selling expenses had been reduced by a total of over $91 million. The bank debt was reduced by close to 43% which, in turn, had significantly reduced the interest expenses by over $32 million during the period.

EQUITY

The number of issued shares of HK$0.50 each as at 28 February 2002 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 26 to the financial statements.

LIQUIDITY AND GEARING

As at the balance sheet date, the Group had net current assets of HK$334 million (2001: HK$171 million). The Group's total borrowings less cash and cash equivalents amount to HK$364 million (2001: HK$752 million). The maturity profile of the Group's borrowings is set out in notes 24 to the financial statements. The bank borrowings included the currency of US dollars, HK dollars and Pound Sterlings with interest rates ranging from 2.4% to 5.75%. The net interest expense for the year was HK$30 million (2001: HK$62 million).

As at balance sheet date, the Group's current ratio is 1.65 (2001: 1.31) and a gearing ratio (total debt to shareholders' funds) of 33.7% (2001: 47.7%).

EMPLOYEES AND REMUNERATION POLICIES

Remuneration packages comprised salary, commissions and bonuses based on individual merit. The total remuneration paid to the employees (including pension costs and the directors' emoluments) of the Group was HK$97 million (2001: HK$113 million). As at 28 February 2002, the Group had 688 (including part-timers) (2001: 902) employees.

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 33 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in notes 13 and 22 to the financial statements.

SEGMENT 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 segment information are set out in note 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 2002.

BUSINESS REVIEW

During the year under review the Group's retail business began to recover until the incident of 11 September. The incident had significantly slowed down the Hong Kong economy once again especially the retail industry. Under this challenging environment, the Group's strategies and efforts to control expenses and better deploy available resources sustained the overall turnover, resulting in only a small decrease of 1.9% despite the closure of Lee Theatre Plaza store in August 2001. The consolidation process of eliminating unprofitable business operations will continue as necessary so that the Group can deploy its resources for future expansion. In May 2002, the Group had closed the Dalian retail operations and leased the premises out so as to maximize the return from the property.

In the retail operations, the Group will concentrate on the 4 stores in Hong Kong. We will continue to focus on our customer's needs to improve our merchandise mix, provide high quality customer services and value for money pricing. To provide better shopping environment to our customers, we will expand the selling floor area in Grand Century Place in July 2002. The Group will look into any opportunity of expansion to capture additional market share for its retail operations.

In order to further consolidate the Group financial resources, the Group had disposed its entire interests in an associate that held the property of Lee Theatre Plaza in September 2001. The proceeds from the transaction were mainly used to reduce the Group's financial debts.

The Group's restaurant operation, Mövenpick Marché, had a difficult year. Local consumption plus number of tourists visiting Hong Kong has reduced significantly right after the 11 September incident and caused a significant drop in the restaurant turnover for the period. The operation management has reviewed its pricing strategy, food product mix, customer's services and costs structure so as to attract more local and foreign customers.

For PRC operations, the Group has successfully leased out its Dalian store to a third party so as to generate stable revenue. We will continue to adopt a prudent approach for marketing the service apartments and property.

During the year under review, UK property had continued to do well and contributed to the Group's turnover. The Pembroke House, Belgravia, project was completed in 2001 and turnover has started realizing. All remaining units have been sold in the calendar year 2002. Jubilee Street launched its marketing program this April and pre-sale has been brisk. The refurbishment of Park Lane project was progressing as expected and will be completed in the fourth quarter of current year. The Hyde Park Lancaster Gate project was also progressing well and sales are also expected to contribute to the Group in the coming fiscal year 2003.

PROSPECTS

Overall we are positive with our strategy and efforts in strengthening our financial position, controlling the Group expenses and building a strong management team in the past years. We are more focused and able to react to the market much faster and that has resulted in sustaining our turnover even under the recent tough business environment.

In the next couple of years, the Group will continue to undergo a number of consolidation and restructure of its operations in eliminating all the unprofitable businesses, further enhancing the operations' effectiveness and efficiency and investing our resources to maximize our shareholder's value.

APPRECIATION

The year under review has been a tough but positive and encouraging year for the Group. This year, we have begun to feel the result of our consolidation efforts to achieve the long-term strategy required for the Group's future growth. We will continue 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

13 June 2002