Profitability, market shares, customer satisfaction, innovation and people were the focuses of the Group and are the long-term commitments of the operations to the Company.

RETAIL OPERATIONS

Hong Kong

The core business of the Group, retail operations, had a strong and encouraging start during the year under review. The sales campaigns launched in the beginning of the fiscal year had lead to a single-digit growth rate as compared to previous year. Our commitments on eliminating unprofitable outlets, the closure of Lee Theatre Plaza in September 2001, and tight expenses control, 30% reduction on Selling and Distribution costs and 10% reduction on General and Administrative expenses as compared to previous year, had increased the Group's overall efficiency and effectiveness and helped to reduce the retail losses significantly. The result of our efforts had strengthened our financial position, thus reducing our financial costs by approximately 52%.

During the year under review, the Hong Kong economy was still under a lot of pressure internally and externally especially after the September 11 incident. Internal consumption was weak and tourists' purchasing dollar had reduced significantly. This had great impact on our retail operations. Even though we could sustain our turnover and control our expenses, we still suffered a loss from retail operations.

The Central store was able to sustain its turnover by bringing in image corner concept for both apparels and hard goods. It was able to improve the store image and provide more merchandise variety to suit the customers in Central store. Our house brand, SX, catering to young office ladies, was launched in Central in September 2001 and is gradually performing as expected.

The Shamshuipo Dragon Centre store had performed well since the reallocation of selling floor space and the opening of the government office building next door. It had expanded its hard goods area and added in more local merchandise that matched to the customers' need.

RETAIL OPERATIONS *(continued)*

Hong Kong *(continued)*

The Grand Century Place and Mongkok stores had experienced great impact from the significant drop of internal and tourists' consumption power and reported a slight decrease on its turnover. At Grand Century Place we advertised more aggressively along the KCR train stations so as to attract more customers from inland China to visit our stores. In Mongkok, Men's wear moved to the ground floor to have more street exposure.

In the coming years, the management will continue to focus on these four stores and then look forward to having the opportunity to expand its market share with a strong management team, good customer service and a good variety of merchandising selection.

PRC

During the year under review, the management had decided to close the Dalian's retail operations and adopt the business model in Shanghai for Dalian. The retail sale premises will be rented to a third party from May 2002 onwards. This will provide a steady rental income for the Group and minimize most of the operating expenses in PRC.

Mövenpick Marché

The Group's restaurant operation, Mövenpick Marché, also faced a difficult year that was due to poor local consumption plus the September 11 incident. To response to these challenges, the operation management had reviewed its pricing strategy, food product mix, customers' service and cost structure so as to attract more local and foreign customers.

PROPERTY INVESTMENTS

Hong Kong

During the year under review, the Group disposed of its entire interest in an associate that held the property of Lee Theatre Plaza in September 2001. Profit was realized and the proceeds from the transaction were mainly used to reduce the Group's financial debts.

PROPERTY INVESTMENTS *(continued)*

PRC

The Dalian property market remains sluggish during the year under review. The Group will continue to adopt a prudent approach to maximise the potential of these apartments. We will continue to lease out the apartments and at the same time search for investors for the property. During the year under review the occupancy rate of the apartments consistently maintained a level as high as 90% and generated a steady income flow.

UK

During the year under review, the Group had a total of five prime property investments in the UK; namely Chesham Street, Jubilee Street, Lancaster Gate, 140 Parklane and West India Quay.

Pembroke House in Chesham Street situated in Belgravia, in the heart of Central London, was acquired in September 1999. Refurbishing work was mostly completed and marketing campaign started in mid-2001. The project was sold out in the first half of calendar year 2002.

Jubilee Street was another project acquired by the Group in March 2000. It was an old school that was situated in the City of London. The Group has converted the old school into living apartments and marketing campaign was launched in the beginning of the year 2002. The pre-sale was well received by the market and we expect to complete the project before the end of this fiscal year.

The Park Lane Marriott Hotel project is progressing well and is scheduled to open in the 4th Quarter of 2002. The marketing campaign of the 18 luxury apartments has commenced and again proved quite popular. Our market survey has indicated that the market is quite positive for the luxury apartments in this prime location across from Hyde Park.

During 2001 and 2002, the Group has made a number of investments to acquire various blocks of Hyde Park Lancaster Gate apartments. The Group will refurbish the apartments and market the units in different phases. We expect two blocks of apartments will be completed before the end of 2002.

With the strong demand on high quality apartments in the City of London, the Group had acquired interests on Canary Wharf West India Quay development in June 2001. The development will be developed into a multi-purposes complex with newly built high-rise apartment building. So far the development has been progressed on schedule and we expect the marketing campaign of the high-rise will be a big hit in the market.

The Group continues to be positive on UK property market. We will continue to invest in high potential property projects in UK so as to provide continuous profit contribution to the Group.

LOOKING AHEAD

Since the incident of September 11, the Hong Kong economy is recovering much slower than expected. The local and tourist consumption are both weak and signs of improvement are not positive. Under these challenges, Sincere will continue to adopt prudent strategies by eliminating non-profitable operations, tightening control of expenses, reducing financial debts and reallocating resources to emerging opportunities. During the year under review, these strategies enabled to sustain our overall turnover and reduce the Group's total debts by approximately 43%. In terms of expenses, selling and distribution costs were reduced by approximately 30%, whereas general and administrative expenses were reduced by approximately 10% or the equivalent to a total of approximately HK$91 million. As at balance sheet date, the Group's current ratio is 1.65 and a gearing ratio (total debt to shareholder's fund) of 33.7%. We will continue to invest in the UK property market, based on our successful track record in property redevelopment and favourite market condition.

We will continue to focus on prudent strategies to enhance our corporate performance by streamlining the existing business, developing the right human resources and strengthening the financial position. We will concentrate on building a strong core business market presence across the region, particularly in Hong Kong and China and continue to invest in UK properties in the coming years. We will look at niche business opportunities related to our core retail expertise in order to bring a superior return to our shareholders.

Philip K H MA
Group Managing Director

13 June 2002