

The directors have pleasure in presenting their annual report together with the audited accounts for the year ended 31st March, 2001.

Group Activities

The Company's activity is that of investment holding. The principal activity of the Group is the trading of luxury goods.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 2 on the accounts.

Accounts

The profit of the Group for the year ended 31st March, 2001 and the financial position of the Company and the Group at that date are set out in the accounts on pages 25 to 54.

Dividends

An interim dividend of HK\$0.05 per share was paid on 18th January, 2001. The directors do not recommend the payment of a final dividend in respect of the year ended 31st March, 2001.

Share Capital and Reserves

Movements in share capital and reserves during the year are set out in Notes 19 and 20 on the accounts.

Share Option Scheme

Details of the Share Option Scheme of the Company are set out in Note 19 on the accounts.

Share Purchase, Sale and Redemption

Details of shares repurchased by the Company on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") during the year ended 31st March, 2001 are set out in Note 19 on the accounts. The shares were repurchased for the purpose of enhancing the earnings per share of the Company.

Save as disclosed in Note 19, neither the Company nor any of its subsidiary companies purchased, sold or redeemed any of the Company's shares during the year.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's new bye-laws although there is no restriction against such rights under Bermuda law.

Charitable Donations

Donations made by the Group during the year amounted to HK\$122,000.

Fixed Assets

Movements in fixed assets during the year are set out in Note 11 on the accounts.

Borrowings

Bank loans and other borrowings repayable are stated in Note 17 on the accounts.

Retirement Schemes

Retirement schemes operated by the Group during the year are outlined in Notes 1(l) and 4 on the accounts.

Principal Subsidiary and Associated Companies

Particulars of the Company's principal subsidiary and associated companies are set out on pages 51 to 54.

Management Contracts

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

Employment and Remuneration Policies

As at 31st March, 2001, the Group had 1,481 employees. Remuneration policies are reviewed regularly by the Board of Directors of the Company. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective countries and businesses in which the Group operates.

Liquidity and Financial Resources

During the financial year under review, the Group undertook substantial capital investments including the establishment of its e-commerce operations and new store openings, dividend payments and share repurchases amounting to HK\$532 million. Such expenditure was met by the net cash inflow from current activities and part of the Group's surplus cash resources. Throughout the financial year, the Group has maintained a substantial net surplus cash position and as at the balance sheet date, after taking into account the above outflow, had net surplus cash of about HK\$400 million.

Short-term bank loans and overdrafts required to mainly finance seasonal purchases were borrowed in Hong Kong and Singapore Dollars as required by the respective operating subsidiary. The Group's policy is to minimise exposure to fluctuations in the exchange rate of regional currencies by establishing facilities with local banks so that working capital as well as capital investments requirements can be funded by borrowings in local currency and repaid by cash flow generated from local sales.

The Group's foreign currency purchases were mainly denominated in United States Dollars, Swiss Francs and European Currency Unit. Forward exchange contracts were utilised, if considered necessary, to purchase the relevant currency to meet payments.

The Group has maintained a conservative and strong capital structure throughout the financial year under review. As at 31st March, 2001, the current ratio, being current assets divided by current liabilities, was 2.50 times (at 31st March, 2000 : 1.83 times).

The Group has always been in a net cash position throughout the financial year under review. As such, its gearing ratio, measured on the basis of the Group's total bank loans net of cash balances over the Company's shareholders' funds is nil (at 31st March, 2000 : nil).

Financial Summary

The results, assets and liabilities of the Group for the last five years are summarised on page 55.

Major Customers and Suppliers

During the year, the Group sold less than 30 per cent. of its goods and services to its five largest customers.

The percentages of purchases for the year attributable to the Group's major suppliers are as follows :-

The largest supplier	12 per cent.
Five largest suppliers combined	31 per cent.

Mr. Karl Friederich Scheufele had an interest in the Group's fourth largest supplier.

Directors

The directors during the year were :-

Dickson Poon	(Group executive chairman)
Raymond Lee	(Deputy chairman and executive director)
Chan Tsang Wing, Nelson	(Executive director)
Ching Sau Hong, Kevin	(Executive director)
Edwin Ing	(Executive director)
Ng Chan Lam	(Executive director)
Walter Josef Wuest	(Executive director)
Leung Kai Hung, Michael	(Independent non-executive director) (Appointed on 1st November, 2000)
Karl Friederich Scheufele	(Independent non-executive director)
Karl Scheufele	(Independent non-executive director) (Resigned on 31st December, 2000)

In accordance with bye-law 111(A) of the Company's new bye-laws, Mr. Edwin Ing and Mr. Karl Friederich Scheufele retire and, being eligible, offer themselves for re-election. In accordance with bye-law 102 of the Company's new bye-laws, Mr. Leung Kai Hung, Michael retires and, being eligible, offers himself for re-election. None of the directors offering themselves for re-election has a service contract with the Company or any of its subsidiary companies.

Directors' Biographies

Dr. Dickson Poon *(Group executive chairman)*

Dr. Poon, aged 45, is the founder and controlling shareholder of the Group. He established the Dickson Group in 1980 and is actively involved in both the strategic development of the Group's businesses as well as its daily operations. The relationship between Dr. Poon and Dickson Investment Holding Corporation which has a discloseable interest in the Company under the provisions of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance") is mentioned in the Directors' Interests and Substantial Shareholders sections of this report.

Mr. Raymond Lee *(Deputy chairman and executive director)*

Mr. Lee, aged 51, joined the Group in 1992 as an Executive Director. He is a Fellow of The Institute of Chartered Accountants in England and Wales, and prior to joining the Group, held a senior position with a major international financial institution.

Mr. Chan Tsang Wing, Nelson *(Executive director)*

Mr. Chan, aged 45, was appointed an Executive Director in February 2000. He is a Fellow of The Institute of Chartered Accountants in England and Wales, and was previously chief executive of a major international trading group.

Mr. Ching Sau Hong, Kevin *(Executive director)*

Mr. Ching, aged 44, joined the Group in 1993 and was appointed an Executive Director in 1994. A qualified solicitor, he was previously a partner and chief representative in China for one of the largest law firms in Hong Kong.

Mr. Edwin Ing *(Executive director)*

Mr. Ing, aged 40, joined the Group in 1987 as Company Secretary and was appointed an Executive Director in 1992. A graduate of the University of Birmingham, England, he is a Fellow of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.

Mr. Ng Chan Lam *(Executive director)*

Mr. Ng, aged 52, joined the Group in 1988 and was appointed an Executive Director in 1994. A graduate of a university in Montreal, Canada, he acquired extensive trading and administrative experience prior to joining the Group.

Mr. Walter Josef Wuest *(Executive director)*

Mr. Wuest, aged 61, joined the Group in 1983 and has been an Executive Director since flotation in 1986. Prior to joining the Group, he acquired extensive experience in the international merchandising and marketing of watches.

Mr. Leung Kai Hung, Michael *(Independent non-executive director)*

Mr. Leung, aged 58, was appointed a Director in 2000. A graduate of the University of Hong Kong, he is the executive chairman of the Onwel Group which he formed in 1961 and the managing director of Peoples Telephone Company Limited.

Mr. Karl Friederich Scheufele *(Independent non-executive director)*

Mr. K. F. Scheufele, aged 43, was appointed a Director in 1986. He is the son of Mr. Karl Scheufele (a former Independent Non-Executive Director) and director and owner of Chopard Holding S.A., Geneva, Switzerland. Founded in 1860, Chopard Holding S.A. Group is a leading manufacturer of luxury watches and jewellery, with factories in Geneva and in Pforzheim, Germany and offices in Paris and New York. It exports to more than 40 countries worldwide. He is mainly responsible for that Group's international marketing, sales and production.

Mr. Karl Scheufele *(Independent non-executive director)*

Mr. K. Scheufele, aged 63, was appointed a Director in 1986. During the year, he resigned as a Director on 31st December, 2000. He is the father of Mr. Karl Friederich Scheufele and director and owner of Chopard Holding S.A., Geneva, Switzerland.

Directors' Interests

1. As at 31st March, 2001, the directors listed below had the following interests in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance :-

Dickson Concepts (International) Limited

	Ordinary shares of HK\$0.30 each			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Dickson Poon	11,604	—	—	139,292,356(i)
Edwin Ing	22,000	—	—	—
Walter Josef Wuest	10,824,480	—	—	—

Note :-

- (i) These shares are held by a trust established for the benefit of, inter alia, Dr. Dickson Poon and members of his family.

In addition, Dr. Dickson Poon is deemed to be interested in the share capital of all of the subsidiary and associated companies of the Company by virtue of his interest in the Company.

Save as referred to above, as at 31st March, 2001, none of the directors had any beneficial interest in the share capital of the Company or any associated corporations (within the meaning of the SDI Ordinance) which are recorded in the register kept by the Company under Section 29 of the SDI Ordinance.

2. During the year, certain subsidiary companies traded on normal commercial terms with Dickson Trading (S) Pte Ltd and its subsidiary companies, Dickson Promotion Company Limited, Dickson Communications Limited (formerly known as Open Way Company Limited) and S.T. Dupont and its subsidiary companies. Also, certain subsidiary companies reimbursed Dickson Management Consultancy Limited (“DMC”) their proportion of overhead expenses incurred by that company. Dr. Dickson Poon was interested in the above transactions as a shareholder or ultimate shareholder of these companies.

3. During the year, certain subsidiary companies purchased goods on normal commercial terms from Renley Watch Manufacturing Company Limited. Mr. Walter Josef Wuest was interested in these transactions as a shareholder of Renley Watch Manufacturing Company Limited.
4. During the year, certain subsidiary companies purchased goods on normal commercial terms from Karl Scheufele GmbH & Co. KG, Chopard & Cie S.A. and Chopard (Asia) Pte Ltd. Mr. Karl Friederich Scheufele was interested in these transactions as a shareholder or ultimate shareholder of these companies. Mr. Karl Scheufele was interested in the above relevant transactions as a shareholder or ultimate shareholder of Chopard & Cie S.A. and Chopard (Asia) Pte Ltd.

Except as disclosed above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiary companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

As at 31st March, 2001, no share options were granted to the directors of the Company under the Share Option Scheme which was adopted on 31st August, 2000.

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Connected Transactions

1. During the year, certain subsidiary companies of the S.T. Dupont Group (i.e. S.T. Dupont and its subsidiary companies which were owned by Dickson Investment Holding Corporation, a substantial shareholder of the Company which is the trustee of a trust established for the benefit of, inter alia, Dr. Dickson Poon and members of his family) traded with certain subsidiary companies of the Dickson Concepts (International) Limited Group, including Bondwood Investments Limited, Dickson Concepts (Retail) Limited, Dickson Concepts (Wholesale) Limited, Dickson Interior Design Limited, Hong Kong Seibu Enterprise Company Limited (“HKSE”), Leading Way Limited and The Dickson Shop Limited. The total value of these transactions during the year amounted to HK\$14,675,515.

Also, a subsidiary company of the S.T. Dupont Group paid service fees of HK\$4,404,643 to Dickson Concepts Limited (“DCL”) representing the costs incurred by DCL in providing certain management, administrative, accounting and other services to that company.

2. On 15th July, 1996, the Company made an interest-free loan of HK\$80 million to HKSE as part of the acquisition of a 85 per cent. controlling interest in HKSE. In addition, guarantees of HK\$282 million were given by the Company to certain banks to secure facilities granted to HKSE. A guarantee fee was paid by HKSE to the Company during the year equal to 1.5 per cent. of the total facilities utilised.
3. In consideration of entering into a shareholders agreement with Warner Bros. Consumer Products (a division of Time Warner Entertainment Company L.P.) in respect of Dickson Stores Pte Ltd (“DSPL”), a then 80 per cent. owned subsidiary company of the Company, in 1995, the Company agreed to provide guarantees required for indebtedness incurred by DSPL. Corporate guarantees totalling HK\$115 million were given by the Company to certain banks to secure facilities granted to DSPL. On 15th January, 2001, the Company acquired the remaining 20 per cent. shareholdings of DSPL and DSPL became a wholly-owned subsidiary company of the Company.
4. On 30th December, 1999, a subsidiary company entered into a Consultancy and Professional Services Agreement with DMC in which a director of the Company has a controlling interest. This agreement (together with the supplemental agreement entered into on 29th April, 2000) provided for, inter alia :-
 - (i) the design, development, construction and delivery in full operating status on or before 30th September, 2000 of six portals in an internet based retail network (“Cybermall”);
 - (ii) the electronic interface between the Cybermall and physical mall and the related technological infrastructure; and
 - (iii) technical advice and recommendations on the ongoing upgrading and improvement of the Cybermall.

Under this agreement, DMC agreed and warranted that the services would be provided for an all inclusive fixed fee of HK\$130 million which represented the agreed estimate of the actual direct costs and time expended by the specialist personnel engaged in fulfilling the contract and without any profit margin and element of mark-up. The subsidiary company would be invoiced for the above services on a monthly basis.

The agreement also required the subsidiary company to pay third party suppliers HK\$110 million for the related specialised hardware and software specified by DMC for the Cybermall project.

The subsidiary company may only terminate the agreement in the event of willful default by DMC and the fixed fee referred to above is payable in full if the subsidiary company terminates the agreement in any other circumstances.

Website/portal and related technology development costs in the consolidated profit and loss account in the prior year included the fixed fee of HK\$130 million and the HK\$110 million referred to above of which HK\$70.6 million (2000 : HK\$4.7 million) and HK\$103.9 million (2000 : HK\$1.5 million) respectively were paid during the year and HK\$54.7 million (2000 : HK\$125.3 million) and HK\$4.6 million (2000 : HK\$108.5 million) respectively were included in creditors and accruals in the consolidated balance sheet as at 31st March, 2001.

5. On 16th February, 2000, a subsidiary company of the Group entered into an agreement with S.T. Dupont Japan K.K., a wholly-owned subsidiary company of S.T. Dupont, to acquire the entire issued capital of its wholly-owned subsidiary company, D Marketing Japan K.K..

Under the agreement, S.T. Dupont Japan K.K. will continue to provide management services to D Marketing Japan K.K. under a new Management Agreement based on normal commercial terms. During the year, D Marketing Japan K.K. paid management fees of HK\$210,849 to S.T. Dupont Japan K.K..

6. On 5th July, 2000, a subsidiary company and Saks Direct, Inc. agreed to issue to each other new shares representing 3 per cent. of their respective enlarged issued share capitals under a strategic Investment Agreement. The arrangement was terminated during the year and the respective shares were exchanged by the exercise of put right by both parties at no gain or loss. During the year, loan totalling about HK\$300 million was provided to the subsidiary company by its holding company. The outstanding balance of this loan at 31st March, 2001 was about HK\$328 million.

Directors' Interests in Competing Businesses

Set out below is information disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") :-

- (a) Five directors of the Company, namely, Messrs. Raymond Lee, Ching Sau Hong, Kevin, Edwin Ing, Ng Chan Lam and Walter Josef Wuest, who remained as directors of a subsidiary company of S.T. Dupont subsequent to the disposal of the Group's entire interest in S.T. Dupont on 3rd June, 1999, are deemed to have an interest in the subsidiary company of S.T. Dupont under Rule 8.10 of the Listing Rules.

The subsidiary company of S.T. Dupont carries on the sale of S.T. Dupont products in Hong Kong and is deemed as competing with the wholesale and retail businesses of the Group. However, the S.T. Dupont brand mainly specialises in the product categories of luxury lighters and writing instruments, both of which are not core product categories of the Group. Moreover, subsequent to the disposal of the Group's entire interest in S.T. Dupont on 3rd June, 1999, the business of the subsidiary company of S.T. Dupont was taken over by an independent management team which reports directly to S.T. Dupont's head office in Paris. For these reasons, the Group considers that its interests are adequately safeguarded.

- (b) Two directors of the Company, namely, Messrs. Karl Scheufele (resigned on 31st December, 2000) and Karl Friederich Scheufele, are the owners and also directors of Chopard Holding S.A.. As such, a disclosure under Rule 8.10 of the Listing Rules is required to be made.

While the distribution of Chopard watches and jewellery in the region's major markets of Hong Kong, Taiwan and Singapore is carried on by the Group on an exclusive basis, it is nevertheless deemed as competing with the other watch and jewellery brands represented by the Group. However, the Chopard brand is targeted at its own specific customer base which is attracted by its unique history and exclusive product range. Given the distinct features of the Chopard brand and the exclusive rights granted to the Group in the region, the Group considers that its interests are adequately safeguarded.

In order to further safeguard the interests of the Group, those directors of the Company not interested in these competing businesses would on a regular basis review the businesses and operations of the Group to ensure that its businesses are run on the basis that they are independent of, and at arm's length from, those of the above companies.

Substantial Shareholders

As at 31st March, 2001, Dickson Investment Holding Corporation was interested in 139,292,356 shares of the Company, and such shareholding is included in the interests (other than personal interests) of Dr. Dickson Poon as mentioned in the Directors' Interests section of this report.

Save as aforesaid and as disclosed in the Directors' Interests section of this report, so far as the directors are aware, there are no other parties which were, directly or indirectly, interested in 10 per cent. or more of the nominal value of the share capital of the Company as at 31st March, 2001 as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

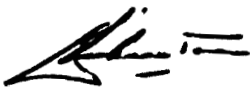
Code of Best Practice

Except that the non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the new bye-laws of the Company, the Company has complied with the requirements of Appendix 14 of the Listing Rules as they pertain to the year ended 31st March, 2001.

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board



Dickson Poon

Group Executive Chairman

Hong Kong, 26th June, 2001