The directors have pleasure in presenting their annual report together with the audited accounts for the year ended 31st March, 2003.

Group Activities

The Company's activity is that of investment holding. The principal activity of the Group is the sale 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, 2003 and the financial position of the Company and the Group at that date are set out in the accounts on pages 28 to 60.

Dividends

The directors recommend the payment of a final dividend of 7.5 cents (2002 : 5 cents) per share in respect of the year ended 31st March, 2003.

Share Capital and Reserves

Movements in share capital and reserves during the year are set out in Notes 20 and 21 respectively on the accounts.

Share Option Scheme

Details of the Share Option Scheme of the Company are set out in Note 20 on the accounts.

Share Purchase, Sale and Redemption

At no time during the year was there any purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares.

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$238,000.

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 18 on the accounts.

Retirement Schemes

Retirement schemes operated by the Group during the year are outlined in Notes 1(m), 4 and 24 on the accounts.

Principal Subsidiary and Associated Companies

Particulars of the Company's principal subsidiary and associated companies are set out on pages 57 to 60.

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, 2003, the Group had 1,865 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

The Group's strong financial resources and liquidity were further consolidated during the year as net cash generated from operations totalled HK$234.6 million compared to a net outflow in the previous year, which was principally due to the expansion of operations in Taiwan.

As at 31st March, 2003, total cash balances stood at HK$590.0 million, an increase of 43% compared to HK$411.9 million in the previous year. Total bank borrowings stood at HK$128.7 million, a decrease of 19% compared to HK$158.3 million at the beginning of the year. Hence the Group's net surplus cash position stood at HK$461.3 million compared to HK$253.6 million in the previous year.

Foreign Currency Exposure and Financial Management

The Group maintains a policy to minimise exposure to fluctuations in the exchange rate of regional currencies in respect of its overseas operations by establishing facilities with local financial institutions so that working capital as well as capital investment can be funded by local currency borrowings and repaid by cash generated from local sales.

The Group's outstanding bank borrowings comprised of short-term bank loans and overdrafts drawn upon to mainly finance seasonal purchases. Such borrowings were made in Hong Kong, Singapore and New Taiwan Dollars and Japanese Yen as required by the respective operating subsidiary companies.

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

The Group follows a conservative and prudent policy in the management of its financial resources maintaining a significant net surplus cash position throughout the year under review. The surplus cash is held mainly in United States and Hong Kong Dollars which are placed on short-term time deposits with international financial institutions. The average duration of such time deposits is 0.5 month which provides the Group with flexibility to take advantage of any appropriate investment or yield enhancement opportunities that may arise at short notice.

As at 31st March, 2003, the Group's current ratio, being current assets divided by current liabilities, was 2.36 times compared to 2.17 times (restated) last year. The Group has been in a net surplus cash position throughout the period under review. Thus, the gearing ratio, being total bank borrowings net of cash balances over the Group's shareholders' funds is nil (at 31st March, 2002 : nil).

Financial Summary

The results, assets and liabilities of the Group for the last five years are summarised on page 61.

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	22 per cent.
Five largest suppliers combined	42 per cent.

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)
Christopher Patrick Langley	(Independent non-executive director) (Appointed on 11th November, 2002)
Leung Kai Hung, Michael	(Independent non-executive director)
Ma Si Hang, Frederick	(Independent non-executive director) (Resigned on 24th June, 2002)

In accordance with bye-law 111(A) of the Company's new bye-laws, Mr. Chan Tsang Wing, Nelson and Mr. Ching Sau Hong, Kevin retire and, being eligible, offer themselves for re-election. In accordance with bye-law 102 of the Company's new bye-laws, Mr. Christopher Patrick Langley 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 47, 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 53, 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 47, was appointed an Executive Director in 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 46, 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 42, 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 54, 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 63, 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. Christopher Patrick Langley, OBE *(Independent non-executive director)*
Mr. Langley, aged 58, was appointed a Director in 2002. He has over 38 years experience in the financial services industry. A former executive director of The Hongkong and Shanghai Banking Corporation Limited, he served the HSBC Group in many different countries including the United Kingdom, India, Saudi Arabia, Malaysia and Hong Kong. He also holds directorships in a number of other public listed companies in Hong Kong.

Mr. Leung Kai Hung, Michael *(Independent non-executive director)*
Mr. Leung, aged 60, 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 1969 and the managing director of Peoples Telephone Company Limited.

Mr. Ma Si Hang, Frederick *(Independent non-executive director)*
Mr. Ma, aged 51, was appointed a Director in 2001. A graduate of the University of Hong Kong, he has over 20 years of experience in the global financial services industry. During the year, he resigned as a Director on 24th June, 2002 to take up the appointment as Secretary for Financial Services and the Treasury of the Hong Kong Special Administrative Region.

Directors' Interests

As at 31st March, 2003, 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 members of Dr. Dickson Poon's 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, 2003, 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 required to be kept by the Company under Section 29 of the SDI Ordinance.

Except as disclosed in the Connected Transactions section of this report, 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, 2003, 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, the Group conducted business transactions with the ST Dupont Group (i.e. S.T. Dupont, which is owned as to 55.53 per cent. of its issued share capital by a trust established for the benefit of members of Dr. Dickson Poon's family, and its subsidiary companies, and is principally engaged in the manufacture and distribution of luxury lighters, writing instruments, leather goods, accessories, ready-to-wear clothing, watches and fragrances) on normal commercial terms and in the ordinary and usual course of business of the Group, details of which are set out as follows :-

   (a) The Group has sold certain S.T. Dupont merchandise to the members of the ST Dupont Group at or above the Group's purchase cost of this merchandise. The sale of merchandise by the Group during the year was HK$2,800,000.

   (b) The Group purchases merchandise including apparel, watches and accessories from the ST Dupont Group. The purchase prices of this merchandise are at the standard wholesale prices which are set by the ST Dupont Group. The purchase of merchandise by the Group during the year was HK$667,000.

   (c) Pursuant to a management agreement entered into between a member of the Group and a member of the ST Dupont Group on 8th February, 2000, the ST Dupont Group has agreed to provide various specialised services to the Group, including specialised knowledge, resources and data pertaining to the managing, marketing and sale of watches in Japan. The management fee is payable by the Group on a yearly basis and is calculated as 1 per cent. of annual turnover of this member of the Group, excluding value added tax, and 20 per cent. of annual pre-tax profit of this member of the Group, with a maximum of 20 million Yen (approximately HK$1.3 million). The management fee paid by this member of the Group to the ST Dupont Group during the year was HK$206,000.

   (d) Pursuant to a services agreement dated 15th October, 1996 entered into between a member of the ST Dupont Group and a member of the Group, the Group has been providing warehouse space and stock management services to the ST Dupont Group. The service fee is calculated on a cost allocation basis under which the total overhead costs allocated to the ST Dupont Group are based on the percentage of turnover and stock level of the ST Dupont Group to the total turnover and stock level of the Group using the warehouses and related services. Under this services agreement, the Group has also been providing centralised administrative and supporting functions including management, stock control and information technology. The management fee payable by the ST Dupont Group is based on the overhead costs incurred by the Group in providing these services on a cost recovery basis to the ST Dupont Group. The said services agreement was terminated and a new services agreement together with an agreement on personnel were entered into on 22nd January, 2003 (collectively referred to as "the Renewed Agreements No. 1") for a period of one year commencing from 1st January, 2003 with automatic extension on the same terms on a year to year basis unless terminated by either party. The fee payable by the ST Dupont Group under the Renewed Agreements No. 1 are calculated on a cost allocation basis under which the total overhead costs allocated to the ST Dupont Group are based on the actual area of the warehouse space used by the ST Dupont Group, the volume of transactions and the overhead costs incurred by the Group in providing these services to the ST Dupont Group. The fee paid by the ST Dupont Group to the Group under the services agreement dated 15th October, 1996 and the Renewed Agreements No. 1 during the year was HK$5,596,000.

   The directors confirm that the terms of the above arrangements are normal commercial terms which were negotiated at arm's length and are fair and reasonable.

(e) The Group has from time to time provided interior design services relating to the retail outlets and sales corners of the ST Dupont Group. The interior design fees are charged at a rate of 10 per cent. of the total contract sum. The fee paid by the ST Dupont Group to the Group in respect of these services during the year was HK$85,000.

(f) Pursuant to a purchase and sale operation agreement dated 17th October, 2000 entered into between a member of the ST Dupont Group and a member of the Group, this member of the ST Dupont Group has agreed to lease from this member of the Group a sales corner with a total area of about 244 sq. ft. in the Group's department store at Pacific Place, 88 Queensway, Hong Kong for a term of two years commencing from 12th September, 2000. The rental payable by this member of the ST Dupont Group is based on a certain percentage of the monthly sales made at this sales corner. The said purchase and sale operation agreement was renewed and a new purchase and sale operation agreement was entered into on 22nd January, 2003 ("the Renewed Agreement No. 2") for a further period of two years commencing from 12th September, 2002 on the same terms. The rental paid by this member of the ST Dupont Group to the Group under the purchase and sale operation agreement dated 17th October, 2000 and the Renewed Agreement No. 2 during the year was HK$1,175,000.

The directors confirm that the terms of the above licensing arrangements are normal commercial terms which were negotiated at arm's length and are fair and reasonable.

(g) Pursuant to a sublicense agreement entered into between a member of the Group and a member of the ST Dupont Group on 1st April, 1999, the Group is required to pay the ST Dupont Group royalties on the S.T. Dupont products which the Group distributes in the PRC excluding Hong Kong. The royalties are calculated based on certain percentages on the wholesale turnover of S.T. Dupont products per year. The amount of royalties paid by the Group to this member of the ST Dupont Group during the year was HK$10,774,000.

2. During the year, the Group conducted business transactions with the Artland Group (i.e. Artland Watch Company Limited and Precision Watch Company Limited, together with their subsidiary companies, which are held by or through a discretionary trust set up by the late Mr. Poon Kam Kai, the father of Dr. Dickson Poon) on normal commercial terms and in the ordinary and usual course of business of the Group, details of which are set out as follows :-

(a) The Group has sold to the Artland Group certain branded watches and jewellery. The selling prices of this merchandise to the Artland Group are equal to the retail prices less normal trade discounts. The gross sale of merchandise by the Group during the year was HK$1,659,000.

The directors confirm that the sale arrangements between the Group and the Artland Group are on normal commercial terms which are substantially the same as those arrangements of the Group and the Artland Group with other independent third parties in terms of the trade discount percentages.

(b) The Group has also purchased merchandise from the Artland Group. The purchase prices paid by the Group are equal to the retail prices less certain trade discount percentages. The gross purchase of merchandise by the Group during the year was HK$773,000.

The directors confirm that the purchase arrangements between the Group and the Artland Group are on normal commercial terms which are substantially the same as those arrangements of the Group and the Artland Group with other independent third parties in terms of the trade discount percentages.

(c) Pursuant to a licence agreement dated 22nd November, 2000 entered into between a member of the Artland Group and a member of the Group, this member of the Artland Group has agreed to lease from this member of the Group a sales corner with a total area of about 616 sq. ft. in the Group's department store at Pacific Place, 88 Queensway, Hong Kong for a term of two years commencing from 12th September, 2000 at a monthly rental of HK$246,400. The said licence agreement was renewed and a new licence agreement was entered into on 22nd January, 2003 ("the Renewed Agreement No. 3") for a further period of two years commencing from 12th September, 2002 on the same terms. The rental payment made by this member of the Artland Group to the Group under the licence agreement dated 22nd November, 2000 and the Renewed Agreement No. 3 during the year was HK$2,957,000.

The directors confirm that the terms of the above licensing arrangements are normal commercial terms which were negotiated at arm's length and are fair and reasonable.

Pursuant to two licence agreements dated 22nd November, 2000 and 30th November, 2001 entered into between a member of the Artland Group and a member of the Group, this member of the Artland Group has agreed to lease from this member of the Group two sales corners in the Group's department store at Pacific Place, 88 Queensway, Hong Kong, the first sales corner with a total area of about 760 sq. ft. for a term of two years commencing from 15th August, 2000, and the second one with a total area of about 1,064 sq. ft. for a term of two years commencing from 10th August, 2001. The rental payable by this member of the Artland Group under the licence agreement dated 22nd November, 2000 is based on certain percentages of the monthly sales made at the sales corner. The rental payable by this member of the Artland Group under the licence agreement dated 30th November, 2001 is also based on a certain percentage of the monthly sales made at the sales corner but subject to a minimum monthly rental of HK$159,600. The licence agreement dated 22nd November, 2000 was renewed and a new licence agreement was entered into on 22nd January, 2003 ("the Renewed Agreement No. 4") for a further period of two years commencing from 15th August, 2002 on the same terms. The rental payment made by this member of the Artland Group under the licence agreement dated 22nd November, 2000 and the Renewed Agreement No. 4 during the year was HK$1,122,000. The rental payment made by this member of the Artland Group under the licence agreement dated 30th November, 2001 during the year was HK$2,585,000.

The directors confirm that the terms of the above licensing arrangements are normal commercial terms which were negotiated at arm's length and are fair and reasonable.

Pursuant to a tenancy agreement dated 25th August, 1998 entered into between a member of the Artland Group and a member of the Group, this member of the Artland Group has agreed to lease from this member of the Group a shop space with a total area of about 2,180 sq. ft. at Style House, Causeway Bay, Hong Kong for a term of five years commencing from 14th June, 1998 at a current monthly rental of HK$350,000. The rental payment made by this member of the Artland Group under the above tenancy agreement during the year was HK$4,200,000.

The directors consider that the rental payable under the above tenancy agreement is at the prevailing market rate.

3. During the year, the Group conducted business transactions with the D Promotion Group (i.e. Dickson Promotion Company Limited and Dickson Communications Limited, which are wholly-owned by Dr. Dickson Poon and are principally engaged in the provision of advertising and promotion services) on normal commercial terms and in the ordinary and usual course of business of the Group.

   The D Promotion Group has provided advertising and promotion services to the Group. In consideration of the services provided to the Group, the Group pays a monthly retainer fee and a handling service fee charged at a rate of 10 per cent. of the media cost incurred and paid by the Group to third party media specialists. The retainer fee and the handling service fee paid by the Group during the year was HK$9,734,000.

4. During the year, the Group conducted business transactions with the DTG Group (i.e. Dickson Trading (S) Pte Ltd, which is wholly-owned by Dr. Dickson Poon, together with its group companies, which are principally engaged in the importing, exporting, wholesaling and retailing of merchandise and the provision of management and supporting services) on normal commercial terms and in the ordinary and usual course of business of the Group, details of which are set out as follows :-

   (a) The Group wholesales merchandise including apparel, accessories and watches, of which the Group owns the distribution rights of the respective merchandise in Asia, to the DTG Group. The selling prices of this merchandise to the DTG Group are equal to the standard wholesale prices or with a trade discount ranging from 5 per cent. to 10 per cent.. The trade discount is given to the members of the DTG Group in Malaysia and Singapore as a promotional and brand building subsidy where the Group does not have a direct presence. The sale of merchandise to the DTG Group by the Group during the year was HK$68,289,000.

   The directors confirm that the sale arrangements between the Group and the DTG Group are on normal commercial terms which are substantially the same as those arrangements of the Group and the DTG Group with other independent third parties.

   (b) The Group has also purchased merchandise including watches and leather goods from the DTG Group. The purchase prices paid by the Group are equal to the standard wholesale prices. The purchase of merchandise from the DTG Group by the Group during the year was HK$549,000.

   The directors confirm that the purchase arrangements between the Group and the DTG Group are on normal commercial terms which are substantially the same as those arrangements of the Group and the DTG Group with other independent third parties.

   (c) The DTG Group has provided management and supporting services to the Group's Singapore retail shops. The services include the maintenance of accounting records and management supervision. The service fee payable by the Group is based on the overhead costs incurred by the DTG Group in providing these services on a cost recovery basis to the Group. The service fee paid by the Group to the DTG Group during the year was HK$4,637,000.

   The Group has provided handling services to the DTG Group in relation to the purchase of certain merchandise by the DTG Group. As the DTG Group is required to pay royalties on certain merchandise purchased directly from manufacturers and such royalties made by the DTG Group are paid through the Group, a handling service fee at a rate of 10 per cent. of the direct purchase cost is charged by the Group to fully recover such royalties paid on the DTG Group's behalf. The handling service fee paid by the DTG Group to the Group during the year was HK$115,000.

   (d) On 30th November, 2000, a member of the Group agreed to lease from a member of the DTG Group a shop space in a shopping mall with a total area of about 689 sq. ft. located at #01-05/06, Centrepoint, No. 176 Orchard Road, Singapore for a term of two years commencing from 1st November, 2000 at a monthly rental payment of S$27,560 (approximately HK$116,661) ("the Previous Lease"). The Previous Lease was renewed and a new lease was entered into on 22nd January, 2003 ("the Renewed Agreement No. 5") for a further period of two years commencing from 1st November, 2002 at a monthly rental payment of S$31,005 (approximately HK$137,352) with all other terms remaining unchanged. The rental payment made by this member of the Group to the DTG Group under the Previous Lease and the Renewed Agreement No. 5 during the year was HK$1,539,000.

   The directors confirm that the terms of the above lease arrangements are normal commercial terms which were negotiated at arm's length and are fair and reasonable.

5. During the year, the Group conducted business transactions with the Chopard Group (i.e. the companies controlled by Mr. Karl Friederich Scheufele, the former independent non-executive director of the Company, which are deemed to be connected only by virtue of Mr. Karl Friederich Scheufele being an independent non-executive director before he resigned as a director on 1st October, 2001. Pursuant to Rule 14.03(2)(c) of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), the definition of the term "director" as a connected person is extended to include any person who was within a preceding 12 months a director of the Company. As Mr. Karl Friederich Scheufele resigned as a director on 1st October, 2001, he was no longer a connected person for the purpose of the Listing Rules from 1st October, 2002 onwards) on normal commercial terms and in the ordinary and usual course of business of the Group. The Chopard Group owns the exclusive distribution rights for Chopard watches and jewellery worldwide and the Group has obtained from the Chopard Group the right to distribute Chopard watches and jewellery in Hong Kong, Singapore and Taiwan. The selling prices of this merchandise to the Group are equal to international export wholesale prices set by the Chopard Group. The total purchase made by the Group from the Chopard Group during the period ended 30th September, 2002 was HK$37,978,000.

The above connected transactions have been reviewed by the directors of the Company (including the independent non-executive directors). The independent non-executive directors have confirmed that during the year the above connected transactions were conducted in a manner which satisfies conditions (A) to (C) below :-

(A) The connected transactions have been :-

 (i) entered into in the ordinary and usual course of business of the Group;

 (ii) conducted on normal commercial terms or, where there is no available comparison, on terms that are fair and reasonable so far as the Independent Shareholders (i.e. shareholders of the Company, other than Dr. Dickson Poon and his associates (within the meaning of the Listing Rules)) are concerned; and

 (iii) entered into in accordance with the terms of the agreements governing the connected transactions or, if there are no such agreements, on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties.

(B) The annual value of each of the nature of the connected transactions (except the sale of merchandise by the Group to the DTG Group and the purchase of merchandise made by the Group from the Chopard Group ("Transactions Requiring Approval")) has not exceeded the higher of HK$10,000,000 or 3 per cent. of the net tangible asset value of the Group.

(C) The annual value of each of the nature of the Transactions Requiring Approval in respect of the sale of merchandise by the Group to the DTG Group and the purchase of merchandise made by the Group from the Chopard Group has not exceeded the cap amounts of HK$180 million and HK$50 million respectively as mentioned below.

At the special general meeting of the Company held on 8th July, 2002, the Transactions Requiring Approval together with the relevant waiver application to the Stock Exchange were approved by the Independent Shareholders of the Company. On 15th July, 2002, the Stock Exchange granted the Company a waiver from strict compliance with the disclosure requirements under Rule 14.25 of the Listing Rules in respect of the aforesaid connected transactions (except Transactions Requiring Approval and the Renewed Agreements Nos. 1 to 5) and a waiver from strict compliance with the disclosure and approval requirements under Rule 14.26 of the Listing Rules and respective cap amounts of HK$180 million and HK$50 million in respect of the Transactions Requiring Approval. On 12th February, 2003, the Stock Exchange has granted to the Company another waiver from strict compliance with the disclosure requirements under Rule 14.25 of the Listing Rules in respect of the Renewed Agreements Nos. 1 to 5.

The above connected transactions have been reviewed by the auditors of the Company who have confirmed that during the year the above connected transactions were conducted in a manner which satisfies conditions (D) and (E) below :-

(D) The connected transactions have been :-

(i) approved by the Board of Directors;
(ii) entered into in accordance with the pricing policies as stated in the respective agreements; and
(iii) entered into in accordance with the terms of the agreements governing the same.

(E) The cap amounts as stated in paragraphs (B) or (C) above, as the case may be, have not been exceeded.

6. On 15th July, 1996, the Company made an interest-free loan of HK$80 million to Hong Kong Seibu Enterprise Company Limited ("HKSE") as part of the acquisition of a 85 per cent. controlling interest in HKSE. In addition, guarantees of HK$140 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.

7. On 30th December, 1999, a subsidiary company entered into a Consultancy and Professional Services Agreement with Dickson Management Consultancy Limited ("DMC") in which Dr. Dickson Poon has a controlling interest. This agreement (together with the supplemental agreement entered into on 29th April, 2000) provided for, inter alia :-

(a) 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 ("the Cybermall");

(b) the electronic interface between the Cybermall and physical mall and the related technological infrastructure; and

(c) 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 of the specialist personnel engaged in fulfilling the agreement 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 accrued and expensed in the year ended 31st March, 2000 included the fixed fee of HK$130 million and the HK$110 million referred to above. HK$41.5 million and HK$4.6 million respectively were included in creditors and accruals in the consolidated balance sheet as at 31st March, 2002. HK$2.1 million (2002 : HK$13.2 million) and HK$Nil (2002 : HK$Nil) respectively were paid during the year.

This agreement expired on 30th September, 2002 and the total amount invoiced by DMC and third party suppliers in respect of the agreement amounted to HK$90.6 million and HK$105.4 million respectively. DMC has confirmed that it will not seek payment of the remaining amount of fixed fee included in the originally agreed estimate as this has not been incurred in view of the reduction in the actual direct costs due to the change in market conditions. Accordingly, the amount of HK$44.0 million has been credited to and included in the consolidated profit and loss account for the year ended 31st March, 2003.

Substantial Shareholders

As at 31st March, 2003, the following parties were interested in 10 per cent. or more of the nominal value of the share capital of the Company as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance :-

Name of shareholder	Number of shares
Dickson Investment Holding Corporation	139,292,356(i)
Oaktree Capital Management, LLC	38,764,500

Note :-

(i) 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, 2003 as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

Code of Best Practice

The non-executive directors of the Company 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. Save as aforesaid, the Company has complied with the requirements of Appendix 14 of the Listing Rules as they pertain to the year ended 31st March, 2003.

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, 23rd June, 2003