

## OUR STRATEGIC VISION



To be recognised globally as **the** premier specialist watch and jewellery retailer in the Asia-Pacific region; making it the only port of call for all fine watch and jewellery consumers alike.

## BOARD OF DIRECTORS



*Top Row Down:*  
*Dr Henry Tay Yun Chwan • Dr Jannie Tay • Mr Owen Phillimore Howell-Price • Mr Timothy Chia Chee Ming • Mr Robert Tan Kah Boh*



## CORPORATE DIRECTORY

### EXECUTIVE CHAIRMAN

Dr Henry Tay Yun Chwan

### MANAGING DIRECTOR

Mdm Chan Siew Lee (Dr Jannie Tay)

### DIRECTORS

Mr Timothy Chia Chee Ming

Mr Owen Phillimore Howell-Price

Mr Robert Tan Kah Boh

Mr Michael Kwee Chong-Kok (retired on 31.8.2001)

Mr Sydney Michael Hwang (resigned on 31.8.2001)

### COMPANY SECRETARY

Ms Christine Chan Meng Yook

### REGISTERED OFFICE

302 Orchard Road

#11-01 Tong Building

Singapore 238862

Telephone: 6787 2288

Facsimile: 6732 8683

E-mail address: info@thehourglass.com

### REGISTRAR

Lim Associates (Pte) Ltd

10 Collyer Quay

#19-08 Ocean Building

Singapore 049315

Telephone: 6536 5355

### AUDIT COMMITTEE

Mr Robert Tan Kah Boh (Chairman)

Mr Owen Phillimore Howell-Price

Mr Timothy Chia Chee Ming

Dr Henry Tay Yun Chwan (resigned on 31.3.2002)

### REMUNERATION COMMITTEE

Mr Owen Phillimore Howell-Price (Chairman)

Mr Robert Tan Kah Boh

Mr Timothy Chia Chee Ming (appointed on 1.9.2001)

Dr Henry Tay Yun Chwan

Mdm Chan Siew Lee (ceased to be member on 1.9.2001)

### AUDITORS

Ernst & Young

Certified Public Accountants

Singapore

Partner in charge - Mr Gerard Ee

Date of appointment - 1.4.1987

(Please refer to page 15)

### PRINCIPAL BANKERS

The Development Bank of Singapore Limited

The Hongkong and Shanghai Banking Corporation Limited

Oversea-Chinese Banking Corporation Limited

### SOLICITORS

Allen & Gledhill

Helen Yeo & Partners



## CHAIRMAN'S STATEMENT

### FINANCIAL HIGHLIGHTS

	THE HOUR GLASS GROUP	
	2002 S\$'000	2001 S\$'000
1 Turnover	251,310	257,196
2 (a) Profit From Continuing Operations After Taxation	6,539	9,205
(b) Net Gain From Discontinued Operations	54	7,636
	<b>6,593</b>	<b>16,841</b>
3 Earnings Per Share	<b>5.68cts</b>	<b>15.11cts</b>
4 Net Tangible Asset Backing Per Share	<b>109.12cts</b>	<b>100.46cts</b>
5 Bank Term Loans	<b>(3,477)</b>	<b>(4,438)</b>
6 Cash At Bank	<b>9,662</b>	<b>16,909</b>

#### Dear Shareholders

For the financial year ended 31st March 2002, the Group recorded a turnover of \$251 million, a marginal decline of 2.3% from the previous year. However, the Group operating profit fell from \$12.4 million to \$8.8 million, a significant decline of 29%. The result, due mainly to erosion of trading margins and lower sales, was despite several initiatives taken to combat the ongoing difficult economic conditions. On a more positive note, the Group was able to lower its operating expenses by \$2.8 million.

The positive cashflow of \$12 million generated from operations was ploughed back primarily into inventory to widen their base and depth. Proceeds from the sale of an investment property in Singapore, which gave rise to an exceptional gain of \$1 million had been deployed to finance the Group's ongoing programme of refurbishing its

boutiques to the contemporary classic concept theme that was first introduced in the year 2000.

In addition to the net profit after tax of \$6.5 million for the year, net tangible assets value was boosted by the write-back of \$3.8 million. This relates to prior year provisions which were unutilised as at the end of the financial year and written back to revenue reserves in compliance with new accounting standards. Consequently, net tangible assets value per share increased to \$1.09, up from \$1.00 last year.

#### DIVIDEND

The Board of Directors recommends a first and final dividend of 5% per share less tax at 22% amounting to \$1.06 million in respect of the financial year ended 31st March 2002.



## REVIEW OF OPERATIONS



*Clockwise from top:  
Gerald Genta, Sports Biretro • Harry Winston, Avenue Collection set  
with princess cut diamonds • Daniel Roth, Double Face Tourbillon*

### SOUTH ASIA

Profitability for this territory declined from \$10.7 million to \$8.9 million for the financial year ended 31st March 2002. The weaker performance in the Malaysia and Australia watch operations was attributed to lower sales and margin due in part to a reduction in tourist arrivals and poor consumer sentiment.

Mondial, our jewellery subsidiary, also sustained a decline in profit before tax in tandem with a reduction in its wholesale business.

### NORTH ASIA

The distribution activities in Hong Kong and Japan showed a combined improvement in sales of 8.1%. Despite improved sales, margins were lower due to higher product cost from principals.

The retail business in Hong Kong suffered from lower sales because of the strong Hong Kong

Dollar resulting in uncompetitive pricing. Profit before tax was also lower due to depressed margins.

### DEVELOPMENTS

During the year, the Group completed refurbishments to 3 more boutiques in Singapore, bringing the total to 5 boutiques that now exhibit the new concept. In addition, the Group expanded its boutiques in KLCC, Malaysia and in the Gold Coast, Australia. Plans for a retail boutique in Tokyo materialised with the opening of a flagship store located in the fashionable Ginza district on 3rd May 2002.

### PROSPECTS

While the Group was able to turn in credible profits despite a very challenging trading environment, we are mindful that there can be room for improvement in our marketing efforts.





*The Hour Glass, Japan*

Although margins are expected to continue to be under pressure, we believe that the outlook for the luxury watch industry will remain an attractive area of development in the medium and long term. We have taken steps in this direction, including growing our boutique locations through selective expansion in existing and new markets. In particular, the new Tokyo Ginza boutique will provide us a platform to tap into the long term potential in Japan, notwithstanding that it is expected to incur start-up losses as we break into this market.

In the coming year, more resources will be allocated in marketing activities in the region to grow our top line.

Nevertheless, given the political unrest in Asia and the Middle East and uncertain global

economic outlook, we expect that the Group's profit in the current financial year may be lower than the year just ended.

#### **MANAGEMENT TEAM**

We welcome to our management team, Dr Kenny Chan who has been appointed as the Group's Chief Operating Officer with effect from 1st July 2002. Prior to joining the Group, he was managing director in charge of a distribution chain, marketing and retailing a prestigious European brand of fashion of apparel and accessories in the Asia Pacific region, a position he held for over 10 years. We look forward to the contribution of his wealth of experience and expertise to the development and expansion of the Group's operations.



From top:  
Singapore, Miienia Walk • Malaysia, KLCC • Australia, Gold Coast



#### **ACKNOWLEDGEMENT**

On behalf of the Board of Directors, I would like to express our appreciation to our customers, suppliers and shareholders for their continuous support; and to our employees for their dedication and commitment to the Group.

**Henry Tay Yun Chwan**

Executive Chairman

8 July 2002

## FINANCIAL STATEMENTS

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## REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the financial year ended 31 March 2002.

### Principal activities

The principal activities of the Company are those of holding company and the retailing and distribution of watches, jewellery and related products. The principal activities of the Group are those of investment holding companies, retailing and distribution of watches and jewellery, and investment in properties.

There have been no significant changes in the nature of these activities during the year.

### Results for the financial year

	Group \$'000	Company \$'000
Net profit for the year	6,180	4,171
Dividends paid, less tax	(2,052)	(2,052)
Retained profit	4,128	2,119

In the opinion of the Directors, the results of the operations of the Company and of the Group during the financial year have not been affected by any item, transaction or event of a material and unusual nature except for the disposal of the investment properties and changes in accounting policies as disclosed in the notes to the financial statements.

### Dividends

During the financial year, a first and final dividend of 5%, less tax of 24.5% amounting to \$1,026,000 was paid in respect of the previous financial year. In addition, the Company also paid a bonus dividend of 5%, less tax of 24.5% amounting to \$1,026,000 for the previous year as proposed in the Report of the Directors of that year.

The Directors propose that a first and final dividend of 5%, less tax of 22%, amounting to \$1,060,000 be paid in respect of the financial year under review.

### Material movements in reserves and provision

Details of movements in reserves are shown in the statement of changes in equity. There are no other material transfers to/(from) provisions during the financial year except for normal amounts recognised as expense for such items as depreciation and amortisation of non-current assets and provisions for doubtful debts and taxation as shown in the financial statements.

## Directors

The names of the Directors of the Company in office at the date of this report are :-

Dr Henry Tay Yun Chwan	(Executive Chairman)
Mdm Chan Siew Lee	(Managing Director)
Mr Timothy Chia Chee Ming	
Mr Owen Phillimore Howell-Price	
Mr Robert Tan Kah Boh	

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in shares of the Company, as stated below :

Name of director	Shareholdings registered in the name of or beneficially held by directors		Shareholdings in which the directors are deemed to have an interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
<b>Ordinary shares of \$0.25 each</b>				
Henry Tay Yun Chwan	5,140,625	5,140,625	56,502,062	56,502,062
Chan Siew Lee	1,170,750	1,170,750	56,502,062	56,502,062
Timothy Chia Chee Ming	61,875	61,875	-	-
Owen Phillimore Howell-Price	100,000	100,000	-	-
Robert Tan Kah Boh	-	500,000	-	-

There was no change in any of the abovementioned Directors' interests between the end of the financial year and 21 April 2002.

By virtue of Section 7 of the Companies Act, Cap. 50, Dr Henry Tay Yun Chwan and Mdm Chan Siew Lee are deemed to have interests in the shares of all the subsidiary companies of the Company.

No other Director of the Company who held office at the end of the financial year had an interest in any shares of the subsidiary companies of the Company.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or has become entitled to receive benefits by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except those disclosed in Note 4 to the financial statements.

## Corporate Governance

### Audit Committee

The Company has adopted the Best Practices Guide with respect to the Audit Committee issued by the Singapore Exchange Securities Trading Limited.

The Audit Committee is chaired by Mr Robert Tan Kah Boh, an independent director, and includes Mr Owen Phillimore Howell-Price, an independent director and Mr Timothy Chia Chee Ming, an independent director.

The Audit Committee held three meetings during the financial year. The Audit Committee has full access to and co-operation by the management. The external and internal auditors have unrestricted access to the Audit Committee. The Committee reviewed the following, where relevant, with the executive directors and the external auditors :

- the audit plan of the external auditors, including the nature and scope of the audit before the audit commences;
- audit report submitted by external auditors;
- the evaluation of the Group's system of internal accounting controls;
- the Group's financial and operating results;
- the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors and the external auditors' reports on those financial statements;
- the scope and results of internal audit procedures; and
- the co-operation given by the management to the external and internal auditors.

The Committee has recommended to the Board of Directors the re-appointment of Ernst & Young, Certified Public Accountants, as external auditors of the Company at the forthcoming Annual General Meeting. In line with the listing rule of the Singapore Exchange Securities Trading Limited that took effect on 4 May 1998 requiring the partner in-charge of the audit of a listed company and its group of companies to be changed at least once every five years, Mrs Lim Siew Koon of Ernst & Young replaces Mr Gerard Ee as partner in-charge of the audit of the Company and the Group from the financial year commencing 1 April 2002.

### Remuneration Committee

The Remuneration Committee is chaired by Mr Owen Phillimore Howell-Price, an independent director and includes Mr Robert Tan Kah Boh, an independent director, Mr Timothy Chia Chee Ming, an independent director and Dr Henry Tay Yun Chwan, an executive director.

A primary role of the Remuneration Committee is to review, determine and recommend to the Board, the terms of engagement, compensation and benefits for senior executives, including executive directors of the Company. Its functions include review of executive compensation plans and recruitment strategies, and evaluation of executives' performance when selecting and granting options to them under any share option scheme implemented by the Company. To this end, it also serves as the Committee of the Board to administer The Hour Glass Share Option Scheme 2000.

The Remuneration Committee met three times during the financial year.



### Internal Controls

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets. Relevant procedures are in place to identify major business risks and evaluate potential financial effects. There are also procedures for the authorisation of capital expenditure and investments. Comprehensive budgeting systems are in place to develop annual budgets covering key aspects of the business. Actual performance is compared with budgets periodically to monitor the Group's performance.

### Best Practice Code

The Company has adopted the Best Practices Guide of the Singapore Exchange Securities Trading Limited to provide guidance on the principles and best practices in corporate governance and dealings by the Company's directors and employees in its securities. The code of practice is applicable to the Group's :

- Directors (Executive and Non-Executive)
- Chief Financial Officer
- Division Heads
- Regional Controller
- Accountants

### Share capital

No shares were issued during the year under review.

### Share options

- (a) The Hour Glass Employees' Share Option Scheme ("ESOS") came to the end of its 10-year operating duration in April 2000. Adopted on 25 April 1990 as The Hour Glass Executives Share Option Scheme, it was renamed and amended to extend its coverage to selected employees of the Company and its subsidiaries below executive grade on 22 September 1994. The termination of the ESOS does not affect outstanding options granted under the ESOS prior to its termination, which continue to be exercisable in accordance with the terms of the ESOS. However, upon its termination no further options have been granted under the ESOS. Employees who were also substantial shareholders of the Company were not eligible to participate in the ESOS. The ESOS was limited to 5% of the issued ordinary share capital of the Company for the time being.
- (b) Details of options granted previously under the ESOS have been disclosed in the Directors' Report for the respective previous years. Under the ESOS :
- (i) The exercise periods of the options are as disclosed hereunder provided that they have not been subsequently cancelled.
  - (ii) Subject to the rules of the ESOS, an option shall immediately lapse upon the participant ceasing to be employed by the Company and its subsidiaries for whatever reason.
  - (iii) The participant may exercise the option by notice in writing accompanied by a remittance for the exercise price (subject to adjustments as provided under the ESOS). All exercise prices are fixed at the market prices of the shares at the time of grant of the options.

- (iv) Participants of the ESOS may not participate in any other share option schemes of the Company or its subsidiaries and must always participate in the scheme of the company in which they are principally employed unless such company does not have a scheme.

- (c) The ESOS is administered by a committee of Directors comprising:

Dr Henry Tay Yun Chwan  
Mdm Chan Siew Lee  
Mr Timothy Chia Chee Ming

- (d) On 28 September 2000, a new share option scheme, The Hour Glass Share Option Scheme 2000 ("Scheme") was adopted to succeed the ESOS. The Scheme, which was approved at an Extraordinary General Meeting held on 28 September 2000, will continue in operation, at the discretion of the committee administering the Scheme, for a maximum duration of 10 years from that date. The size of the Scheme is limited to 15% of the issued ordinary share capital of the Company for the time being.

The Scheme provides the Company with a means whereby executive directors and employees of the Company and its subsidiaries, and non-executive directors of the Company and its subsidiary companies (who though not employees, work closely with the Company), are given an opportunity to participate in the equity of the Company. A person who is a controlling shareholder of the Company is not eligible to participate in the Scheme. Participation by a person who is otherwise eligible but is an associate of a controlling shareholder of the Company requires approval by independent shareholders in a general meeting. Subject to such participation being approved, any grant of an option to such an associate requires prior approval of independent shareholders in a general meeting.

No options were granted pursuant to the Scheme since its adoption to the end of the financial year.

- (e) Under the Scheme:

- (i) Options that are granted to participants who are employees of the Company or its subsidiary companies will have a validity period of 10 years from the date of grant. Options that are granted to participants who are non-executive directors will have a validity period of 5 years from the date of grant.
- (ii) Subject to the rules of the Scheme, an option shall immediately lapse upon the participant ceasing to be employed by, or as the case may be, ceasing to be a non-executive director of, the Company or its subsidiaries for whatever reason.
- (iii) Options may be granted under the Scheme at any time while it is in force. Upon acceptance of the grant of an option, the grantee must pay to the Company a consideration of \$1.00 for the grant. Options may be granted with exercise prices that are set:
  - at the market price of the shares at the time of grant;
  - at the market price of the shares at the time of grant, but which may be adjusted (at the end of an incentive period) by a discount of up to 20% of the market price; or
  - at a discount (up-front) to the market price of the shares at the time of grant, such discount not to exceed 20% of that market price.

- (iv) An option in respect of which the exercise price is set at the market price of the shares at the time of grant may not be exercised before the 1<sup>st</sup> anniversary of its date of grant. An option in respect of which the exercise price incorporates a discount feature (whether up-front or deferred discount) may not be exercised before the 2<sup>nd</sup> anniversary of its date of grant. Options that are granted may also be subject to vesting schedules.
- (v) The participant may exercise the option by notice in writing accompanied by a remittance for the aggregate exercise price (subject to adjustments as provided under the Scheme).
- (vi) Participants of the Scheme are not restricted from participating in other share option or share incentive schemes, whether implemented by the Company or its subsidiary companies or otherwise.
- (f) The Scheme is administered by the Remuneration Committee.
- (g) At the end of the financial year, unissued ordinary shares of the Company under options granted pursuant to the ESOS were:

	<b>Date granted</b>	<b>Option period (both dates inclusive)</b>	<b>Option Exercise price per share \$</b>	<b>Balance 1.4.2001</b>	<b>Options granted and accepted/ (cancelled)</b>	<b>Options exercised</b>	<b>Balance 31.3.2002</b>
(i)	12.7.1996	12.7.1997 - 11.7.2001	1.25	152,750	(152,750)	-	-
(ii)	17.1.1997	17.1.1998 - 16.1.2002	1.04	184,500	(184,500)	-	-
(iii)	06.8.1997	06.8.1998 - 05.8.2002	1.36	204,000	-	-	204,000
(iv)	23.1.1998	23.1.1999 - 22.1.2003	0.45	96,000	-	-	96,000
(v)	15.1.1999	15.1.2000 - 14.1.2004	0.38	180,000	-	-	180,000
(vi)	19.7.1999	19.7.2000 - 18.7.2004	0.80	262,000	-	-	262,000
(vii)	24.1.2000	24.1.2001 - 23.1.2005	0.52	511,000	-	-	511,000
				1,590,250	(337,250)	-	1,253,000

None of the participants of the ESOS are Directors of the Company or controlling shareholders of the Company and their associates. No participant of the ESOS received options which in aggregate represent 5% or more of the total number of shares available under the ESOS. The exercise prices of the options were set at the market prices of the shares at the time of grant of the options as the ESOS rules did not allow for any discount feature.

No options to take up unissued shares of subsidiary companies have been granted during the financial year.

No shares of subsidiary companies have been issued during the financial year by virtue of the exercise of options to take up unissued shares.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary companies under option, except as disclosed above.

#### Acquisitions and disposals of subsidiary companies

There was no acquisition and disposal of subsidiary companies during the financial year.

#### Liquidation

During the financial year, the following subsidiary companies were liquidated:

- Creative Retailing Pte Ltd
- Hour Glass Fragrances Pte Ltd
- Les Arts & Antiques Pte Ltd
- Watch Gallery Pte Ltd
- Mondial Pte Ltd
- Transland Realty Pte Ltd
- Time Expert Limited (formerly known as Gerald Genta (HK) Ltd)

#### Asset values

Before the profit and loss account and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that :-

- action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- any current assets which were unlikely to realise their book value in the ordinary course of business had been written down to their estimated realisable values or adequate provision had been made for the difference between those values.

At the date of this report, the Directors are not aware of any circumstances which would render :-

- any amount written off or provided for bad and doubtful debts in the Group inadequate to any substantial extent; and
- the values attributed to current assets in the consolidated financial statements misleading.

#### Charges and contingent liabilities

Since the end of the financial year no charge on the assets of the Company or any company in the Group has arisen which secures the liabilities of any other person.

Since the end of the financial year no contingent liability of the Company or any company in the Group has arisen.

No contingent or other liability of the Company or any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

**Other circumstances affecting the financial statements**

At the date of this report the Directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

**Unusual items after the financial year**

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

**Other information required by the Singapore Exchange Securities Trading Limited**

- (a) The interest of the Directors of the Company in the share capital of the Company and of its related companies as at the 21st day after the end of the financial year remained unchanged from those at 31 March 2002 as set out under the paragraph headed 'Directors' above.
- (b) No material contracts to which the Company or any related company is a party and which involve Directors' or controlling shareholders' interests subsisted at, or have been entered into since the end of the financial year.

**Auditors**

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

**Henry Tay Yun Chwan**  
Chairman

**Chan Siew Lee**  
Managing Director

Singapore  
8 July 2002

**STATEMENT BY DIRECTORS PURSUANT TO SECTION 201(15)**

We, Henry Tay Yun Chwan and Chan Siew Lee, being two of the Directors of The Hour Glass Limited, do hereby state that, in the opinion of the Directors:

- (a) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated statement of cash flow together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the results of the business and changes in equity of the Company and of the Group and the cash flow of the Group for the year then ended; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

**Henry Tay Yun Chwan**  
Chairman

**Chan Siew Lee**  
Managing Director

Singapore  
8 July 2002

## AUDITORS' REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

We have audited the financial statements of The Hour Glass Limited and the consolidated financial statements of the Group set out on pages 24 to 57. The financial statements comprise the balance sheets of the Company and of the Group as at 31 March 2002, the profit and loss accounts and the statements of changes in equity of the Company and of the Group and the statement of cash flow of the Group for the year ended 31 March 2002, and notes thereto. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of :
  - (i) the state of affairs of the Company and of the Group as at 31 March 2002, the results and changes in equity of the Company and of the Group and the cash flow of the Group for the year ended on that date; and
  - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of subsidiary companies which we have not acted as auditors being financial statements included in the consolidated financial statements. The subsidiary companies audited by our associated firms are stated in Note 15.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore, did not include any comment made under Section 207(3) of the Act.

**ERNST & YOUNG**  
Certified Public Accountants

Singapore  
8 July 2002

**PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2002**

(In Singapore dollars)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Revenue</b>	3	251,310	257,196	144,772	141,342
<b>Costs and expenses</b>					
Costs of goods sold		212,717	211,529	126,783	120,937
Salaries and employees benefits	26	14,966	16,490	8,158	9,976
Depreciation of investment properties and property, plant and equipment		2,703	2,214	1,649	1,178
Lease rental		5,372	4,661	2,992	2,763
Other operating expenses		7,584	10,408	3,847	3,898
<b>Total costs and expenses</b>		<b>243,342</b>	<b>245,302</b>	<b>143,429</b>	<b>138,752</b>
<b>Operating profit</b>	4	7,968	11,894	1,343	2,590
Exceptional items	5	1,020	–	–	59
Investment and interest income	6	988	1,314	5,180	1,277
Interest expense	7	(194)	(754)	(50)	(624)
Provision for amounts due from subsidiary companies		–	–	(1,269)	–
<b>Profit from continuing operations before taxation and minority interests</b>		<b>9,782</b>	<b>12,454</b>	<b>5,204</b>	<b>3,302</b>
Taxation	8	(3,243)	(3,249)	(1,033)	(1,094)
<b>Profit from continuing operations after taxation</b>		<b>6,539</b>	<b>9,205</b>	<b>4,171</b>	<b>2,208</b>
Minority interests, net of taxation		(413)	(418)	–	–
<b>Net profit from continuing operations</b>		<b>6,126</b>	<b>8,787</b>	<b>4,171</b>	<b>2,208</b>
<b>Discontinued operations, net of taxation</b>					
Net gain/(loss) from discontinued operations	9	54	(804)	–	–
Net gain on disposal of investment in subsidiary companies		–	7,390	–	185
Write-back of closure cost of a subsidiary company		–	1,050	–	–
Net gain from discontinued operations		54	7,636	–	185
<b>Net profit for the year</b>		<b>6,180</b>	<b>16,423</b>	<b>4,171</b>	<b>2,393</b>
Basic earnings per share (cents)	11	5.68	15.11		
Diluted earnings per share (cents)	11	5.68	15.11		

The accounting policies and explanatory notes on pages 28 to 57 form an integral part of the financial statements.

**BALANCE SHEETS AS AT 31 MARCH 2002**

(In Singapore dollars)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	12	20,100	23,895	12,435	12,461
Investment properties	13	7,613	5,476	973	999
Goodwill on consolidation	14	197	297	–	–
Subsidiary companies	15	–	–	23,573	20,603
Other investments	16	318	317	310	308
Long term receivable	17	4,956	6,537	4,956	6,537
		33,184	36,522	42,247	40,908
<b>Current assets</b>					
Stocks	18	100,701	87,975	46,779	39,785
Trade debtors	19	7,539	6,553	1,813	698
Other debtors	20	4,927	4,944	1,792	3,120
Amounts due from subsidiary companies	21	–	–	27,202	26,279
Fixed deposits with banks		895	317	895	265
Cash and bank balances		8,767	16,629	2,526	4,599
		122,829	116,418	81,007	74,746
<b>Less : Current liabilities</b>					
Bank overdrafts		–	37	–	–
Bank term loans	22	2,800	3,554	–	754
Trade creditors		23,112	27,802	10,965	13,197
Other creditors	23	2,056	3,046	629	1,414
Amounts due to subsidiary companies	21	–	–	20,101	14,037
Provision for taxation		4,045	4,362	2,668	2,385
		32,013	38,801	34,363	31,787
<b>Net current assets</b>		<b>90,816</b>	<b>77,617</b>	<b>46,644</b>	<b>42,959</b>
<b>Less : Non-current liabilities</b>					
Bank term loans	22	677	884	–	–
Deferred taxation		245	64	186	–
		922	948	186	–
		123,078	113,191	88,705	83,867
<b>Equity</b>					
Share capital	24	27,175	27,175	27,175	27,175
Reserves	25	91,635	82,326	61,530	56,692
		118,810	109,501	88,705	83,867
<b>Minority interests</b>		<b>4,268</b>	<b>3,690</b>	<b>–</b>	<b>–</b>
		123,078	113,191	88,705	83,867

The accounting policies and explanatory notes on pages 28 to 57 form an integral part of the financial statements.



## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2002

(In Singapore dollars)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Ordinary shares</b>					
Balance at beginning and end of year		27,175	27,175	27,175	27,175
<b>Share premiums</b>					
Balance at beginning and end of year		29,491	29,491	29,491	29,491
<b>Capital reserve</b>					
Balance at beginning and end of year		261	261	161	161
<b>Foreign currency translation reserve</b>					
Balance at beginning of year		3,149	2,080	(68)	(2,520)
Unrealised foreign currency translation adjustment for the year		1,304	(1,094)	–	–
Foreign currency translation adjustment realised		68	2,163	68	2,452
Balance at end of year		4,521	3,149	–	(68)
<b>Revenue reserve</b>					
Balance at beginning of year		47,373	33,748	25,056	25,461
- as previously stated		2,052	203	2,052	203
- as restated		49,425	33,951	27,108	25,664
Effect of adopting SAS 31		3,809	–	2,651	–
Net profit for the year		6,180	16,423	4,171	2,393
Net loss not recognised in profit and loss accounts - Foreign currency translation adjustment realised		–	(746)	–	(746)
Dividends on ordinary shares less tax	10	(2,052)	(203)	(2,052)	(203)
Balance at end of year		57,362	49,425	31,878	27,108
<b>Total equity and shares outstanding</b>		118,810	109,501	88,705	83,867
<b>Net change in equity from non-owner sources excluding net profits</b>		1,372	323	68	1,706

The accounting policies and explanatory notes on pages 28 to 57 form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2002

(In Singapore dollars)

	2002 \$'000	2001 \$'000
<b>Cash flows from operating activities :</b>		
Profit before income tax	9,782	12,454
Adjustments for :		
Interest expenses	194	754
Interest income	(267)	(556)
Depreciation of properties, plant and equipment	2,557	2,499
Depreciation of investment properties	146	83
Amortisation of other investment	24	15
Amortisation of goodwill on consolidation	100	103
Loss/(gain) on disposals of properties, plant and equipment	53	(56)
Foreign currency translation adjustment	890	798
Gain/(loss) before minority interest of discontinued operations	54	(804)
Writeback of closure cost of a subsidiary company	–	1,050
Provision for impairment in other investments	64	–
Gain on disposal of investment property	(1,020)	–
<b>Operating profit before working capital</b>	12,577	16,340
Increase in stocks	(12,726)	(8,828)
Decrease/(increase) in debtors	429	(5,906)
Decrease in creditors	(1,678)	(1,613)
<b>Cash applied in operations</b>	(1,398)	(7)
Income taxes paid	(3,285)	(3,923)
Interest expense paid	(194)	(754)
Interest income received	267	556
<b>Net cash used in operating activities</b>	(4,610)	(4,128)
<b>Cash flows from investing activities :</b>		
Proceeds from sale of properties, plant and equipment	68	653
Purchase of properties, plant and equipment	(3,415)	(2,691)
Disposal of subsidiary companies, net of cash and cash equivalent disposed	–	35,611
Proceeds from sale of investment property	3,751	–
<b>Net cash provided by investing activities</b>	404	33,573
<b>Cash flows from financing activities :</b>		
Net decrease in bank loans	(961)	(26,104)
Dividends paid to shareholders	(2,052)	(203)
Dividends paid to minority shareholders of subsidiary companies	(28)	(68)
<b>Net cash used in financing activities</b>	(3,041)	(26,375)
Net (decrease)/increase in cash and cash equivalents	(7,247)	3,070
Cash and cash equivalents at beginning of year (note 32)	16,909	13,839
<b>Cash and cash equivalents at end of year (note 32)</b>	9,662	16,909

The accounting policies and explanatory notes on pages 28 to 57 form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002

### 1. Corporate information

The consolidated financial statements of The Hour Glass Limited ("the Company") for the financial year ended 31 March 2002 were authorised for issue in accordance with a resolution of the Directors passed on 8 July 2002.

The Company is a limited liability company incorporated in the Republic of Singapore.

The registered office of the Company is located at 302 Orchard Road, #11-01, Tong Building, Singapore 238862.

The principal activities of the Company are those of holding company and the retailing and distribution of watches, jewellery and related products. The principal activities of the Group are those of investment holding companies, retailing and distribution of watches and jewellery, and investment in properties.

There have been no significant changes in the nature of these activities during the year.

The Group and Company employed 231 and 120 (2001 : 236 and 126) employees as at 31 March 2002, respectively.

### 2. Summary of significant accounting policies

The main accounting policies of the Group, which have been consistently applied except where indicated otherwise, are described in following paragraphs.

#### (a) Basis of preparation

The financial statements of the Company and of the Group which are expressed in Singapore dollars, are prepared under the historical cost convention, modified by the revaluation of freehold premises, and are prepared in accordance with Singapore Statements of Accounting Standard and the applicable provisions of the Companies Act, Cap. 50.

The accounting policies have been consistently applied by the Group and except for the change in accounting policies discussed more fully below are consistent with those used in the previous year.

#### (b) Changes in accounting policies

During the year, the Group and Company complied with the revised/new Statements of Accounting Standard ("SAS") which were effective from 1 April 2001 and modified certain accounting policies. The effects of these changes on the financial statements were :

#### (b) Changes in accounting policies (cont'd)

##### *SAS 10 (2000) : Event occurring after the Balance Sheet Date*

Under SAS 10 (2000), dividends proposed or declared after the balance sheet date are no longer recognised as a liability as at the balance sheet date. Information on effects of adopting the revised SAS 10 is disclosed in the statements of changes in equity.

##### *SAS 31 (2000) : Provisions, Contingent Liabilities and Contingent Assets*

Under SAS 31 (2000), provisions are recognised only when the company has legal or constructive obligations as a result of past events. Information on effects of adopting the SAS 31 (2000) is disclosed in the statement of changes in equity.

#### (c) Basis of consolidation

The accounting year of the Company and all its subsidiary companies ends on 31 March and the consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies. The results of subsidiary companies acquired or disposed of during the year are included in or excluded from the respective dates of acquisition or disposal, as applicable.

When subsidiary companies are acquired, any excess of the consideration over the net assets at the date of acquisition is included in goodwill on consolidation and are written-off on a straight line basis over a ten-year period.

Assets, liabilities and results of overseas subsidiary companies are translated into Singapore dollars on the basis outlined in Note (n) below.

#### (d) Revenue recognition

Revenues from the sale of products are recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

#### (e) Subsidiary companies

Shares in subsidiary companies are stated at cost. Provision is made for any impairment in value which is considered to be permanent.

#### (f) Investments

Investments held on a long term basis are stated at average cost. Provision is made for any impairment in value which is considered to be permanent.

Dividend income is accrued on the basis of the dates dividends are declared by the investee company.

#### (g) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. The cost of a property, plant and equipment comprises its purchase price, financing charges and any directly attributable costs of bringing the property, plant and equipment to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

(g) **Property, plant and equipment (cont'd)**

Where property, plant and equipment are revalued, any surplus on revaluation is credited to the capital reserve. A decrease in net carrying amount arising on revaluation of property, plant and equipment is charged to the profit and loss account to the extent that it exceeds any surplus held in capital reserve relating to previous revaluation of the same assets.

Premises held on 999-year lease are regarded as equivalent to freehold and are included with freehold premises under property, plant and equipment. The Group does not have a policy on frequency of revaluing property, plant and equipment.

(h) **Investment properties**

Investment properties are those properties which are held on long-term basis for their investment potential and income. They are included in the balance sheet at cost less accumulated depreciation.

Where investment properties are revalued, any surplus on revaluation is credited to capital reserve and any deficit is charged to the profit and loss account to the extent that it exceeds any surplus held in capital reserve relating to previous revaluation of the same properties.

Premises held on 999-year lease are regarded as equivalent to freehold and are included with freehold premises under investment properties. The Group does not have a policy on frequency of revaluing investment properties.

(i) **Stocks**

Trading stocks are valued at the lower of cost and net realisable value with cost being determined principally on the specific identification basis.

Net realisable value is arrived at after due allowance is made for all obsolete, damaged and slow-moving stocks.

(j) **Trade and other debtors**

Trade debtors, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts due from subsidiary companies are recognised and carried at cost less an allowance for uncollectible amounts.

(k) **Trade and other creditors**

Trade and other creditors which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Amounts due to subsidiary companies are carried at cost.

(l) **Provisions**

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(m) **Deferred taxation**

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

(n) **Foreign currencies**

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities are converted into local currency at year-end exchange rates. Exchange differences arising from the translation of foreign currency denominated loans accounted for as a hedge of the Company's net investments in foreign subsidiary companies are taken directly to foreign currency translation reserve until the disposal of the net investments. Upon disposal of the foreign subsidiary companies, the cumulative amount of the exchange differences which have been deferred are taken to the profit and loss account in the same period in which the gain or loss on disposal is recognised. Other exchange differences are dealt with in the profit and loss account.

On consolidation, all assets and liabilities of foreign subsidiary companies are translated at the exchange rates ruling at balance sheet date. Profit and loss account items are translated at the average exchange rates ruling during the year. All translation differences are dealt with in the foreign currency translation reserve.

(o) **Depreciation**

Depreciation is calculated on the straight line method to write off the cost or valuation of property, plant and equipment and investment properties over their estimated useful lives. The estimated useful lives of property, plant and equipment and investment properties are as follows :-

Property, plant and equipment :

Freehold and leasehold premises	-	50 years
Furniture and equipment	-	2 to 10 years
Motor vehicles	-	5 to 6 years

Investment properties :

Freehold and leasehold premises	-	50 years
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No depreciation is provided on freehold land.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(p) **Employee benefits**

*Defined contribution plans*

As required by law, the Group's companies in Singapore and certain overseas subsidiary companies make contributions to the state provident fund of the respective countries. Such contributions are recognised as compensation expenses in the same period as the employment that give rise to the contribution.

*Share options*

The Company has in place an Hour Glass Share Option Scheme for the granting of options to eligible employees to subscribe for shares in the Company. There are no charges to the profit and loss account upon the grant or exercise of the options. The exercise price is equivalent to the market value of the shares or at a discount of up to 20% of the market value of the shares at the time of grant.

Details of the Scheme are disclosed in Note 26 to the financial statements.

(q) **Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances, fixed deposits with banks less bank overdrafts.

### 3. Revenue

Revenue represents sale of goods after deducting allowances for goods returned and trade discounts. It excludes dividends, interest and rental income and, in respect of the Group, intra-Group transactions.

### 4. Operating profit

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Operating profit is stated after charging/(crediting) :				
Depreciation of property, plant and equipment	2,557	2,131	1,623	1,152
Depreciation of investment properties	146	83	26	26
Amortisation of goodwill on consolidation	100	103	-	-
Amortisation of other investment	24	15	24	15
Loss/(gain) on disposal of property, plant and equipment	53	(56)	-	(145)
Directors' fees	140	160	140	160
Directors' emoluments :				
- Directors of the Company				
· salaries, bonuses and other related costs	1,518	1,568	1,518	1,568
· central provident funds	23	29	23	29
- Other directors of subsidiary companies				
· salaries, bonuses and other related costs	1,069	1,162	-	-
· state provident funds	54	64	-	-
Professional fees paid to companies in which directors have an interest	-	241	-	241
Auditors' remuneration :				
- Auditors of the Company	106	117	69	69
- Other auditors				
· Current year	94	101	-	-
· Under-provision in prior year	25	2	-	-
Non audit fees paid to auditors	227	298	141	215
Non audit fees paid to other auditors				
- current year	66	43	-	-
- over-provision in prior year	(1)	(26)	-	(28)
(Write-back of)/provision for doubtful debts	(20)	(21)	-	112
Doubtful debts recovered	-	(96)	-	(96)
Foreign exchange gain, net	(1,250)	(411)	(697)	(480)

## 5. Exceptional items

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Gain on liquidation of dormant subsidiary companies	-	-	-	59
Gain on disposal of investment property	1,020	-	-	-
	1,020	-	-	59

## 6. Investment and interest income

Interest income from other debtors	-	119	-	91
Gross dividend income from unquoted subsidiary companies	-	-	4,483	346
Interest income from subsidiary companies	-	-	329	541
Interest income from banks	267	437	44	41
Rental income	721	758	324	258
	988	1,314	5,180	1,277

## 7. Interest expense

Interest on bank term loans	156	682	11	414
Interest on bank overdrafts	38	63	25	57
Interest on loan from a subsidiary company	-	-	14	144
Interest on amounts due to a minority shareholder of a subsidiary company	-	9	-	9
	194	754	50	624

## 8. Taxation

Provision for taxation in respect of results for the year :				
Current taxation	2,835	3,519	848	1,060
Deferred taxation	259	35	185	-
Under/(over) provision in respect of previous years	149	(305)	-	34
	3,243	3,249	1,033	1,094

## 8. Taxation (cont'd)

The current year's taxation charge for the Group and the Company is computed after taking into account non-taxable income and non-deductible expenses, and therefore differs from the amount determined by applying the statutory tax rate to the financial year's profit.

A reconciliation of the statutory tax rate to the Group and the Company's effective tax rate applicable to profit before taxation was as follows :

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Profit before taxation for the year	9,782	12,454	5,204	3,302
Taxation on profit before taxation for the year at 24.5%	2,396	3,051	1,275	809
Adjustments :				
Permanent differences/expenses not deductible for tax purposes	495	766	513	395
Additional tax on income of subsidiary companies in countries whose tax rate is higher than the Singapore statutory tax rate	54	181	-	-
Non-taxable income	(305)	(516)	(782)	(22)
Others	454	72	27	(122)
Current financial year's taxation charge	3,094	3,554	1,033	1,060
Comprising :				
Current taxation	2,835	3,519	848	1,060
Deferred taxation	259	35	185	-
	3,094	3,554	1,033	1,060

As at 31 March 2002, certain subsidiary companies have unutilised capital allowances and unabsorbed tax losses of approximately nil (2001 : \$65,000) and \$2,128,000 (2001 : \$3,664,000) respectively available for set-off against future taxable profits subject to the regulations and agreements by the relevant tax authorities.



## 9. Discontinued operations

During the financial year ended 31 March 2001, the Company divested its entire interest in the share capital of its subsidiary companies, namely Gerald Genta S.A., Daniel Roth S.A. and MHH Manufacture de Haute Horlogerie S.A. (the "Swiss Group"). In addition, arising from the disposal of the Swiss Group, the Company also ceased the operations of its subsidiary company, The Hour Glass USA, Inc. as it discontinued distributing watches manufactured by the Swiss Group.

The revenue, expenses and results from the ordinary operations of the subsidiary companies which has ceased operations or was disposed are as follows :

	Group	
	2002 \$'000	2001 \$'000
Sales	-	2,416
Other income	71	-
Operating cost	(15)	(3,096)
Gain/(loss) from operating activities	56	(680)
Finance cost	-	(121)
Gain/(loss) before taxation	56	(801)
Taxation	(2)	(3)
Gain/(loss) from operations after taxation	54	(804)

## 10. Dividends

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Bonus 5% or 1.25 cents per share less tax of 24.5%	1,026	-	1,026	-
Final 5% or 1.25 cents per share (2001 : 1% or 0.25 cents per share) less tax of 24.5% (2001 : 25.5%)	1,026	203	1,026	203
	2,052	203	2,052	203

The Directors propose that a first and final dividend of 5% or 1.25 cents per share less tax of 22% amounting to \$1,060,000 be paid for the financial year ended 31 March 2002.

## 11. Earnings per share

	Group	
	2002 \$'000	2001 \$'000
Earnings for the year	6,180	16,423
Number of shares	'000	'000
Weighted average number of ordinary shares for calculation of basic earnings per share	108,702	108,702
Dilution adjustments for share options	40	9
Adjusted weighted average number of shares for calculation of diluted earnings per share	108,742	108,711
Earnings per share	Cents	Cents
- Basic	5.68	15.11
- Diluted	5.68	15.11

**12. Property, plant and equipment**

	Freehold premises	Leasehold premises	Furniture and equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>					
Cost and valuation					
At 1 April 2001					
- Cost	19,932	3,105	13,478	1,041	37,556
- Valuation 1982	320	-	-	-	320
	20,252	3,105	13,478	1,041	37,876
Reclassified to investment properties	(5,226)	-	-	-	(5,226)
Additions	-	-	3,415	-	3,415
Disposals/write-offs	-	-	(1,016)	1	(1,015)
Foreign currency translation adjustment	231	65	198	8	502
At 31 March 2002	15,257	3,170	16,075	1,050	35,552
Representing :					
- Cost	14,937	3,170	16,075	1,050	35,232
- Valuation 1982	320	-	-	-	320
At 31 March 2002	15,257	3,170	16,075	1,050	35,552
Accumulated depreciation					
At 1 April 2001	3,119	227	10,237	398	13,981
Reclassified to investment properties	(385)	-	-	-	(385)
Charge for the year	303	63	1,996	195	2,557
Disposals/write-offs	-	-	(894)	-	(894)
Foreign currency translation adjustment	39	6	144	4	193
At 31 March 2002	3,076	296	11,483	597	15,452
Charge for 2001 :					
- continuing operations	379	60	1,537	155	2,131
- discontinued operations	38	-	324	6	368
Net book value					
At 31 March 2002	12,181	2,874	4,592	453	20,100
At 31 March 2001	17,133	2,878	3,241	643	23,895

**12. Property, plant and equipment (cont'd)**

	Cost/Valuation
	\$'000
(a) Freehold premises	
Singapore	
114 square metres shop unit at Peninsula Plaza, situated at 111 North Bridge Road	4,569
638 square metres office unit at 302 Orchard Road, #11-01 Tong Building	7,664
37 square metres shop unit at Lucky Plaza, situated at 304 Orchard Road	320
Australia	
356 square metres shop/office unit at 70 Castlereagh Street, Sydney	2,494
Malaysia	
116 square metres office unit at Suite 12-2, 12 <sup>th</sup> Floor, Wisma UOAll 21 Jalan Pinang, 50450 Kuala Lumpur	210
	15,257
(b) Leasehold premises	
Hong Kong	
201.9 square metres shop unit at 1416 & 1416A Starhouse, Salisbury Road, Kowloon (lease term, 999 years from 25 July 1864)	3,170

## 12. Property, plant and equipment (cont'd)

	Freehold premises	Furniture and equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
<b>Company</b>				
Cost and valuation				
At 1 April 2001				
- Cost	12,233	9,282	645	22,160
- Valuation 1982	320	-	-	320
	12,553	9,282	645	22,480
Additions	-	1,663	-	1,663
Disposals/write-offs	-	(263)	-	(263)
At 31 March 2002	12,553	10,682	645	23,880
Representing :				
- Cost	12,233	10,682	645	23,560
- Valuation 1982	320	-	-	320
At 31 March 2002	12,553	10,682	645	23,880
Accumulated depreciation				
At 1 April 2001	2,370	7,385	264	10,019
Charge for the year	252	1,242	129	1,623
Disposals/write-offs	-	(197)	-	(197)
At 31 March 2002	2,622	8,430	393	11,445
Charge for 2001	251	816	85	1,152
Net book value				
At 31 March 2002	9,931	2,252	252	12,435
At 31 March 2001	10,183	1,897	381	12,461

A subsidiary company's freehold premises with a net book value of \$2,048,000 (2001 : \$1,906,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

The Group's freehold premises with a net book value of \$9,931,442 (2001 : \$15,023,790) has been mortgaged for banking facilities granted to the Company.

## 13. Investment properties

	Leasehold premises	Freehold land	Freehold building and premises	Total
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Cost				
At 1 April 2001	1,329	2,203	2,662	6,194
Reclassified from property, plant and equipment	-	1,610	3,616	5,226
Disposals	-	(2,203)	(636)	(2,839)
Foreign currency translation adjustment	-	-	204	204
At 31 March 2002	1,329	1,610	5,846	8,785
Accumulated depreciation				
At 1 April 2001	330	-	388	718
Reclassified from property, plant and equipment	-	-	385	385
Charge for the year	26	-	120	146
Disposals	-	-	(108)	(108)
Foreign currency translation adjustment	-	-	31	31
At 31 March 2002	356	-	816	1,172
Charge for 2001	26	-	57	83
Net book value				
At 31 March 2002	973	1,610	5,030	7,613
At 31 March 2001	999	2,203	2,274	5,476
			<b>Leasehold premises</b>	
			\$'000	
<b>Company</b>				
Cost				
At 1 April 2001 and 31 March 2002				1,329
Accumulated depreciation				
At 1 April 2001				330
Charge for the year				26
At 31 March 2002				356
Charge for 2001				26
Net book value				
At 31 March 2002				973
At 31 March 2001				999

### 13. Investment properties (cont'd)

The investment properties of the Group as at 31 March 2002 are as follows :

- (a) 42 square metres shop at Centrepoint situated at 176 Orchard Road (lease term, 99 years from 17 August 1979) amounting to \$1,329,000. The estimated market value of the property stated at directors' valuation based on professional valuation by Premas International Limited as at 23 November 2001 is \$2,300,000.
- (b) 1,350 square metres shop/office unit and lettable space at 252 Collins Street, Melbourne, Australia amounting to \$2,231,000. The estimated market value of the property stated at directors' valuation based on professional valuation by Fitzroys Pty Ltd as at 20 August 1999 is approximately \$2,239,510 (A\$2,300,000).
- (c) 223.8 square metres shophouse at 2 Trengganu Street, Singapore amounting to \$5,226,000. The estimated market value of the property stated at directors' valuation based on professional valuation by Premas International Limited as at 23 November 2001 is approximately \$4,800,000.

A subsidiary company's investment property with a net book value of \$1,875,000 (2001 : \$1,744,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

The Group's investment properties with a net book value of \$5,738,296 (2001 : \$3,732,339) are mortgaged for banking facilities granted to the Company.

### 14. Goodwill on consolidation

	Group	
	2002 \$'000	2001 \$'000
Goodwill arising from acquisition of shares in subsidiary companies		
Balance at 1 April	1,876	6,948
Liquidation/disposal of subsidiary companies	(482)	(5,072)
Balance at 31 March	1,394	1,876
Amortisation :		
Balance at 1 April	1,579	4,702
Provided during the year	100	103
Liquidation/disposal of subsidiary companies	(482)	(3,226)
Balance at 31 March	1,197	1,579
Goodwill, net of amortisation	197	297

### 15. Subsidiary companies

	Company	
	2002 \$'000	2001 \$'000
Unquoted shares, at cost	26,714	24,880
Provision for impairment in value of investment	(3,141)	(4,277)
	23,573	20,603

Subsidiary companies held by the Company and the cost to the Company at 31 March are :

Name of subsidiary company	Cost to Company	
	2002 \$'000	2001 \$'000
Dynasty Watch Pte Ltd	500	500
Lakewind Impex Pte Ltd	706	706
Astoria Trading Pte Ltd	305	305
Hour Glass Fragrances Pte Ltd	-	15
Creative Retailing Pte Ltd	-	126
Transland Realty Pte Ltd	-	14
Watch Gallery Pte Ltd	-	527
Les Arts & Antiques Pte Ltd	-	454
Multiple Properties Pte Ltd	1,356	1,356
Mondial Jewellers Pte Ltd	990	990
The Hour Glass Sdn Bhd	430	430
The Hour Glass (HK) Ltd	175	175
The Watch Gallery Holding Company Pty Ltd	4,646	4,646
Bertolucci (S) Pte Ltd	572	572
Gubelin Watch Company Ltd	10,261	10,261
Pagoda Chinatown Pte Ltd	2	2
Monte Carlo Time S.A.M.	1,163	1,163
The Hour Glass Japan Ltd	3,630	660
R.S. Hour Pte Ltd	300	300
The Hour Glass USA, Inc	1,678	1,678
Times Master Enterprise Limited	- *	- *
	26,714	24,880

\* Denotes amount less than \$1,000

## 15 Subsidiary companies (cont'd)

Other details of the subsidiary companies are :

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Auditors
		2002 %	2001 %	
<b>Held by the Company</b>				
<i>Retailing and distribution of watches, jewellery and related products</i>				
Dynasty Watch Pte Ltd	Singapore	100	100	Ernst & Young, Singapore
Lakewind Impex Pte Ltd	Singapore	80	80	Ernst & Young, Singapore
Astoria Trading Pte Ltd	Singapore	100	100	Ernst & Young, Singapore
Mondial Jewellers Pte Ltd	Singapore	60	60	Ernst & Young, Singapore
Bertolucci (S) Pte Ltd	Singapore	90	90	Ernst & Young, Singapore
The Hour Glass Sdn Bhd	Malaysia	95	95	Ernst & Young, Malaysia
The Hour Glass (HK) Ltd	Hong Kong	100	100	Ernst & Young, Hong Kong
Gubelin Watch Company Ltd	Hong Kong	100	100	Ernst & Young, Hong Kong
The Watch Gallery Holding Company Pty Ltd	Australia	100	100	Ernst & Young, Australia
Monte Carlo Time S.A.M.	Monaco	66	66	▲
The Hour Glass Japan Ltd	Japan	100	100	Shin Nihon & Co. *
<i>Investment in properties</i>				
Multiple Properties Pte Ltd	Singapore	100	100	Ernst & Young, Singapore
Pagoda Chinatown Pte Ltd	Singapore	100	100	Ernst & Young, Singapore
Time Master Enterprise Limited	Hong Kong	100	100	Ernst & Young, Hong Kong
<i>Dormant companies</i>				
Creative Retailing Pte Ltd	Singapore	-	100	#
Transland Realty Pte Ltd	Singapore	-	100	#
Watch Gallery Pte Ltd	Singapore	-	100	#
Hour Glass Fragrances Pte Ltd	Singapore	-	60	#
Les Arts & Antiques Pte Ltd	Singapore	-	70	#
R.S. Hour Pte Ltd	Singapore	60	60	▲
The Hour Glass USA, Inc	USA	100	100	+
<b>Held by subsidiary companies</b>				
<i>Retailing and distribution of watches and related products</i>				
The Watch Gallery Pty Ltd	Australia	100	100	Ernst & Young, Australia
Time Expert Limited	Hong Kong	-	100	#
The Hour Glass (Thailand) Co Ltd *	Thailand	49	49	Ernst & Young, Thailand

## 15. Subsidiary companies (cont'd)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Auditors
		2002 %	2001 %	
<i>Investment holding</i>				
The Hour Glass Dharmala Limited	Hong Kong	60	60	Ernst & Young, Hong Kong
The Hour Glass Holding (Thailand) Co Ltd *	Thailand	49	49	Ernst & Young, Thailand
<i>Dormant companies</i>				
Mondial Pte Ltd	Singapore	-	60	#
Jewels by Mondial Sdn Bhd	Malaysia	60	60	Ernst & Young, Malaysia
* Associated firm of Ernst & Young, Global.				
▲ Not audited as in voluntary liquidation.				
+ Not required to be audited under the laws of its country of incorporation.				
* The Group held a 98.97% controlling interest in the subsidiary through their voting rights.				
# Liquidated				

## 16. Other investments

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Quoted shares, at cost	559	559	550	550
Less : Provision for impairment	(536)	(472)	(535)	(472)
	23	87	15	78
Club memberships, at cost	389	300	389	300
Less : Amounts amortised	(94)	(70)	(94)	(70)
	295	230	295	230
	318	317	310	308
Market value of quoted shares	18	21	15	19



**17. Long-term receivable**

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Receivable pursuant to the disposal of subsidiary companies	4,956	12,013	4,956	12,013
Less : Provision for stock returns and warranty	-	(4,312)	-	(4,312)
	<u>4,956</u>	<u>7,701</u>	<u>4,956</u>	<u>7,701</u>
Within one year (note 20)	-	1,164	-	1,164
After one year	4,956	6,537	4,956	6,537
	<u>4,956</u>	<u>7,701</u>	<u>4,956</u>	<u>7,701</u>

This relates to the proceeds receivable from Bulgari for the sale of the Swiss subsidiary companies.

**18. Stocks**

Finished goods	100,701	87,975	46,779	39,785
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**19. Trade debtors**

Trade debtors are stated after deducting provision for doubtful debts of	1,437	1,459	746	743
Analysis of provision for doubtful debts :				
Balance at 1 April	1,459	2,302	743	730
Doubtful debts recovered	-	(92)	-	(92)
(Write back)/charge to profit and loss account	(17)	(28)	3	105
Written-off against bad debts	(19)	(8)	-	-
Write-back by discontinued operations	-	(358)	-	-
Due to disposal of subsidiary companies	-	(368)	-	-
Foreign currency translation adjustment	14	11	-	-
Balance at 31 March	<u>1,437</u>	<u>1,459</u>	<u>746</u>	<u>743</u>

**20. Other debtors**

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Rental and other deposits	2,031	991	214	490
Recoverables and sundry debtors	2,334	2,167	1,386	1,205
Prepayment	562	622	192	261
Receivable pursuant to the disposal of subsidiary companies (note 17)	-	1,164	-	1,164
	<u>4,927</u>	<u>4,944</u>	<u>1,792</u>	<u>3,120</u>
Other debtors are stated after deducting provision for doubtful debts of	799	775	-	3
Analysis of provision for doubtful debts :				
Balance at 1 April	775	1,148	3	403
(Write-back)/charge to profit and loss account	(3)	7	(3)	7
Provision by discontinued operations	-	6	-	-
Written-off against bad debts	7	(399)	-	(403)
Doubtful debt recovered	-	(4)	-	(4)
Foreign currency translation adjustment	20	17	-	-
Balance at 31 March	<u>799</u>	<u>775</u>	<u>-</u>	<u>3</u>

**21. Amounts due from/(to) subsidiary companies**

	Company	
	2002	2001
	\$'000	\$'000
Amounts due from subsidiary companies		
- trade	4,372	2,264
- non-trade	28,168	28,084
Provision	(5,338)	(4,069)
	<u>27,202</u>	<u>26,279</u>
Amounts due to subsidiary companies		
- trade	(13,107)	(10,987)
- non-trade	(6,994)	(3,050)
	<u>(20,101)</u>	<u>(14,037)</u>

The balances with subsidiary companies are unsecured and interest free except for balances with three subsidiary companies, whose outstanding balances bear interest at rates ranging from 2% to 3.75% (2001 : 5% to 7.25%) per annum. All balances have no fixed repayment terms.

**22. Bank term loans**

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Repayable within 12 months :				
Unsecured loan	2,800	3,554	–	754
Repayable after 12 months :				
Secured loan	677	884	–	–
	<u>3,477</u>	<u>4,438</u>	<u>–</u>	<u>754</u>

The unsecured term loans of certain subsidiary companies are covered by corporate guarantees given by the Company and minority shareholders. Interest is charged at rates ranging from 2.81% to 3.97% (2001 : 3.83% to 4.45%) per annum.

The term loan of a subsidiary company is secured by a legal mortgage executed in favour of a bank on the subsidiary's properties in Melbourne and Sydney. Interest is charged at 7.23% (2001 : 6% to 7%) per annum.

**23. Other creditors**

Deposits received	800	1,188	193	454
Purchase of properties, plant and equipment	60	59	–	–
Amount due to a minority shareholder of a subsidiary company	367	367	367	367
Amount owing to directors	89	143	–	–
Others	740	1,289	69	593
	<u>2,056</u>	<u>3,046</u>	<u>629</u>	<u>1,414</u>

**24. Share capital**

	Company	
	2002	2001
	\$'000	\$'000
Authorised :		
200,000,000 ordinary shares of \$0.25 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
108,702,023 ordinary shares of \$0.25 each	<u>27,175</u>	<u>27,175</u>

**25. Reserves**

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Share premiums	29,491	29,491	29,491	29,491
Revenue reserve	57,362	49,425	31,878	27,108
Foreign currency translation reserve	4,521	3,149	–	(68)
Capital reserve	261	261	161	161
	<u>91,635</u>	<u>82,326</u>	<u>61,530</u>	<u>56,692</u>
Total reserves	91,635	82,326	61,530	56,692
Made up of :				
Distributable reserves	61,883	52,574	31,878	27,040
Non-distributable reserves	29,752	29,752	29,652	29,652
	<u>91,635</u>	<u>82,326</u>	<u>61,530</u>	<u>56,692</u>

**26. Employee benefits**

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Number of employees at 31 March	231	236	120	126
	<u>231</u>	<u>236</u>	<u>120</u>	<u>126</u>
	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Salaries and employees benefits (including executive directors) :				
- salaries, bonuses and other costs	13,715	15,289	7,244	9,076
- state provident fund	1,251	1,201	914	900
	<u>14,966</u>	<u>16,490</u>	<u>8,158</u>	<u>9,976</u>

On 28 September 2000, a new share option scheme, The Hour Glass Share Option Scheme 2000 ("Scheme") was adopted to succeed The Hour Glass Employees' Share Option Scheme ("ESOS") which came to the end of its 10 years operating duration in April 2000.

The Scheme grants non-transferable options to selected employees.

Under the Scheme:

- (i) Options that are granted to participants who are employees of the Company or its subsidiary companies will have a validity period of 10 years from the date of grant. Options that are granted to participants who are non-executive directors will have a validity period of 5 years from the date of grant.
- (ii) Subject to the rules of the Scheme, an option shall immediately lapse upon the participant ceasing to be employed by, or as the case may be, ceasing to be a non-executive director of, the Company or its subsidiaries for whatever reason.

## 26. Employee benefits (cont'd)

(iii) Options may be granted under the Scheme at any time while it is in force. Upon acceptance of the grant of an option, the grantee must pay to the Company a consideration of \$1.00 for the grant. Options may be granted with exercise prices that are set:

- at the market price of the shares at the time of grant;
- at the market price of the shares at the time of grant, but which may be adjusted (at the end of an incentive period) by a discount of up to 20% of the market price; or
- at a discount (up-front) to the market price of the shares at the time of grant, not exceeding 20% of that market price.

(iv) An option in respect of which the exercise price is set at the market price of the shares at the time of grant may not be exercised before the 1<sup>st</sup> anniversary of its date of grant. An option in respect of which the exercise price incorporates a discount feature (whether up-front or deferred discount) may not be exercised before the 2<sup>nd</sup> anniversary of its date of grant. Options that are granted may also be subject to vesting schedules.

(v) The participant may exercise the option by notice in writing accompanied by a remittance for the aggregate exercise price (subject to adjustments as provided under the Scheme).

(vi) Participants of the Scheme are not restricted from participating in other share option or share incentive schemes, whether implemented by the Company or its subsidiary companies or otherwise.

The Scheme is administered by the Remuneration Committee.

No employee has received 5% or more of the total number of options available under the Scheme.

No options have been granted to controlling shareholders. Participation by a person who is otherwise eligible but is an associate of a controlling shareholder requires approval by independent shareholders in a general meeting.

No options have been granted under the Scheme since its adoption on 28 September 2000 to the end of the financial year under review.

Information with respect to the number of options granted under the ESOS is as follows :

	Group	
	2002	2001
Outstanding at 1 April	1,590,250	1,959,250
Cancelled	(337,250)	(369,000)
	1,253,000	1,590,250
Outstanding at 31 March	1,253,000	1,590,250
Exercisable at 31 March	1,253,000	1,590,250

No share options were granted or exercised during the financial year.

## 26. Employee benefits (cont'd)

Terms of share options outstanding under the ESOS as at 31 March 2002 :

Exercise period	Exercise price	Number outstanding	Number exercisable
06.08.1998 - 05.08.2002	1.36	204,000	204,000
23.01.1999 - 22.01.2003	0.45	96,000	96,000
15.01.2000 - 14.01.2004	0.38	180,000	180,000
19.07.2000 - 18.07.2004	0.80	262,000	262,000
24.01.2001 - 23.01.2005	0.52	511,000	511,000
		1,253,000	1,253,000

## 27. Operating leases

The Group leases certain properties and equipment under lease agreements that are non-cancellable within the lease period. The leases expire at various dates and contain provisions for rental adjustments. Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows :

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Within 1 year	3,454	3,480	2,161	2,528
Within 2 to 5 years	1,155	3,765	720	2,697
	4,609	7,245	2,881	5,225

## 28. Segment information

### Primary reporting format - business segment

The Group comprises of only one business segment which is the retailing and distribution of watches and jewellery. All relevant information regarding the business segment has been disclosed elsewhere in the financial statements.

## 28. Segment information (cont'd)

### Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the year ended 31 March 2002 and 2001 and certain asset information regarding geographical segments as at 31 March 2002 and 2001. Turnover is based on the country of incorporation. Capital expenditure is based on the location of those assets. Inter-segment pricing is on an arm's length basis.

2002	South East Asia and Australia	North East Asia	Total	Corporate and other eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue :					
Sales to external customers	216,549	34,761	251,310	–	251,310
Intersegment sales	2,763	215	2,978	(2,978)	–
Total revenue	219,312	34,976	254,288	(2,978)	251,310
Other geographical information :					
Segment assets	192,605	31,639	224,244	(68,363)	155,881
Assets of subsidiary companies whose operations were discontinued					132
					156,013
Capital expenditure for the year	3,014	401	3,415	–	3,415
Capital expenditure of subsidiary companies whose operations were discontinued					–
					3,415

## 28. Segment information (cont'd)

2001	South East Asia and Australia	North East Asia	Total	Corporate and other eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue :					
Sales to external customers	219,939	37,257	257,196	–	257,196
Intersegment sales	1,417	74	1,491	(1,491)	–
Total revenue	221,356	37,331	258,687	(1,491)	257,196
Other geographical information :					
Segment assets	179,824	36,326	216,150	(63,301)	152,849
Assets of subsidiary companies whose operations were discontinued					91
					152,940
Capital expenditure for the year	2,375	11	2,386	–	2,386
Capital expenditure of subsidiary companies whose operations were discontinued					305
					2,691

## 29. Contingent liabilities

- (a) The Company has unsecured contingent liabilities in respect of guarantees given to banks, totalling \$3,671,967 (2001 : \$2,980,000) to cover banking facilities granted to subsidiary companies.
- (b) In the ordinary course of its business, the Company, as the holding company, has given undertakings to continue to provide financial support to certain subsidiary companies.

### 30. Capital commitments

The Group has the following commitments for capital expenditure which have not been provided for in the financial statement :

	Group	
	2002 \$'000	2001 \$'000
Authorised but not contracted for	532	–

### 31. Forward contracts

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At 31 March the Group and the Company has forward contracts as follows :				
To purchase foreign currencies	100	523	100	523

### 32. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cashflow statement comprise the following balance sheet amounts :

	Group	
	2002 \$'000	2001 \$'000
Cash and bank balances	8,767	16,629
Fixed deposits with banks	895	317
Bank overdrafts	–	(37)
	9,662	16,909

### 33. Remuneration of Directors of the Company

The number of Directors within each band of remuneration were as follows :

	2002	2001
\$500,000 and above	2	2
\$250,000 to below \$500,000	–	–
Below \$250,000	5	5
	7	7

### 34. Financial risk management objectives and policies

The Group is exposed to price risk, including primarily changes in interest rates and currency exchange rates, and adopts measures to manage such risks. Financial risk management policies are periodically reviewed and approved by the Board of Directors.

#### *Interest rate risk*

The Group is exposed to market risks on changes in interest rates in respect of the Group's bank borrowings.

Cash surpluses arising from operations, which are not redeployed as working capital, are placed with reputable banks.

Information relating to the Group's interest rate exposure is disclosed in note 22.

#### *Foreign currency risk*

The Group has transactional currency exposures, which arise from the sales or purchases of the Company and its subsidiary companies in those currencies other than their functional currencies. Besides, the Group is also exposed to translational risks arising from its foreign currency denominated assets and liabilities. The principal currency which the Group has exposure to is the Swiss Francs.

The Group uses foreign currency forward contracts to manage its foreign currency risks.

#### *Liquidity risk*

The Group's exposure to liquidity risk is minimal. As at 31 March 2002, the Group has available cash and cash equivalents totalling to approximately \$9.7 million (31 March 2001 : \$16.9 million) to finance its operations.

The cash and cash equivalents are expected to be sufficient to meet the funding requirements of Group operations. Shortfall, if any, may be obtained through bank borrowings.



### 34. Financial risk management objectives and policies (cont'd)

#### **Credit risk**

The Company and the Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of 31 March 2002 in relation of each class of recognised financial assets is the carrying amount of these assets as indicated in the balance sheet.

It is the Group's policy to transact with credit worthy counter-parties. In addition, the granting of material credit limits to counterparties is reviewed and approved by senior management. Surplus funds are placed with reputable financial institutions.

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the group of counter-parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As the Group transact with a diversity of counterparties in different countries, the Group does not have any significant exposure to any individual customer.

#### **Fair values**

The aggregate net fair values of financial assets and financial liabilities of the Group, which are not carried at fair value in the balance sheet, are presented in the following table as of 31 March.

	Total carrying amount		Aggregate net fair value	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Financial assets</b>				
Quoted equity shares	23	87	18	21
<b>Financial liabilities</b>				
Long term bank term loan	677	884	677	884

The carrying values of the club memberships held as long term investments are stated at cost, net of amortisation. The fair values of these investments are expected to approximate their carrying values.

The carrying amounts of trade and other debtors, cash and bank balances, fixed deposits, short term bank term loans, trade and other creditors approximate their fair values due to their short term nature.

### 35. Subsequent events

- (i) On 3 May 2002, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 24.5% to 22%. The provisions for current and deferred tax on these financial statements have not been adjusted to reflect the change in the tax rate. Had they been adjusted, the provision for current tax for the Group and the Company would be reduced by approximately \$86,000 and \$172,000 respectively and the provision for deferred tax for the Group and the Company would be reduced by approximately \$19,000 and \$25,000 respectively.
- (ii) On 20 June 2002, the Company's subsidiary company, Multiple Properties Pte Ltd, was placed under members' voluntary liquidation.

### 36. Comparative figures

Certain comparative financial figures have been adjusted in order to provide proper comparison with current year's presentation. Where applicable, the comparatives have been extended to take into account the requirements of the new or revised Statements of Accounting Standard.

## STATISTICS ON SHAREHOLDINGS AS AT 10 JULY 2002

Authorised Share Capital :	S\$50,000,000
Issued Share Capital :	S\$27,175,505.75
Class of Shares :	Ordinary shares of \$0.25 each with equal voting rights

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of		No. of	
	Shareholders	%	Shares	%
1 - 999	177	6.69	73,649	0.07
1,000 - 10,000	2,126	80.32	8,074,304	7.43
10,001 - 1,000,000	336	12.69	16,676,959	15.34
1,000,001 and above	8	0.30	83,877,111	77.16
<b>Total</b>	<b>2,647</b>	<b>100.00</b>	<b>108,702,023</b>	<b>100.00</b>

### PUBLIC FLOAT

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public. The Company has complied with this requirement. As at 10 July 2002, approximately 41% of its Shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

### SUBSTANTIAL SHAREHOLDERS

(AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name	No. of Shares	
	Direct	Deemed
TYC Investment Pte Ltd	44,031,562	-
Key Hope Investment Limited	7,000,000	-
Swanson Pte Ltd	5,470,500	-
Dr Henry Tay Yun Chwan	5,140,625	56,502,062
Mdm Chan Siew Lee	1,170,750	56,502,062

Dr Henry Tay Yun Chwan's and Mdm Chan Siew Lee's deemed interests arise from their interest in TYC Investment Pte Ltd, Key Hope Investment Limited and Swanson Pte Ltd.

## TWENTY LARGEST SHAREHOLDERS AS AT 10 JULY 2002

No.	Name	No. of Shares	%
1.	United Overseas Bank Nominees Pte Ltd	24,214,750	22.28
2.	TYC Investment Pte Ltd	24,031,562	22.11
3.	DBS Nominees Pte Ltd	22,048,800	20.28
4.	Oversea-Chinese Bank Nominees Pte Ltd	3,941,000	3.63
5.	DBS Vickers Securities (S) Pte Ltd	3,315,499	3.05
6.	Swanson Pte Ltd	2,470,500	2.27
7.	Key Hope Investment Limited	2,000,000	1.84
8.	Boon Suan Lee	1,855,000	1.71
9.	UOB Kay Hian Pte Ltd	888,000	0.82
10.	Citibank Nominees Pte Ltd	851,000	0.78
11.	Raffles Nominees Pte Ltd	575,500	0.53
12.	G K Goh Stockbrokers Pte Ltd	515,000	0.47
13.	Tan Kah Boh Robert	500,000	0.46
14.	Tay Yun Chwan Henry	459,375	0.42
15.	Phillip Securities Pte Ltd	371,812	0.34
16.	Chan Swee Kheng Kenny	327,750	0.30
17.	Singapore Fruits Importers & Exporters Exchange Pte Ltd	300,000	0.28
18.	Chew Cheng	250,000	0.23
19.	Ong Joon Koon	250,000	0.23
20.	Goh Geok Ling	232,000	0.21
	<b>Total</b>	<b>89,397,548</b>	<b>82.24</b>

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of the Company will be held at Sir Stamford 1, Mezzanine Level, Grand Hyatt Singapore, 10-12 Scotts Road, Singapore 228211, on Friday, 30 August 2002 at 2.00pm for the following purposes:

### AS ORDINARY BUSINESS

1. To receive the Directors' Report, Auditors' Report and Financial Statements for the year ended 31 March 2002.
2. To approve the payment of a First and Final Dividend of 5% per share less 22% Singapore Income Tax, for the year ended 31 March 2002.
3. To re-elect Dr Henry Tay Yun Chwan, a Director retiring by rotation under Article 99 of the Company's Articles of Association.
4. To consider and, if thought fit, to pass the following resolution :  
  
"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Owen Phillimore Howell-Price be and is hereby re-appointed a Director of the Company, to hold office until the date of the next Annual General Meeting."  
  
*Mr Owen Phillimore Howell-Price, a member of the Company's Audit Committee, is an independent Director of the Company.*
5. To approve Directors' fees for non-executive Directors of \$140,000. (2001: \$160,000)
6. To appoint Auditors and to authorise the Directors to fix their remuneration.
7. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company (calculated as hereafter provided), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company (calculated as hereafter provided);
- (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, notwithstanding the provisions of Article 48(2) of the Articles of Association of the Company, the percentage of issued share capital shall be calculated based on the maximum potential issued share capital of the Company at the time of the passing of this Resolution (taking into account the conversion or exercise of any convertible securities and share options that have been issued or granted under any previous shareholder approval and which are outstanding at the time of the passing of this Resolution), adjusted for any subsequent consolidation or subdivision of shares; and
- (iii) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

9. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"That approval be and is hereby given to the Directors to issue such shares as may be required to be issued pursuant to the exercise of options under The Hour Glass Employees' Share Option Scheme (the "ESOS") provided always that the aggregate number of shares to be issued pursuant to the ESOS does not exceed 5% of the issued share capital of the Company for the time being."

**PROXY FORM  
ANNUAL GENERAL MEETING**

**THE HOUR GLASS LIMITED**  
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

**IMPORTANT:**

- For investors who have used their CPF monies to buy THE HOUR GLASS LIMITED shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ ( Name )

of \_\_\_\_\_ ( Address )  
being a member/members of **THE HOUR GLASS LIMITED** hereby appoint:

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS [%]

and/or (delete as appropriate)

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS [%]

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30 August 2002, and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO.	RESOLUTIONS	TO BE USED ON A SHOW OF HANDS		TO BE USED IN THE EVENT OF A POLL	
		FOR*	AGAINST*	NUMBER OF VOTES FOR**	NUMBER OF VOTES AGAINST**
	<b>ORDINARY BUSINESS:</b>				
1.	Adoption of Reports and Financial Statements				
2.	Declaration of Dividend				
3.	Re-election of Dr Henry Tay Yun Chwan				
4.	Re-appointment of Mr Owen Phillimore Howell-Price				
5.	Approval of Directors' Fees for non-executive Directors				
6.	Appointment of Auditors				
7.	Any other ordinary business				
	<b>SPECIAL BUSINESS:</b>				
8.	Approval of general share issue mandate				
9.	Authority to issue shares under The Hour Glass Employees' Share Option Scheme				
10.	Authority to issue shares under The Hour Glass Share Option Scheme 2000				

\* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.

\*\* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2002.

\_\_\_\_\_  
SIGNATURE(S) OF MEMBER(S) / COMMON SEAL

TOTAL NO. OF SHARES HELD	
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**IMPORTANT : PLEASE READ NOTES OVERLEAF**

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"That approval be and is hereby given to the Directors to grant options and to issue such shares as may be required to be issued pursuant to the exercise of options under The Hour Glass Share Option Scheme 2000 (the "Scheme") provided always that the aggregate number of shares to be issued pursuant to the Scheme does not exceed 15% of the issued share capital of the Company for the time being."

**BY ORDER OF THE BOARD**

**Christine Chan**  
**Company Secretary**  
**7 August 2002**

**Notes:**

- A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- The instrument appointing a proxy must be lodged at the registered office of the Company at 302 Orchard Road #11-01, Tong Building, Singapore 238862 not less than 48 hours before the time fixed for the Annual General Meeting.

**Additional information on items of special business**

**Item 8** This Ordinary Resolution is to empower the Directors to issue shares, from the date of this Annual General Meeting up to the date of the next Annual General Meeting, not exceeding in total 50% of the issued share capital of the Company, of which not more than 20% may be issued other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the Company's maximum potential issued share capital at the time that this Resolution is passed (taking into account the conversion or exercise of any convertible securities and share options that have been issued or granted under any previous shareholder approval and which are outstanding at the time that this Resolution is passed), adjusted for any subsequent consolidation or subdivision of shares.

**Item 9** This Ordinary Resolution is to empower the Directors to issue shares on the exercise of options granted under The Hour Glass Employees' Share Option Scheme. This scheme came to an end in April 2000. However, options that were granted prior to its cessation continue to be exercisable in accordance with the terms of the scheme. The scheme was limited to 5% of the issued share capital of the Company.

**Item 10** This Ordinary Resolution is to empower the Directors to grant options and to issue shares on the exercise of options granted under The Hour Glass Share Option Scheme 2000. This scheme, which was approved by shareholders at an Extraordinary General Meeting of the Company held on 28 September 2000, is limited to 15% of the issued share capital of the Company.

Fold Flip

3rd Fold

Affix  
Postage  
Stamp

**THE HOUR GLASS LIMITED**

302 Orchard Road  
#11-01 Tong Building  
Singapore 238862

2nd Fold

1st Fold

**Notes:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares entered against his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 302 Orchard Road #11-01, Tong Building, Singapore 238862 not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.