



## 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.

## 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 Michael Kwee Chong-Kok

Mr Owen Phillimore Howell-Price

Mr Sydney Michael Hwang

Mr Robert Tan Kah Boh

### COMPANY SECRETARY

Ms Christine Chan Meng Yook

### REGISTERED OFFICE

302 Orchard Road

#11-01 Tong Building

Singapore 238862

Tel 787 2288

### REGISTRAR

Lim Associates (Pte) Ltd

10 Collyer Quay

#19-08 Ocean Building

Singapore 049315

Tel 536 5355

### AUDIT COMMITTEE

#### CHAIRMAN

Mr Robert Tan Kah Boh

Mr Owen Phillimore Howell-Price

Dr Henry Tay Yun Chwan

Mr Timothy Chia Chee Ming

### AUDITORS

ERNST & YOUNG

Mr Gerard Ee, Audit Partner

### PRINCIPAL BANKERS

The Development Bank of Singapore Ltd

The Hongkong & Shanghai Banking Corporation Ltd

Keppel Tat Lee Bank Ltd

### SOLICITORS

Allen & Gledhill

Helen Yeo & Partners



## Board of Directors

Top Row Down:

Dr Jannie Tay • Dr Henry Tay Yun Chwan • Mr Timothy Chia Chee Ming  
• Mr Owen Phillimore Howell-Price  
• Mr Sydney Michael Hwang • Mr Robert Tan Kah Boh • Mr Michael Kwee Chong-Kok



## FINANCIAL HIGHLIGHTS

	THE HOUR GLASS GROUP	
	2001 S\$'000	2000 S\$'000
1 Turnover	<b>257,196</b>	<b>274,920</b>
2 (a) Profit From Continuing Operations After Taxation	9,205	7,752
(b) Net Gain (Loss) From Discontinued Operations	7,636	(15,110)
	<b>16,841</b>	<b>(7,358)</b>
3 Earnings/(Loss) Per Share	<b>15.11cts</b>	<b>(7.11)cts</b>
4 Net Tangible Asset Backing Per Share	<b>98.57cts</b>	<b>83.26cts</b>
5 Bank Term Loans	<b>(4,438)</b>	<b>(29,003)</b>
6 Cash At Bank	<b>16,909</b>	<b>13,839</b>

## Chairman's Statement

### *Dear Shareholders,*

I am pleased to report that for the financial year ended 31st March 2001, the Group had staged a robust turnaround with a net profit after tax of \$16.8 million compared to a net loss of \$7.4 million the previous year. Group pretax profit was \$20 million compared to the previous year's loss of \$4 million before tax. This included exceptional gains totalling \$7.4 million from the strategic divestment of the Swiss manufacturing operations to Bvlgari.

At the Group level, operating profit for the year was \$12.4 million (excluding the gain on disposal of the Swiss manufacturing operations), while that for the previous year was \$12 million on a comparable basis, ie. after excluding the losses from the discontinued operations, before other exceptional items. This was achieved despite a slight decrease in Group turnover from \$275 million to \$257 million. The improvement in profitability was principally attributed to better trading margins, which was moderated by higher payroll costs.

This is an encouraging performance, as the trading environment has not been easy, particularly in the second half of the financial year where retail sentiment was affected by regional political uncertainties and a slow down in global economies.

Based on the existing share capital, earnings per share improved from a loss of 7.11 cents to a profit of 15.11 cents – a turnaround of 22.22 cents per share.

Net tangible asset per share is 98.57 cents, up 18.4% from 83.26 cents previously.

Now that the Group has returned to profitability and is in a solid financial position, the Company would like to reward shareholders for their support over recent years. As such, your Directors have proposed a first and final dividend of 5% per share less tax, and a bonus dividend of 5% per share less tax.

## Review of Operations

### South East Asia/Australia

In line with the slowdown in regional economies, Group turnover for the Watch division in Singapore and Australia were slightly lower than the previous year, but better trading margins were achieved. However, The Hour Glass Malaysia grew its turnover by 46%, benefitting from a full year's operation of its second boutique at KLCC. The Hour Glass Thailand also saw tremendous growth, boosted by consumer spending following the reduction in the import duty on watches from 30% to 5%.

Overall, the drop in operating profit of \$1.2 million for South East Asia/Australia can be attributed to The Hour Glass Singapore which saw higher payroll costs arising from salary and bonus revisions, CPF adjustments, head count increases and investments in staff training. These measures were undertaken to strengthen the Corporate office management and support team and to further enhance the quality of retail services. Courses attended by the staff include SQC teambuilding, the Service Excellence, the Friedman Productivity and the People Developer programmes.

Mondial Jewellers, a premier jeweller in Singapore, enjoyed another year of growth in profitability. Despite the slight dip in turnover, creative merchandising, event marketing and international distribution activities resulted in higher operating profit of \$1.3 million compared with \$1.0 million in the previous year.

### North East Asia

The distribution activities in Hong Kong and Tokyo undertaken by The Hour Glass Hong Kong and The Hour Glass Japan, saw their combined turnover improve by a robust 59%, albeit from a modest base of \$5.1 million. The Hong Kong subsidiary recorded a small operating profit of \$0.3 million while the Japanese subsidiary incurred a marginal loss due to provisions made for foreign exchange losses resulting from the weakening of the yen.

*Opposite from top to bottom: Jaeger-LeCoultre Reverso Sun Moon • Harry Winston Swing Second • Ulysse Nardin GMT Perpetual • Gerald Genta Retro Sports • Patek Philippe Annual Calendar • Daniel Roth Premier • Chopard Ice Cube • Hublot Power Reserve • Cartier Tortue*





The Group's retail activity in Hong Kong, trading under the name of Swiss Union, also reported a drop in turnover in tandem with the softening of consumer sentiment in the region. However, with a concerted focus on its merchandise mix, it was able to realise a higher operating profit for the year of \$1.6 million, up from \$1.3 million last year.

The markets in North East Asia present potential opportunities for the Group to grow. Hence in the coming year, Management would be carefully assessing these opportunities.

### Prospects for the Coming Year

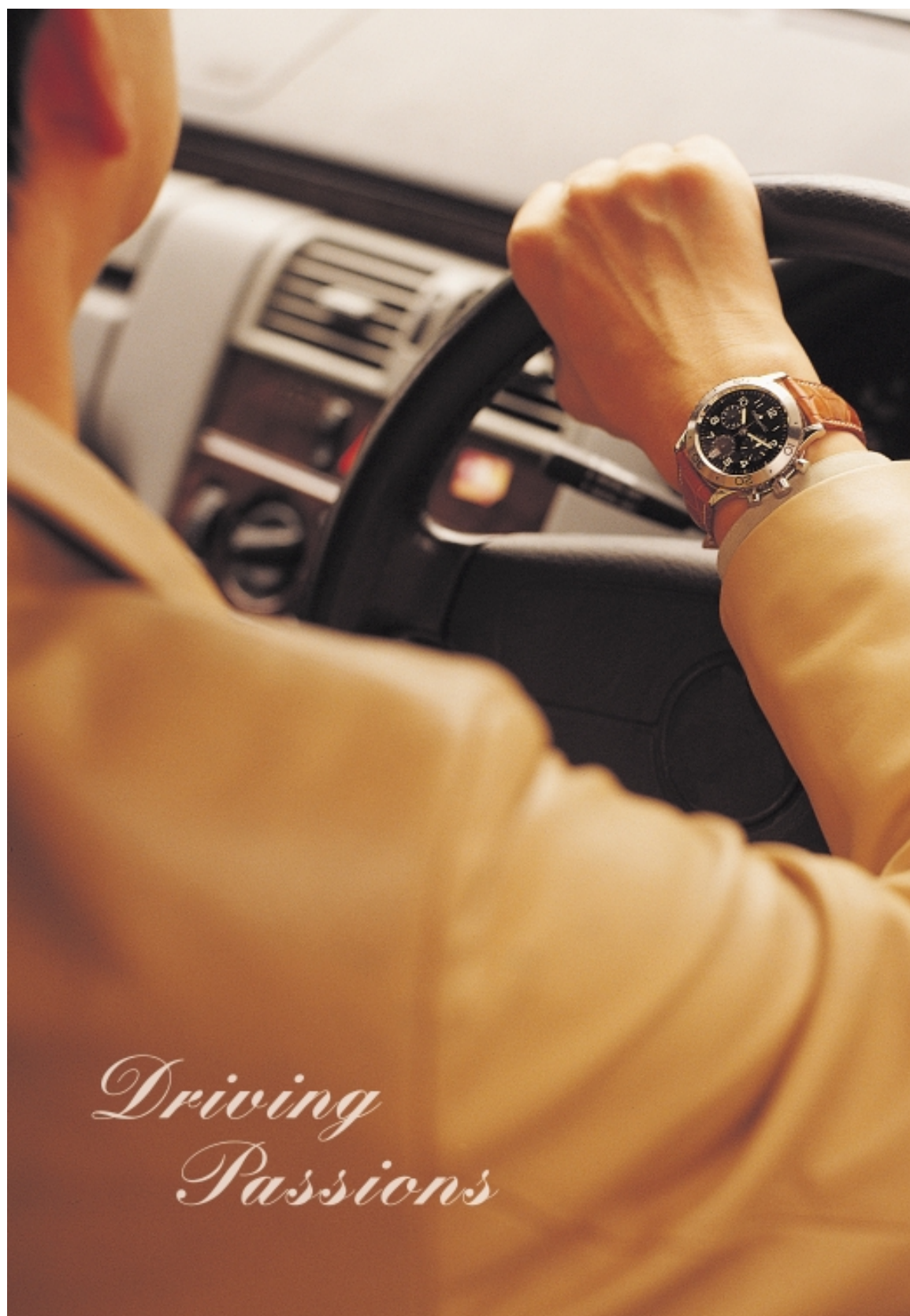
In the current financial year, the Group has embarked on a program of divesting its non-core property holdings beginning with the sale of 57 Boat Quay. This sale will bring in a profit of \$1 million in the financial year ending 31 March 2002.

With the expected proceeds of almost \$4 million from the sale of the above property and available cash of \$16 million, the Group shall have at its disposal \$20 million with minimal gearing. Given this solid financial position and strengthened management resources, the Group is well placed to capitalize on opportunities available that arise amidst a background of continuing slowdown in the global economy, and economic and political uncertainties in the region.

Meanwhile, several initiatives are underway to strengthen the Group's operations. These include rolling out its line of contemporary classic concept stores, successfully introduced in its flagship boutique at Takashimaya Shopping Centre in Singapore, to the rest of the boutiques in the retail group, and through the strengthening of its brand and merchandise selection. The Friedman programme and other human resource training initiatives would also be introduced to our retail teams overseas. In addition, \$2.4 million is being earmarked for the implementation of the Movex Enterprise Resource Planning I.T. System which will introduce group wide integration of processes and information flow.

Thus while trading conditions are expected to remain difficult and intense, and may invariably result in the erosion of trading margins, our Company is in a strong position to face these challenges and operate profitably.





*Driving  
Passions*

## Acknowledgement

Board Director, Mr Michael Kwee has decided not to offer himself for re-election this year, and Mr Michael Hwang will be stepping down from the Board with effect from the conclusion of the upcoming Annual General Meeting.

I wish to record my appreciation to both Mr Kwee and Mr Hwang for their wise counsel and fellowship during their years on the Board. My sincere thanks also go to my fellow Board members for their guidance during the year.

Our successful turnaround would not have been possible without the dedicated and industrious efforts of our Management and staff, the support of our business associates and brand partners and the loyalty of our customers.

With our thanks, we will also pledge our commitment to continue to strive and improve our service to all our business partners and customers in the coming years.



**Henry Tay Yun Chwan**

Executive Chairman

3 July 2001

*Opposite inset: An important pair of South Sea pearl and diamond earrings. White South Sea pearl and Tahitian South Sea pearl measuring 18mm each. From Mondial Jewellers.*

*Quiet  
Pleasures*



## **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 2001.

### 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, watch manufacturing, and investment in properties. The Group ceased to engage in watch manufacturing activities after the disposal of its watch manufacturing subsidiary companies during the year.

There have been no significant changes in the nature of these activities during the year, except for the disposal of the watch manufacturing subsidiary companies.

### RESULTS FOR THE FINANCIAL YEAR

	Group	Company
	\$'000	\$'000
Net profit for the year	16,423	2,393
Dividends, less tax	(2,052)	(2,052)
Retained profit	14,371	341

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 watch manufacturing subsidiary companies.

### DIVIDENDS

During the financial year, a first and final dividend of 1%, less tax of 25.5% amounting to \$203,000 was paid by the Company in respect of the previous year as proposed in the Report of the Directors of that year.

The Directors are recommending a first and final dividend of 5%, less tax of 24.5% amounting to \$1,026,000 in respect of the financial year under review. In addition, the Directors also propose a bonus dividend of 5%, less tax of 24.5% amounting to \$1,026,000 be paid for the financial year under review.



**MATERIAL MOVEMENTS IN RESERVES AND PROVISION**

The following net transfers have been made to/(from) reserves :

Revenue reserve		
- Foreign currency translation adjustment realised	(746)	(746)
Foreign currency translation reserve		
- Foreign currency translation adjustment realised	2,163	2,452
- Unrealised foreign currency translation adjustment for the year	(1,094)	-

Apart from these movements, there have been no 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, slow-moving stocks 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 Michael Kwee Chong-Kok  
 Mr Owen Phillimore Howell-Price  
 Mr Sydney Michael Hwang  
 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
Ordinary shares of \$0.25 each				
Henry Tay Yun Chwan	4,972,625	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	—	—
Michael Kwee Chong-Kok	—	—	46,875	46,875
Owen Phillimore Howell-Price	100,000	100,000	—	—
Sydney Michael Hwang	40,000	40,000	30,000	30,000

There was no change in any of the abovementioned Directors' interests between the end of the financial year and 21 April 2001.

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, Mr Timothy Chia Chee Ming, an independent director and Dr Henry Tay Yun Chwan, an executive director.

The Audit Committee held three meetings during the 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 :

- (a) the audit plan of the external auditors, including the nature and scope of the audit before the audit commences;
- (b) audit report submitted by external auditors;
- (c) the evaluation of the Group's system of internal accounting controls;
- (d) the Group's financial and operating results;
- (e) 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;
- (f) the scope and results of internal audit procedures; and
- (g) 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.

## 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 Chuan  
Mdm Chan Siew Lee  
Mr Timothy Chia Chee Ming
- (d) During the year, 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 subsidiaries (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 subsidiaries 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 subsidiaries or otherwise.
- (f) The Scheme is administered by a committee of Directors comprising:
- Mr Robert Tan Kah Boh  
 Mr Owen Phillimore Howell-Price  
 Dr Henry Tay Yun Chwan  
 Mdm Chan Siew Lee

- (g) At the end of the financial year, unissued ordinary shares of the Company under options granted pursuant to the ESOS were:

	Date granted	Option period (both dates inclusive)	Option Exercise price per share \$	Balance 1.4.2000	Options granted and accepted/ (cancelled)	Options exercised	Balance 31.3.2001
(i)	14.7.1995	14.7.1996 - 13.7.2000	1.26	57,500	(57,500)	–	–
(ii)	16.2.1996	16.2.1997 - 15.2.2001	1.49	184,000	(184,000)	–	–
(iii)	12.7.1996	12.7.1997 - 11.7.2001	1.25	159,750	(7,000)	–	152,750
(iv)	17.1.1997	17.1.1998 - 16.1.2002	1.04	200,000	(15,500)	–	184,500
(v)	6.8.1997	6.8.1998 - 5.8.2002	1.36	220,000	(16,000)	–	204,000
(vi)	23.1.1998	23.1.1999 - 22.1.2003	0.45	96,000	–	–	96,000
(vii)	15.1.1999	15.1.2000 - 14.1.2004	0.38	198,000	(18,000)	–	180,000
(viii)	19.7.1999	19.7.2000 - 18.7.2004	0.80	292,000	(30,000)	–	262,000
(ix)	24.1.2000	24.1.2001 - 23.1.2005	0.52	552,000	(41,000)	–	511,000
				1,959,250	(369,000)	–	1,590,250

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

### Disposal

During the financial year, the Company disposed the following subsidiary companies for a consideration of \$41,900,000 (CHF 40 million) :

Name of subsidiary	Interest disposed %	Net tangible assets \$
Daniel Roth S.A.	100	4,168
Gerald Genta S.A.	100	13,475
MHH Manufacture de Haute Horlogerie S.A.	100	1,935

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

### Liquidation

During the financial year, the following subsidiary companies were put into member's voluntary liquidation:

- (a) R.S. Hour Pte Ltd
- (b) Creative Retailing Pte Ltd
- (c) Hour Glass Fragrances Pte Ltd
- (d) Les Arts & Antiques Pte Ltd
- (e) Watch Gallery Pte Ltd
- (f) Mondial Pte Ltd
- (g) Transland Realty Pte Ltd
- (h) Time Expert Limited (formerly known as Gerald Genta (HK) Ltd)

### Acquisition

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

## 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 :-

- (a) 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
- (b) 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 :-

- (a) any amount written off or provided for bad debts and doubtful debts in the Group inadequate to any substantial extent; and
- (b) 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 2001 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' 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

3 July 2001



## 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 2001, the results 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  
3 July 2001

## 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 27 to 57. The financial statements comprise the balance sheets of the Company and of the Group as at 31 March 2001, 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 2001, 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 2001, 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

3 July 2001

## PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2001

(In Singapore dollars)

	Note	Group 2001 \$'000	Group 2000 \$'000	Company 2001 \$'000	Company 2000 \$'000
<b>Revenue</b>	3	257,196	274,920	141,342	150,653
<b>Costs and expenses</b>					
Costs of goods sold		210,891	232,162	120,947	130,576
Salaries and employees benefits		16,490	13,623	9,976	7,654
Depreciation of investment properties and property, plant and equipment		2,214	2,532	1,178	1,456
Lease rental		4,661	4,425	2,763	2,372
Other operating expenses		11,046	10,242	3,888	4,105
<b>Total costs and expenses</b>		245,302	262,984	138,752	146,163
<b>Operating profit</b>	4	11,894	11,936	2,590	4,490
Exceptional items	5	–	(878)	59	(878)
Investment and interest income	6	1,314	1,007	1,277	973
Interest expense	7	(754)	(950)	(624)	(778)
<b>Profit from continuing operations before taxation and minority interests</b>		12,454	11,115	3,302	3,807
Taxation	8	(3,249)	(3,363)	(1,094)	(1,109)
<b>Profit from continuing operations after taxation</b>		9,205	7,752	2,208	2,698
Minority interests, net of taxation		(418)	(374)	–	–
<b>Net profit from continuing operations</b>		8,787	7,378	2,208	2,698
<b>Discontinued operations, net of taxation</b>					
Net loss from discontinued operations	9	(804)	(14,865)	–	–
Net gain on disposal of investment in subsidiary companies		7,390	–	185	–
Write-back of/(provision for) closure cost of a subsidiary company		1,050	(1,678)	–	–
Waiver of loan by minority shareholders of a subsidiary company		–	2,633	–	–
Provision for diminution in value of investments and advances to European and USA subsidiary companies		–	–	–	(24,772)
Write-off of interest charged in prior years to a subsidiary company		–	–	–	(531)
Provision for management fees		–	(1,200)	–	(1,200)
Net gain/(loss) from discontinued operations		7,636	(15,110)	185	(26,503)
<b>Net profit/(loss) for the year</b>		16,423	(7,732)	2,393	(23,805)
Basic earnings/(loss) per share (cents)	11	15.11	(7.11)		
Diluted earnings/(loss) per share (cents)	11	15.11	(7.11)		

The accounting policies and explanatory notes on pages 32 to 57 form an integral part of the financial statements.

## BALANCE SHEETS AS AT 31 MARCH 2001

(In Singapore dollars)

	Note	Group		Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	12	23,895	29,321	12,461	12,222
Investment properties	13	5,476	5,896	999	1,025
Goodwill on consolidation	14	297	2,246	–	–
Subsidiary companies	15	–	–	20,603	46,637
Other investments	16	317	332	308	323
Long term receivable	17	6,537	–	6,537	–
		36,522	37,795	40,908	60,207
<b>Current assets</b>					
Stocks	18	87,975	101,971	39,785	35,563
Trade debtors	19	6,553	8,575	698	473
Other debtors	20	4,944	5,578	3,120	2,639
Amount due from subsidiary companies	21	–	–	26,279	20,212
Fixed deposits		317	712	265	310
Cash and bank balances		16,629	13,892	4,599	1,831
		116,418	130,728	74,746	61,028
<b>Less : Current liabilities</b>					
Bills payable	22	–	1,388	–	–
Bank overdrafts	22	37	765	–	–
Bank term loans	23	3,554	27,140	754	15,669
Trade creditors		27,802	31,514	13,197	11,332
Other creditors	24	3,046	4,294	1,414	1,135
Amounts due to subsidiary companies	21	–	–	14,037	10,395
Provision for taxation		4,362	4,969	2,385	2,733
Proposed dividend, net		2,052	203	2,052	203
		40,853	70,273	33,839	41,467
<b>Net current assets</b>		75,565	60,455	40,907	19,561
<b>Less : Non-current liabilities</b>					
Bank term loans	23	884	1,863	–	–
Deferred taxation		64	69	–	–
		948	1,932	–	–
		111,139	96,318	81,815	79,768
<b>Equity</b>					
Share capital	25	27,175	27,175	27,175	27,175
Reserves	26	80,274	65,580	54,640	52,593
		107,449	92,755	81,815	79,768
<b>Minority interests</b>					
		3,690	3,563	–	–
		111,139	96,318	81,815	79,768

The accounting policies and explanatory notes on pages 32 to 57 form an integral part of the financial statements.



## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2001

(In Singapore dollars)

		Group	Company		
	Note	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Ordinary shares</b>					
Balance at beginning of year		27,175	27,110	27,175	27,110
Issuance of 221,000 ordinary shares of \$0.25 each for cash at a premium of \$0.20 per share by virtue of the exercise of share options		–	55	–	55
Issuance of 40,000 ordinary shares of \$0.25 each for cash at a premium of \$0.79 per share by virtue of the exercise of share options		–	10	–	10
Balance at end of year		27,175	27,175	27,175	27,175
<b>Share premiums</b>					
Balance at beginning of year		29,491	29,415	29,491	29,415
Issuance of 221,000 ordinary shares of \$0.25 each for cash at a premium of \$0.20 per share by virtue of the exercise of share options		–	44	–	44
Issuance of 40,000 ordinary shares of \$0.25 each for cash at a premium of \$0.79 per share by virtue of the exercise of share options		–	32	–	32
Balance at 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		2,080	3,664	(2,520)	(123)
Unrealised foreign currency translation adjustment for the year		(1,094)	(1,584)	–	–
Foreign currency translation adjustment for the year		–	–	–	(2,397)
Foreign currency translation adjustment realised		2,163	–	2,452	–
Balance at end of year		3,149	2,080	(68)	(2,520)
<b>Revenue reserve</b>					
Balance at beginning of year		33,748	41,683	25,461	49,469
Net profit/(loss) for the year		16,423	(7,732)	2,393	(23,805)
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		47,373	33,748	25,056	25,461
<b>Total equity and shares outstanding</b>					
		107,449	92,755	81,815	79,768
<b>Net change in equity from non-owner sources excluding net profits</b>					
		323	(1,584)	1,706	(2,397)

The accounting policies and explanatory notes on pages 32 to 57 form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2001

(In Singapore dollars)

	2001 \$'000	2000 \$'000
<b>Cash flows from operating activities :</b>		
Profit before income tax	12,454	11,115
Adjustments for :		
Interest expenses	754	950
Interest income	(556)	(206)
Depreciation of property, plant and equipment	2,499	3,897
Depreciation of investment properties	83	89
Amortisation of other investment	15	15
Amortisation of goodwill on consolidation	103	390
Gain on disposals of property, plant and equipment	(56)	(148)
Foreign currency translation adjustment	798	(1,414)
Loss before minority interest of discontinued operations	(804)	(15,863)
Writeback of/(provision for) closure cost of a subsidiary company	1,050	(1,678)
Provision for management fee	–	(1,200)
<b>Operating profit/(loss) before working capital</b>	<b>16,340</b>	<b>(4,053)</b>
(Increase)/decrease in stocks	(8,828)	10,206
(Increase)/decrease in debtors	(5,906)	7,985
Decrease in creditors and bills payable	(1,613)	(6,589)
<b>Cash (applied in)/generated from operations</b>	<b>(7)</b>	<b>7,549</b>
Income taxes paid	(3,923)	(2,132)
Interest expense paid	(754)	(950)
Interest income received	556	206
<b>Net cash (used in)/provided by operating activities</b>	<b>(4,128)</b>	<b>4,673</b>
<b>Cash flows from investing activities :</b>		
Additional investment in subsidiary companies, net of cash and cash equivalent acquired	–	(467)
Disposal of property, plant and equipment	653	319
Purchase of property, plant and equipment	(2,691)	(3,693)
Disposal of subsidiary companies, net of cash and cash equivalent disposed	35,611	–
<b>Net cash provided by/(used in) investing activities</b>	<b>33,573</b>	<b>(3,841)</b>
<b>Cash flows from financing activities :</b>		
Proceeds from issue of shares	–	141
Net decrease in bank loans	(26,104)	(1,311)
Dividends paid to shareholders	(203)	(201)
Dividends paid to minority shareholders of subsidiary companies	(68)	(41)
Waiver of loan by minority shareholders of a subsidiary company	–	2,633
<b>Net cash (used in)/provided by financing activities</b>	<b>(26,375)</b>	<b>1,221</b>
Net increase in cash and cash equivalents	3,070	2,053
Cash and cash equivalents at beginning of year (note 31)	13,839	11,786
<b>Cash and cash equivalents at end of year (note 31)</b>	<b>16,909</b>	<b>13,839</b>

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2001

(In Singapore dollars)

During the year, the Group disposed its interest in Daniel Roth S.A., Gerald Genta S.A. and MHH Manufacture de Haute Horlogerie S.A. The net asset value disposed were as follows :

	\$'000
Property, plant and equipment	4,861
Stock	22,824
Trade debtors	3,496
Other debtors	2,116
Cash and bank balances	127
Bank overdrafts	(1,539)
Amount due to bankers	(6,399)
Trade creditors and accruals	(5,802)
Provision for taxation	(106)
Net assets disposed off	19,578
Gain on disposal of subsidiary companies	7,390
Unamortised goodwill	1,846
Provision for warranty and stock returns	4,312
Related cost of disposal	836
Proceeds used to repay bank borrowings of subsidiary companies	7,938
Net proceeds from disposal of subsidiary companies	41,900
Add : Cash and cash equivalent disposed	1,412
Less : Receivable pursuant to disposal of subsidiary companies	(7,701)
Cash flow on disposal of subsidiary companies, net of cash and cash equivalent disposed	35,611

The accounting policies and explanatory notes on pages 32 to 57 form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2001

(In Singapore dollars)

### 1. CORPORATE INFORMATION

The Company is a limited liability company which is incorporated in 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, watch manufacturing, and investment in properties. The Group ceased to engage in watch manufacturing activities after the disposal of its watch manufacturing subsidiary companies during the year.

There have been no significant changes in the nature of these activities during the year, except for the disposal of its watch manufacturing subsidiary companies

The Group and Company employed 236 and 126 (2000 : 230 and 124) employees as at 31 March 2001, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Basis of preparation*

The financial statements of the Company and of the Group 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 applicable provisions of the Companies Act.

SAS 8 (Revised 2000) : Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies has been adopted in the financial statements of the Company and of the Group before its effective date.

#### (b) *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 dealt with through the profit and loss account in the year in which it arises except for goodwill on consolidation which is in excess of \$100,000. The excess amount is then 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 (j) below.

(c) ***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.

(d) ***Subsidiary companies***

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

(e) ***Investments***

Investments held on a long term basis are stated at average cost. Provision is made for any diminution 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.

(f) ***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.

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 class of 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.

(g) ***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.

(h) ***Stocks***

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

Manufacturing stocks are stated at lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Direct labour and materials are allocated to work-in-progress and finished goods.

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

(i) ***Deferred taxation***

Deferred taxation is accounted for under the liability method whereby the tax charge for the year is based on the disclosed book profit after adjusting for all permanent differences. The amount of taxation deferred on account of all timing differences is reflected in the deferred taxation account. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

(j) ***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.

(k) **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 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.

(l) **Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances, fixed deposits 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	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Operating profit is stated after charging/(crediting) :				
Depreciation of property, plant and equipment	2,131	2,443	1,152	1,430
Depreciation of investment properties	83	89	26	26
Amortisation of goodwill on consolidation	103	390	–	–
Amortisation of other investment	15	15	15	15
Gain on disposal of property, plant and equipment	(56)	(119)	(145)	(131)
Directors' fees :				
- current year	160	102	160	102
- overprovision in prior year	–	(46)	–	(46)
Directors' emoluments :				
- Directors of the Company	1,596	397	1,596	397
- Other directors of subsidiary companies	1,215	1,140	–	–
Professional fees paid to companies in which directors have an interest	241	31	241	31
Auditors' remuneration :				
- Auditors of the Company				
Current year	117	105	69	63
Prior year	(7)	–	–	–
- Other auditors				
Current year	101	110	–	–
Prior year	2	(4)	–	–
Non audit fees paid to auditors	298	79	215	79
Non audit fees paid to other auditors				
- current year	43	99	–	55
- prior year	(26)	–	(28)	–
Provision for doubtful debts	122	1,111	112	788
Bad debts written back	(143)	(358)	–	(7)
Bad debt written off	–	1,039	–	491
Doubtful debts recovered	(96)	–	(96)	–
Foreign exchange gain, net	(411)	(1,447)	(480)	(367)

**5. EXCEPTIONAL ITEMS**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gain on liquidation of dormant subsidiary companies	–	–	(59)	–
Software system written off	–	878	–	878
	–	878	(59)	878

**6. INVESTMENT AND INTEREST INCOME**

Interest income from other debtors	119	–	91	–
Gross dividend income from unquoted subsidiary companies	–	–	346	162
Interest income from subsidiary companies	–	–	541	528
Interest income from banks	437	206	41	24
Rental income	758	801	258	259
	1,314	1,007	1,277	973

**7. INTEREST EXPENSE**

Interest on bank term loans	682	734	414	564
Interest on bank overdrafts	63	195	57	29
Interest on loan from a subsidiary company	–	–	144	164
Interest on hire purchase	–	21	–	21
Interest on amounts due to a minority shareholder of a subsidiary company	9	–	9	–
	754	950	624	778

## 8. TAXATION

	Group		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Provision for taxation in respect of results for the year :				
Current taxation	3,519	3,605	1,060	1,150
Deferred taxation	35	81	–	–
(Over)/under provision in respect of previous years	(305)	(323)	34	(41)
	3,249	3,363	1,094	1,109

The taxation charge for the Company materially differs from the amount determined by applying the Singapore income tax rate of 24.5% (2000 : 25.5%) to the pre-tax profits because of non-deductible expenses.

The taxation charge includes provisions made based on the corporate tax rates of the respective countries in which the companies are operating and using the liability method for deferred taxation.

As at 31 March 2001, certain subsidiary companies have unutilised capital allowances and unabsorbed tax losses of \$65,000 (2000 : \$90,000) and \$3,656,000 (2000 : \$3,667,000) respectively available for set-off against future taxable profits subject to the regulations and agreements by the relevant tax authorities.

## 9. DISCONTINUED OPERATIONS

On 1 August 2000, the Company and Bulgari International Corporation N.V. ("Bulgari") completed the sale and purchase agreement in respect of the entire issued share capital of Gerald Genta S.A., Daniel Roth S.A. and MHH Manufacture de Haute Horlogerie S.A. (the "Swiss Group"), the advances due to the Company from the Swiss Group and for the sharing of profits between the Company and Bulgari in respect of the Swiss Group. Concurrently, the Company entered into exclusive distribution agreements in respect of the Gerald Genta and Daniel Roth luxury watch brands in the Asia Pacific region, including Japan.

## 9. DISCONTINUED OPERATIONS (CONT'D)

The sale consideration for the sale and purchase of the entire issued share capital of the Swiss Group and for the advances due to the Company and the Swiss Group is CHF40 million (S\$41.7 million) plus 33% share of the Swiss Group's adjusted profits, of which CHF4.5 million (S\$4.7 million) is guaranteed, for a seven year period commencing from 1 July 2000.

As an integral part of the sale and purchase, Bulgari has the option to return up to CHF2.5 million (S\$2.6 million) stocks within the one year period and another CHF4.1 million (S\$4.3 million) stocks within the two year period from 30 June 2000. In addition, the Swiss Group may be required to provide warranty repair services of up to CHF0.4 million (S\$0.4 million) for stocks sold by the Swiss Group 12 months prior to 30 June 2000 for a period of 12 months. As a result, Bulgari has deferred payment of CHF11.5 million (S\$12 million) for part of the sales proceeds. Consequently, the Company recognised a net receivable of CHF7.4 million (S\$7.7 million) (Note 17).

In addition, arising from the disposal of the Swiss Group, the Company also ceased the operations of its USA subsidiary company, The Hour Glass USA, Inc. as it discontinued distributing watches manufactured by the Swiss Group in USA.

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

	Group	
	2001	2000
	\$'000	\$'000
Sales	2,416	9,019
Operating cost	(3,096)	(24,254)
Loss from operating activities	(680)	(15,235)
Finance cost	(121)	(478)
Loss before taxation	(801)	(15,713)
Taxation	(3)	(150)
Loss after taxation before minority interest	(804)	(15,863)
Minority interest	—	998
Loss from operations after taxation and minority interest	(804)	(14,865)

**10. DIVIDENDS**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Proposed bonus 5% or 1.25 cents per share (2000 : nil), less tax of 24.5%	1,026	–	1,026	–
Proposed final 5% or 1.25 cents per share (2000 : 1% or 0.25 cents per share) less tax of 24.5% (2000 : 25.5%)	1,026	203	1,026	203
	<b>2,052</b>	<b>203</b>	<b>2,052</b>	<b>203</b>

**11. EARNINGS/(LOSS) PER SHARE**

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Earnings/(loss)		
Earnings/(loss) for the year	16,423	(7,732)
	<b>'000</b>	<b>'000</b>
Number of shares		
Weighted average number of ordinary shares for calculation of basic earnings/(loss) per share	108,702	108,702
Dilution adjustments for share options	9	43
Adjusted weighted average number of shares for calculation of diluted earnings/(loss) per share	108,711	108,745
	<b>Cents</b>	<b>Cents</b>
Earnings/(loss) per share		
- Basic	15.11	(7.11)
- Diluted	15.11	(7.11)

**12. PROPERTY, PLANT AND EQUIPMENT**

	Freehold premises \$'000	Leasehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Group</b>					
Cost and valuation					
At 1 April 2000					
- Cost	21,275	2,970	22,858	1,421	48,524
- Valuation 1982	320	-	-	-	320
	21,595	2,970	22,858	1,421	48,844
Additions	-	-	2,162	529	2,691
Disposals/write-offs	-	-	(2,251)	(754)	(3,005)
Due to disposal of subsidiary companies	(945)	-	(8,301)	(153)	(9,399)
Foreign currency translation adjustment	(398)	135	(990)	(2)	(1,255)
At 31 March 2001	20,252	3,105	13,478	1,041	37,876
Representing :					
- Cost	19,932	3,105	13,478	1,041	37,556
- Valuation 1982	320	-	-	-	320
At 31 March 2001	20,252	3,105	13,478	1,041	37,876
Accumulated depreciation					
At 1 April 2000	2,842	157	15,579	945	19,523
Charge for the year :					
- continuing operations	379	60	1,537	155	2,131
- discontinued operations	38	-	324	6	368
Disposals/write-offs	-	-	(1,839)	(569)	(2,408)
Due to disposal of subsidiary companies	(78)	-	(4,318)	(142)	(4,538)
Foreign currency translation adjustment	(62)	10	(1,046)	3	(1,095)
At 31 March 2001	3,119	227	10,237	398	13,981
Charge for 2000 :					
- continuing operations	384	60	1,781	218	2,443
- discontinued operations	32	-	1,397	25	1,454
Net book value					
At 31 March 2001	17,133	2,878	3,241	643	23,895
At 31 March 2000	18,753	2,813	7,279	476	29,321

**12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	<b>Cost/Valuation</b>
	<b>\$'000</b>
(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
223.8 square metres shop house at 2 Trengganu Street	5,226
Australia	
356 square metres shop/office unit at 70 Castlereagh Street, Sydney	2,265
Malaysia	
116 square metres office unit at Suite 12-2, 12 <sup>th</sup> Floor, Wisma UOAI 21 Jalan Pinang, 50450 Kuala Lumpur	208
	<hr/>
	20,252
	<hr/>
(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)	3,105
	<hr/>



**12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	<b>Freehold premises \$'000</b>	<b>Furniture and equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Total \$'000</b>
<b>Company</b>				
Cost and valuation				
At 1 April 2000				
- Cost	12,233	9,301	744	22,278
- Valuation 1982	320	–	–	320
	12,553	9,301	744	22,598
Additions	–	1,382	275	1,657
Disposals/write-offs	–	(1,401)	(374)	(1,775)
At 31 March 2001	12,553	9,282	645	22,480
Representing :				
- Cost	12,233	9,282	645	22,160
- Valuation 1982	320	–	–	320
At 31 March 2001	12,553	9,282	645	22,480
Accumulated depreciation				
At 1 April 2000	2,119	7,766	491	10,376
Charge for the year	251	816	85	1,152
Disposals/write-offs	–	(1,197)	(312)	(1,509)
At 31 March 2001	2,370	7,385	264	10,019
Charge for 2000	251	1,030	149	1,430
Net book value				
At 31 March 2001	10,183	1,897	381	12,461
At 31 March 2000	10,434	1,535	253	12,222

A subsidiary company's freehold premises with a net book value of \$1,906,000 (2000 : \$2,323,000) is charged to secure the bank borrowings of that subsidiary company (Note 23).

The Group's freehold premises with a net book value of \$15,023,790 (2000 : \$15,350,000) has been mortgaged for banking facilities granted to the Company.

**13. INVESTMENT PROPERTIES**

	<b>Leasehold premises</b>	<b>Freehold land</b>	<b>Freehold building and premises</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>				
<b>Cost</b>				
At 1 April 2000	1,329	2,203	3,049	6,581
Foreign currency translation adjustment	–	–	(387)	(387)
At 31 March 2001	1,329	2,203	2,662	6,194
<b>Accumulated depreciation</b>				
At 1 April 2000	304	–	381	685
Charge for the year	26	–	57	83
Foreign currency translation adjustment	–	–	(50)	(50)
At 31 March 2001	330	–	388	718
Charge for 2000	26	–	63	89
<b>Net book value</b>				
At 31 March 2001	999	2,203	2,274	5,476
At 31 March 2000	1,025	2,203	2,668	5,896
			<b>Leasehold premises</b>	
			<b>\$'000</b>	
<b>Company</b>				
<b>Cost</b>				
At 1 April 2000 and 31 March 2001				1,329
<b>Accumulated depreciation</b>				
At 1 April 2000				304
Charge for the year				26
At 31 March 2001				330
Charge for 2000				26
<b>Net book value</b>				
At 31 March 2001				999
At 31 March 2000				1,025

**13. INVESTMENT PROPERTIES (CONT'D)**

The investment properties of the Group 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 Chesterton International Property Consultants Pte Ltd as at 11 June 1999 is \$2,480,000.
- (b) 134.9 square metres terrace shophouse at 57 Boat Quay, Singapore, amounting to \$2,837,000. On 20 April 2001, the Group contracted to sell this property at a consideration of \$3,780,000. Completion of the sale was done on 29 June 2001.
- (c) 1,350 square metres shop/office unit and lettable space at 252 Collins Street, Melbourne, Australia amounting to \$2,026,000. 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 \$2,034,350 (A\$2,300,000).

A subsidiary company's investment property with a net book value of \$1,744,000 (2000 : \$2,124,000) is charged to secure the bank borrowings of that subsidiary company (Note 23).

The Group's investment properties with a net book value of \$3,732,339 (2000 : \$3,772,000) are mortgaged for banking facilities granted to the Company.

**14. GOODWILL ON CONSOLIDATION**

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill arising from acquisition of shares in subsidiary companies		
Balance at 1 April	6,948	6,948
Disposal of subsidiary companies	(5,072)	—
Balance at 31 March	1,876	6,948
Amortisation :		
Balance at 1 April	4,702	4,312
Provided during the year	103	390
Disposal of subsidiary companies	(3,226)	—
Balance at 31 March	1,579	4,702
Goodwill, net of amortisation	297	2,246

## 15. SUBSIDIARY COMPANIES

	Company	
	2001	2000
	\$'000	\$'000
Unquoted shares, at cost	24,880	38,613
Provision for diminution in value of investment	(4,277)	(17,169)
Advances	–	33,222
Provision for advances	–	(8,029)
	20,603	46,637

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

	Cost to Company	
Name of subsidiary company	2001	2000
	\$'000	\$'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	15
Creative Retailing Pte Ltd	126	126
Transland Realty Pte Ltd	14	14
Watch Gallery Pte Ltd	527	527
Les Arts & Antiques Pte Ltd	454	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
Daniel Roth S.A.	–	2,753
Pagoda Chinatown Pte Ltd	2	2
Gerald Genta S.A.	–	10,920
Monte Carlo Time S.A.M.	1,163	1,163
The Hour Glass Japan Ltd	660	660
R.S. Hour Pte Ltd	300	300
The Hour Glass USA, Inc	1,678	1,678
MHH Manufacture de Haute Horlogerie S.A.	–	60
Times Master Enterprise Limited	– *	– *
	24,880	38,613

\* 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	
		2001	2000
		%	%
<b><i>Held by the Company</i></b>			
<i>Retailing and distribution of watches, jewellery and related products</i>			
Dynasty Watch Pte Ltd	Singapore	100	100
Lakewind Impex Pte Ltd	Singapore	80	80
Astoria Trading Pte Ltd	Singapore	100	100
Mondial Jewellers Pte Ltd	Singapore	60	60
Bertolucci (S) Pte Ltd	Singapore	90	90
* The Hour Glass Sdn Bhd	Malaysia	95	95
* The Hour Glass (HK) Ltd	Hong Kong	100	100
* Gubelin Watch Company Ltd	Hong Kong	100	100
* The Watch Gallery Holding Company Pty Ltd	Australia	100	100
∞ Monte Carlo Time S.A.M.	Monaco	66	66
* The Hour Glass Japan Ltd	Japan	100	100
<i>Manufacturer of watches</i>			
* Daniel Roth S.A.	Switzerland	–	100
* Gerald Genta S.A.	Switzerland	–	100
<i>Investment in properties</i>			
Multiple Properties Pte Ltd	Singapore	100	100
Pagoda Chinatown Pte Ltd	Singapore	100	100
* Time Master Enterprise Limited	Hong Kong	100	100
* MHH Manufacture de Haute Horlogerie S.A.	Switzerland	–	100
<i>Dormant companies</i>			
# Creative Retailing Pte Ltd	Singapore	100	100
# Transland Realty Pte Ltd	Singapore	100	100
# Watch Gallery Pte Ltd	Singapore	100	100
# Hour Glass Fragrances Pte Ltd	Singapore	60	60
# Les Arts & Antiques Pte Ltd	Singapore	70	70
# R.S. Hour Pte Ltd	Singapore	60	60
+ The Hour Glass USA, Inc	USA	100	100

## 15. SUBSIDIARY COMPANIES (CONT'D)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group	
		2001 %	2000 %
<i>Held by subsidiary companies :</i>			
<i>Retailing and distribution of watches and related products</i>			
* The Watch Gallery Pty Ltd	Australia	100	100
# Time Expert Limited (formerly known as Gerald Genta (HK) Ltd)	Hong Kong	100	100
* The Hour Glass (Thailand) Co Ltd	Thailand	49	49 Δ
<i>Investment holding</i>			
* The Hour Glass Dharmala Limited	Hong Kong	60	60
* The Hour Glass Holding (Thailand) Co Ltd	Thailand	49	49 Δ
<i>Dormant companies</i>			
# Mondial Pte Ltd	Singapore	60	60
* Jewels by Mondial Sdn Bhd	Malaysia	60	60
* Audited by associated firms of Ernst & Young, Singapore.			
∞ Not audited as in voluntary liquidation.			
+ Not required to be audited under the laws of its country of incorporation.			
Δ The Group held a 98.97% controlling interest in the subsidiary through their voting rights.			
# In voluntary liquidation.			

## 16. OTHER INVESTMENTS

	Group		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Quoted shares, at cost	559	559	550	550
Less : Provision for diminution	(472)	(472)	(472)	(472)
	87	87	78	78
Club membership, at cost	300	300	300	300
Less : Amounts amortised	(70)	(55)	(70)	(55)
	230	245	230	245
	317	332	308	323
Market value of quoted shares	21	33	19	30

**17. LONG-TERM RECEIVABLE**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Receivable pursuant to the disposal of subsidiary companies	12,013	–	12,013	–
Less : Provision for stock returns and warranty	(4,312)	–	(4,312)	–
	<b>7,701</b>	<b>–</b>	<b>7,701</b>	<b>–</b>
Within one year (note 20)	1,164	–	1,164	–
After one year	6,537	–	6,537	–
	<b>7,701</b>	<b>–</b>	<b>7,701</b>	<b>–</b>

This relates to the proceeds receivable from Bulgari for the sale of the Swiss subsidiary companies (note 9).

**18. STOCKS**

Raw materials	–	19,764	–	–
Work-in-progress	–	1,566	–	–
Finished goods	87,975	80,641	39,785	35,563
	<b>87,975</b>	<b>101,971</b>	<b>39,785</b>	<b>35,563</b>

**19. TRADE DEBTORS**

Trade debtors are stated after deducting provision for doubtful debts of	1,459	2,302	743	730
Analysis of provision for doubtful debts :				
Balance at 1 April	2,302	1,207	730	46
Doubtful debt recovered	(92)	–	(92)	–
Bad debts written-back	(143)	(358)	–	(7)
Charge to profit and loss account	115	861	105	744
Bad debts written-off	(8)	(100)	–	(53)
(Writeback)/provision by discontinued operations	(358)	766	–	–
Due to disposal of subsidiary companies	(368)	–	–	–
Foreign currency translation adjustment	11	(74)	–	–
Balance at 31 March	<b>1,459</b>	<b>2,302</b>	<b>743</b>	<b>730</b>
Bad debts written off directly to profit and loss account	–	1,039	–	491

**20. OTHER DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rental and other deposits	991	1,233	490	784
Recoverables and sundry debtors	1,763	2,802	1,205	1,585
Prepayment	622	1,298	261	270
Others	404	245	–	–
Receivable pursuant to the disposal of subsidiary companies (note 17)	1,164	–	1,164	–
	<b>4,944</b>	<b>5,578</b>	<b>3,120</b>	<b>2,639</b>
Other debtors are stated after deducting provision for doubtful debts of	<b>775</b>	<b>1,148</b>	<b>3</b>	<b>403</b>
Analysis of provision for doubtful debts :				
Balance at 1 April	1,148	840	403	396
Charge to profit and loss account	7	250	7	44
Provision by discontinued operations	6	94	–	–
Written-off against bad debts	(399)	(36)	(403)	(37)
Foreign currency translation adjustment	17	–	–	–
Doubtful debt recovered	(4)	–	(4)	–
Balance at 31 March	<b>775</b>	<b>1,148</b>	<b>3</b>	<b>403</b>

**21. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES**

	<b>Company</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Amount due from subsidiary companies		
- trade	2,264	1,287
- non-trade	28,084	23,533
Provision	(4,069)	(4,608)
	<b>26,279</b>	<b>20,212</b>
Amount due to subsidiary companies		
- trade	(10,987)	(7,041)
- non-trade	(3,050)	(3,354)
	<b>(14,037)</b>	<b>(10,395)</b>

The balances with subsidiary companies are unsecured and interest free except for balances with four subsidiary companies, whose outstanding balances bear interest at rates ranging from 5% to 7.25% (2000 : 5% to 6.75%) per annum. All balances have no fixed repayment terms.



**22. BILLS PAYABLE AND BANK OVERDRAFTS**

The overdrafts and bills payable of the subsidiary companies are proportionately guaranteed by the Company relative to its shareholding.

**23. BANK TERM LOANS**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Repayable within 12 months :				
Unsecured loan	3,554	27,140	754	15,669
Repayable after 12 months :				
Secured loan	884	1,863	–	–
	<b>4,438</b>	<b>29,003</b>	<b>754</b>	<b>15,669</b>

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 3.83% to 4.45% (2000 : 3.12% to 8.15%) 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 rates ranging from 6% to 7% (2000 : 7.09% to 7.59%) per annum.

**24. OTHER CREDITORS**

Deposits received	1,188	1,229	454	166
Purchase of property, plant and equipment	59	60	–	–
Amounts due to minority shareholders of a subsidiary company	367	–	367	–
Amount owing to directors	143	615	–	–
Provision for termination of lease	–	1,051	–	–
Others	1,289	1,339	593	969
	<b>3,046</b>	<b>4,294</b>	<b>1,414</b>	<b>1,135</b>

**25. SHARE CAPITAL**

	<b>Company</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Authorised :		
200,000,000 ordinary shares of \$0.25 each	50,000	50,000
Issued :		
Ordinary shares of \$0.25 each, fully paid :		
Balance at 1 April		
108,702,023 (2000 : 108,441,023) ordinary shares	27,175	27,110
Nil (2000 : 221,000) ordinary shares issued for cash at a premium of \$0.20 per share by virtue of exercise of share options	–	55
Nil (2000 : 40,000) ordinary shares issued for cash at a premium of \$0.79 per share by virtue of exercise of share options	–	10
Balance at 31 March		
108,702,023 (2000 : 108,702,023) ordinary shares	27,175	27,175

As at 31 March 2001, the following share options were granted and accepted by employees under The Hour Glass Employees' Share Option Scheme to take up unissued ordinary shares in the Company.

	<b>Date granted</b>	<b>No. of holders</b>	<b>Considerations for options</b>	<b>Option period (both dates inclusive)</b>	<b>Number of unissued ordinary shares of \$0.25 each</b>	<b>Option exercise price per share</b>
			<b>\$</b>			
(i)	12.7.1996	51	51	12.7.1997- 11.7.2001	152,750	1.25
(ii)	17.1.1997	46	46	17.1.1998- 16.1.2002	184,500	1.04
(iii)	6.8.1997	48	48	6.8.1998- 5.8.2002	204,000	1.36
(iv)	23.1.1998	57	57	23.1.1999- 22.1.2003	96,000	0.45
(v)	15.1.1999	54	54	15.1.2000- 14.1.2004	180,000	0.38
(vi)	19.7.1999	80	80	19.7.2000- 18.7.2004	262,000	0.80
(vii)	24.1.2000	75	75	24.1.2001- 23.1.2005	511,000	0.52

**26. RESERVES**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Share premium	29,491	29,491	29,491	29,491
Revenue reserve	47,373	33,748	25,056	25,461
Foreign currency translation reserve	3,149	2,080	(68)	(2,520)
Capital reserve	261	261	161	161
<b>Total reserves</b>	<b>80,274</b>	<b>65,580</b>	<b>54,640</b>	<b>52,593</b>
<b>Made up of :</b>				
Distributable reserves	50,522	35,828	24,988	22,941
Non-distributable reserves	29,752	29,752	29,652	29,652
	<b>80,274</b>	<b>65,580</b>	<b>54,640</b>	<b>52,593</b>

**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 :

Within 1 year	1,401	2,082	449	1,542
Within 2 to 5 years	1,420	2,324	352	354
After 5 years	–	1,484	–	–
	<b>2,821</b>	<b>5,890</b>	<b>801</b>	<b>1,896</b>

**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 2001 and 2000 and certain asset information regarding geographical segments as at 31 March 2001 and 2000. 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.

<b>2001</b>	<b>South East Asia and Australia \$'000</b>	<b>North East Asia \$'000</b>	<b>Total \$'000</b>	<b>Corporate and other eliminations \$'000</b>	<b>Total \$'000</b>
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 discontinued					91
					152,940
Capital expenditure for the year	2,375	11	2,386	–	2,386
Capital expenditure of subsidiary companies discontinued					305
					2,691

**28. SEGMENT INFORMATION (CONT'D)***Geographical segments (cont'd)*

<b>2000</b>	<b>South East Asia and Australia</b>	<b>North East Asia</b>	<b>Total</b>	<b>Corporate and other eliminations</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Segment revenue :					
Sales to external customers	235,268	39,652	274,920	–	274,920
Intersegment sales	2,470	63	2,533	(2,533)	–
Total revenue	237,738	39,715	277,453	(2,533)	274,920
Other geographical information :					
Segment assets	184,046	31,445	215,491	(84,421)	131,070
Assets of subsidiary companies discontinued					37,453
					168,523
Capital expenditure for the year	1,166	614	1,780	–	1,780
Capital expenditure of subsidiary companies discontinued					1,913
					3,693

**29. CONTINGENT LIABILITIES**

- (a) The Company has unsecured contingent liabilities in respect of guarantees given to banks, totalling \$2,980,000 (2000 : \$15,667,500) 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. FORWARD CONTRACTS**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 31 March the Group and the Company has forward contracts as follows :				
To purchase foreign currencies	523	527	523	527

**31. CASH AND CASH EQUIVALENTS**

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

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances	16,629	13,892
Fixed deposits	317	712
Bank overdrafts	(37)	(765)
	16,909	13,839

**32. REMUNERATION OF DIRECTORS OF THE COMPANY**

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

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
\$500,000 and above	2	–
Between \$250,000 and \$499,999	–	–
Below \$250,000	5	7
	7	7

### 33. SUBSEQUENT EVENTS

On 20 April 2001, the Group contracted to sell a subsidiary company's investment property at 57 Boat Quay, for a consideration of \$3.78 million. Completion of the sale was done on 29 June 2001.

It is also the management's intention to place Multiple Properties Pte Ltd under members' voluntary liquidation after the completion of the sale of the investment property.

### 34. COMPARATIVE FIGURES

The presentation and classification of items in the financial statements have been changed to comply with the requirements of SAS 1 (Revised 1999) - Presentation of financial statements. As a result, additional line items have been included in the profit and loss account and a new statement of changes in equity has been presented as required by SAS 1 (Revised 1999). Accordingly, comparative figures have been restated to provide a proper comparison with the current year's presentation.

Certain comparative figures in the balance sheet have been restated to conform with current year's presentation.

## STATISTICS ON SHAREHOLDINGS AS AT 10 JULY 2001

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 Shareholders	%	No. of Shares	%
1 - 1,000	578	21.51	478,025	0.44
1,001 - 10,000	1,760	65.50	7,856,890	7.23
10,001 - 1,000,000	340	12.65	16,340,997	15.03
1,000,001 and above	9	0.34	84,026,111	77.30
Total	2,687	100.00	108,702,023	100.00

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



**TWENTY LARGEST SHAREHOLDERS  
AS AT 10 JULY 2001**

No.	Name	No. of Shares	%
1.	TYC Investment Pte Ltd	24,031,562	22.11
2.	United Overseas Bank Nominees Pte Ltd	22,423,500	20.63
3.	DBS Nominees Pte Ltd	22,294,612	20.51
4.	Oversea-Chinese Bank Nominees Pte Ltd	3,636,250	3.35
5.	DBS Securities Singapore Pte Ltd	3,318,937	3.05
6.	Overseas Union Bank Nominees Pte Ltd	2,662,750	2.45
7.	Swanson Pte Ltd	2,470,500	2.27
8.	Key Hope Investment Limited	2,000,000	1.84
9.	Boon Suan Lee	1,188,000	1.09
10.	Citibank Nominees Singapore Pte Ltd	718,000	0.66
11.	UOB Kay Hian Pte Limited	715,000	0.66
12.	Raffles Nominees Pte Ltd	698,500	0.64
13.	Keppel Bank Nominees Pte Ltd	638,500	0.59
14.	Tay Yun Chwan Henry	459,375	0.42
15.	Phillip Securities Pte Ltd	410,000	0.38
16.	Chew Cheng	350,000	0.32
17.	Chan Swee Kheng Kenny	327,750	0.30
18.	GK Goh Stockbrokers Pte Ltd	309,000	0.28
19.	Singapore Fruits Importers & Exporters Exchange Pte Ltd	300,000	0.28
20.	Hong Leong Finance Nominees Pte Ltd	260,000	0.24
	Total	89,212,236	82.07

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of the Company will be held at Sir Henry Keppel 1, Mezzanine Level, Grand Hyatt Singapore, 10-12 Scotts Road, Singapore 228211, on Friday, 31 August 2001 at 2pm for the following purposes:

### AS ORDINARY BUSINESS

1. To receive the Directors' Report, Auditors' Report and Financial Statements for the year ended 31 March 2001.
2. To approve the payment of a First and Final Dividend of 5% and a Bonus Dividend of 5% respectively, less 24.5% Singapore Income Tax, for the year ended 31 March 2001.
3. To re-elect Mr Timothy Chia Chee Ming, a Director retiring under the provisions of Article 99 of the Company's Articles of Association.

*[ Mr Timothy Chia Chee Ming, a member of the Company's Audit Committee, is an independent Director of the Company. ]*

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 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 \$160,000 ( 2000:\$102,000 ).

6. To appoint Auditors and to authorise the Directors to fix their remuneration.
7. To transact any other ordinary business of the Company.

#### 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 the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company for the time being, 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 for the time being, and, unless revoked or varied by the Company in general meeting, such authority 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."

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**  
**8 August 2001**

### Notes:

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.

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 ordinary and special business*

- Item 3      A second Director, Mr Michael Kwee Chong-Kok, retires by rotation under Article 99 of the Company’s Articles of Association, and is not seeking re-election.*
- Item 8      This Ordinary Resolution is to allow the Directors to issue shares up to the limits specified therein from the date of this Annual General Meeting up to the date of the next Annual General Meeting.*
- 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.*

## PROXY FORM - ANNUAL GENERAL MEETING

## THE HOUR GLASS LIMITED

( INCORPORATED IN THE REPUBLIC OF SINGAPORE )

## IMPORTANT:

1. 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.
2. 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 31 August 2001, 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 Dividends				
3.	Re-election of Mr Timothy Chia Chee Ming				
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 \_\_\_\_\_ 2001

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

TOTAL NO. OF  
SHARES HELD

IMPORTANT : PLEASE READ NOTES OVERLEAF

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 officer or attorney duly authorised.
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.