



MORE THAN JUST WATCH MANIACS

CORPORATE DIRECTORY



Amended 18 Jul 03, Friday

2 THE HOUR GLASS LIMITED

EXECUTIVE CHAIRMAN	Dr Henry Tay Yun Chwan
MANAGING DIRECTOR	Mdm Chan Siew Lee (Dr Jannie Tay)
DIRECTORS	Mr Timothy Chia Chee Ming Mr Owen Phillimore Howell-Price Mr Robert Tan Kah Boh
COMPANY SECRETARY	Ms Christine Chan Meng Yook
REGISTERED OFFICE	302 Orchard Road #11-01 Tong Building Singapore 238862 Telephone: (65) 6787 2288 Facsimile: (65) 6732 8683 E-mail address: info@thehourglass.com
REGISTRAR	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315 Telephone: 6536 5355
AUDIT COMMITTEE	Mr Robert Tan Kah Boh (Chairman) Mr Owen Phillimore Howell-Price Mr Timothy Chia Chee Ming
REMUNERATION COMMITTEE	Mr Owen Phillimore Howell-Price (Chairman) Mr Robert Tan Kah Boh Mr Timothy Chia Chee Ming Dr Henry Tay Yun Chwan
AUDITORS	Ernst & Young Certified Public Accountants Singapore Partner-in-charge: Mrs Lim Siew Koon (Date of Appointment: 1.4.2002)
PRINCIPAL BANKERS	The Development Bank of Singapore Limited The Hongkong and Shanghai Banking Corporation Limited Oversea-Chinese Banking Corporation Limited
SOLICITORS	Allen & Gledhill Rodyk & Davidson

BOARD OF DIRECTORS

DR HENRY TAY YUN CHWAN **Executive Chairman**

Dr Henry Tay, the Executive Chairman of the Company is responsible for charting the Group's overall vision and corporate strategy. He was last re-elected as a Director on 30 August 2002. Dr Henry Tay is also a member of the Remuneration Committee.

Prior to joining The Hour Glass in August 1979 as an executive director, Dr Henry Tay was a medical practitioner for nine years. He was also a Managing Partner of Lee Chay & Co., one of the oldest watch retailing companies in Singapore. Currently, Dr Tay sits on the Board of Directors of UOB Kay Hian Holdings Ltd as an independent director. He is also the Honorary President of the Hong Kong-Singapore Business Association, Vice-Chairman of the Community Chest and Senior Advisor to Burberry Asia. He was formerly a Board member of the Singapore Tourist Promotion Board and Patron of the Singapore Kennel Club. Dr Henry Tay graduated with a MBBS from Monash University, Australia in 1969.

MDM CHAN SIEW LEE (DR JANNIE TAY) **Managing Director**

Dr Jannie Tay, the Managing Director of the Company has been in the watch retailing business since 1973. She joined The Hour Glass as managing director in August 1979 and is in charge of the Group's watch retail business, its development and marketing strategy. She was the driving force behind the Group's growth from a one-boutique retail operation into a regional player today.

Dr Jannie Tay is the President of the Singapore Retailers Association and Asean Business Forum. She was the founder and current President of the Women's Business Connection. She was also the former founder President of the International Women's Forum in Singapore. Dr Jannie Tay was also on the Women's Leadership Board of John F. Kennedy School of Government, Harvard University. In 1997, she was named as one of the 50 leading Woman Entrepreneurs of the World. Dr Jannie Tay is the Patron of YuHua Community Club Management Committee. A tireless worker for charitable causes, she is the former Chairman of The School Management Committee of The Canossian School for the Hearing Impaired. In March 2003, Dr Jannie Tay was conferred the Darjah Sultan Ahmad Shah Pahang (DSAP) which carries the title Dato'. Dr Jannie Tay holds a Bachelor of Science degree in Physiology and a Master of Science degree in Pharmacology from Monash University, Australia.



BOARD OF DIRECTORS & SENIOR MANAGEMENT

Amended 18 Jul 03, Frida

BOARD OF DIRECTORS & SENIOR MANAGEMENT



MR TIMOTHY CHIA CHEE MING

Independent Non-Executive Director

Mr Timothy Chia was appointed to the Board of Directors in October 1987. He was last re-elected as a Director on 31 August 2001. He is currently a member of the Remuneration Committee and Audit Committee respectively, and is an independent director of the Company.

Mr Chia is the President of both PAMA Group Inc. and PAMA (Singapore) Private Limited. Mr Chia holds directorships in several public listed and private companies in Singapore as well as in the region. He sits on the boards of KorAm Bank, Meritz Securities Co. Ltd, K.R. Precision Public Co. Ltd, Li & Fung (Distribution) Limited, Guan Leng Holdings Pte Ltd, United Motor Works Pte Ltd, Singapore Dance Theatre Ltd, Singapore Power Ltd, Banyan Tree Holdings Pte Ltd and Nichiyu Asia Pte Ltd. Mr Chia was a former Chairman of PowerGas Ltd, a major subsidiary of Singapore Power Ltd. Mr Chia is a management graduate from the Fairleigh Dickinson University, USA.

MR OWEN PHILLIMORE HOWELL-PRICE

Independent Non-Executive Director

Mr Owen Phillimore Howell-Price was appointed to the Board of Directors in April 1994. He was last re-appointed as a Director on 30 August 2002. Currently the Chairman of the Remuneration Committee and a member of the Audit Committee, he is an independent director of the Company.

Mr Howell-Price is also an alternate director of Cycle & Carriage Limited, and a director of Dairy Farm International Holdings Limited and DSG International Ltd. He was previously the CEO of Woolworths Ltd, Australia and the CEO of Dairy Farm International Holdings Limited. He is also the General Counsellor in Asia to C.I.E.S., the Paris based International Business Forum.

MR ROBERT TAN KAH BOH

Independent Non-Executive Director

Mr Robert Tan was appointed to the Board of Directors in November 1999. He was last re-appointed as a Director on 28 September 2000. Currently the Chairman of the Audit Committee and a member of the Remuneration Committee, he is an independent director of the Company.

Mr Tan was with Price Waterhouse (now known as PricewaterhouseCoopers), an international public accounting firm, for 28 years. He served as a senior partner before his retirement. Mr Tan is a member of the Institute of Certified Public Accountants in Singapore and was a Fellow of the Institute of Chartered Accountants in England and Wales.

SENIOR MANAGEMENT

DR HENRY TAY YUN CHWAN

Executive Chairman

(Please see Page 3 of Annual Report)

MDM CHAN SIEW LEE (DR JANNIE TAY)

Managing Director

(Please see Page 3 of Annual Report)

DR KENNY CHAN SWEE KHENG

Group Chief Operating Officer

Dr Kenny Chan was appointed the Group Chief Operating Officer on 1 July 2002 and is responsible for the general management and operations of the Group.

Prior to joining The Hour Glass, Dr Kenny Chan was the Managing Director of Burberry Singapore Pte Ltd from 1992 to 2001 and Burberry Australia Pty Ltd from 1989 to 2001, which were part of a group of companies that were the exclusive distributors and agents of Burberry, covering territories that included Singapore, Malaysia, Indonesia, Brunei, Australia, New Zealand, Fiji and New Caledonia. Dr Kenny Chan is a member of the Young Presidents Organisation, Singapore. He held the positions of Education Chairman and Chapter Chairman. He was also Council Member in the Singapore Retailers Association from 2000 to 2001. Dr Kenny Chan graduated with a MBBS (Hons) from Monash University, Melbourne, in 1977.



BOARD OF DIRECTORS & SENIOR MANAGEMENT

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FINANCIAL HIGHLIGHTS

THE HOUR GLASS GROUP

(In Singapore dollars)		2003 \$'000	2002 \$'000
1	Turnover	256,115	251,310
2	(a) Profit From Continuing Operations After Taxation	2,693	6,539
	(b) Net Gain From Discontinued Operations	0	54
		2,693	6,593
3	Earnings Per Share	2.35cts	5.68cts
4	Net Tangible Asset Backing Per Share	111.26cts	109.12cts
5	Bank Term Loans	(15,939)	(3,477)
6	Cash At Bank	10,707	9,662

Dear Shareholders

The financial year ended 31 March 2003 started off against a backdrop of global and regional economic weakness that further deteriorated during the last quarter of the year with the war in Iraq and the beginning of the SARS crisis.

Despite the severe impact these events have on consumers' sentiment, our Group turnover only declined marginally, but was offsetted by the contribution from the new boutique in Ginza, Tokyo, to reach \$256 million for the year.

Overall, Group profit after tax decreased by 57% to \$2.6 million from \$6.1 million in the previous year. This result was in part due to a provision to write down the carrying value of the Group's leasehold premises in Hong Kong. The premises are held for the long term and house the distribution arm of the business in the territory. We maintain our intention to use Hong Kong as a springboard for expansion in North Asia, when the region's economies stabilise. As this provision is capital in nature and unrealised, it is not available as a tax deduction, thereby affecting the Group tax charge against profits. The Ginza boutique, being in its start-up phase, incurred a small net loss for the year.

The Group balance sheet continues to be strong with cash of \$11.5 million against total bank borrowings of \$16.7 million. Taking advantage of the low interest rate regime, the Company applied gearing to increase its holding of popular fast moving stocks. This strategy was also used to finance working capital for our new Japanese retail subsidiary, where in addition, borrowing in the home currency would serve us a natural hedge against foreign exchange exposures.

DIVIDEND

The Board of Directors recommends a first and final dividend of 0.625 cents per share amounting to \$0.68 million in respect of the year ended 31 March 2003.



CHAIRMAN'S STATEMENT

Amended 18 Jul 03, Frida

PATEK PHILIPPE

Every minute of everyday, the watchmakers of Patek Philippe relentlessly pursue a goal that has inspired Patek Philippe for well over a century and a half. The perfect watch. Once again, Patek Philippe transcended boundaries with the Ref. 5101P **10 DAY TOURBILLON** by fitting two mainspring barrels plus a tourbillon in the compact space of a rectangular form movement.



10 Day Tourbillon

DANIEL ROTH

The art of watchmaking embodied in an exceptional collection - A Masters, signed Daniel Roth, is a work of watchmaking art, immediately recognizable by watch connoisseurs. The latest **8 DAY TOURBILLON** takes technical prowess to new heights with its reversible double-face case and a 8-days power-reserve.



Tourbillon 8-days Power Reserve

BREGUET

Breguet makes watches for those who are free to cultivate a taste for the best. Its expertise in the most complicated horology, its ability to construct new movements and the tradition it upholds guarantee watchmaking of an exceptional standard. The practical Breguet **ALARM WATCH** in the Classique style sophistication made simple for travellers.



Alarm Watch

DEVELOPMENTS

1. The Hour Glass was conferred an Award for being one of the top 14 home-grown brands in Singapore in an inaugural ceremony in October 2002. This Award, organized by International Enterprise, Singapore is premised on the principle "that brands are separable intangible assets of the company that generate economic benefit for their owners over and above those derived from the tangible assets of the company."
2. Three staff members from separate boutiques of The Hour Glass, were presented with the Model Workers' Award for 2003 in the Retail industry category. The Award is spearheaded by NTUC and is given "to recognise outstanding workers with good and consistent performance, exemplary conduct and attitude, which brings recognition to the company." It is given to the top 100 workers in the chosen industries, and limited to not more than 3 workers per company.
3. The Hour Glass (Australia) Pty Ltd secured distribution rights for Mont Blanc products in Australia with effect from May 2003.
4. The refurbishment of the boutique at Lot 10, Kuala Lumpur was carried out in accordance with the Group's planned program to upgrade all its boutiques to a contemporary classic concept to attract a younger base of customers.
5. The relocation of the boutique at Peninsula Plaza, Bangkok to a new flagship store at Gaysorn Plaza, Bangkok was completed in May 2003. At 2,000 sq feet, this new flagship boutique is 3 times the size of the one in Peninsula Plaza and is situated in a high traffic flow area as Gaysorn Plaza is linked to the BTS. The Gaysorn Plaza houses all the niche high end brands in the luxury goods business.



CHAIRMAN'S STATEMENT

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L'Antiqua

VIANNEY HALTER

Vianney Halter presents their timing instruments that are curiously of the past and of the future. With startling imagination, great respect for the achievements of Horological history, and the ability to realize any complication, Vianney Halter is determined to surprise and fascinate. The **ANTIQUA**, a perpetual date calendar watch features four dials indicating the hours, minutes, day, date and month.

ULYSSE NARDIN

The Ulysse Nardin collection leads in the proud tradition of quality and mechanical innovation. Ulysse Nardin continues to develop and produce specialized timepieces of the highest technical order.

The **SONATA**, a unique and amazing multifunctional mechanical instrument combines the novel Alarm setting with a Countdown indicator and the Dual time system with the instant time zone adjustor conceived by Dr Ludwig Oechslin.



Sonata

JAEGER-LECOULTRE

Jaeger-LeCoultre embellishes Belle Horlogerie not only through its mastery of horological technique, but also in its innovative provision of useful complications. A masterpiece of elegance and horological precision, the **MASTER ANTOINE LECOULTRE** is a fitting homage to the man who founded Jaeger-LeCoultre 170 years ago.



Master Antoine LeCoultre

PROSPECTS

Trading in the first quarter of the new financial year had been hard hit by the SARS crisis. Although the contagion is now under control, uncertainties still prevail with no clear sign of economic recovery in the USA. Modest rallies in stock markets give room for cautious optimism that the worst may be over, but it is still too early to predict how events will unfold and impact the Group. We expect competition to remain intense during the next three quarters as consumers seek to maximise the best value for their purchases.

In this unprecedented time, we are grateful to our loyal customers who are so supportive of the Group. To them, we express our thanks and our commitment to continue with our premier service, while we strive to widen our market reach.

We will also carry on with our efforts to contain operating costs and improve efficiency while actively exploring opportunities to expand in existing and new markets.

I am confident that with our extensive experiences accumulated over the past years, The Hour Glass would emerge from the current crisis a stronger company. We are on track with all the long term strategies to grow our business.

ACKNOWLEDGEMENT

On behalf of The Hour Glass, I would like to express my appreciation to our customers, suppliers and shareholders for their continuous support, to our employees for their dedication and commitment, and to my Board of Directors for their guidance and advice.



Henry Tay Yun Chwan
Executive Chairman
8 July 2003



CHAIRMAN'S STATEMENT

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JAQUET DROZ

Today, Jaquet Droz S.A. is proud to be perpetuating the spirit of this exceptional watchmaker. Its timekeepers are distinguished by their aesthetic refinement and embody a meticulous attention to detail and exquisite craftsmanship. Produced in a limited edition of 88, the **GRANDE SECONDE NUMERUS CLAUSUS DÉCENTRÉE** is distinguished by its remarkable sense of equilibrium, despite its unusual arrangement.



Grande Seconde

HARRY WINSTON

A Harry Winston timepiece is made of the finest stones and precious metals, and is crafted with close attention to detail. In other words, a Harry Winston timepiece is a timepiece for the man or woman who seeks refinement. **THE AVENUE C** is Harry Winston's first rectangular timepiece that recalls the finest design of the Art Deco period.



The Avenue Collection

GERALD GENTA

Revolution, innovation and a bold design: this alchemy marks a widely acclaimed entry into the world of rare and exceptional timepieces. The utmost expression of the brand's innovative spirit - **Gérald Genta BIRETRO Y** is an avant-garde piece that is both intriguing in terms of design and technology.



Arena Sport Biretro

Mondial, Singapore's premier jeweler has maintained its visibility through creative marketing and interesting product mix.

Mondial has a substantial selection of rare fancy coloured diamonds set in traditional and avant-garde jewellery. Its inventory of south sea pearls remains unrivaled in Singapore.

Mondial also specializes in exceptional gemstones – emeralds, sapphires and rubies. The company's commitment to collectibles and heritage jewellery is evident through the annual publication of the Mondial Collections Magazine which is very well received by its clientele.

Through its exhibition/sales held in Singapore and Malaysia, the company continues to expand its clientele base despite the current difficult economic climate.

Mondial's wholesale activities have been driven by sales of pink diamonds from the Argyle mines in Australia. Mondial is Argyle's largest distributor by volume of pink diamonds in South East Asia.

MONDIAL JEWELLERY



Platinum ear pendants with D-colour, internally flawless pear-shaped diamonds with GIA certificates weighing 5.66ct / 5.11ct and 1.03ct / 1.02ct

An important white Australian South Sea pearl necklace complete with diamond clasp. Pearls measure 15 to 19.2mm. A majestic pair of South Sea pearl, diamond earrings. Pearls measure 19mm. Fancy-shaped diamonds weigh 3.70 carats.

Gem Colombian emerald ring. Centrepiece weighs 8.34 carats and two side emeralds weigh 3.42 carats.

CORPORATE GOVERNANCE



Amended 18 Jul 03, Friday

This statement describes the corporate governance practices and activities of the Company for the financial year ended 31 March 2003.

The Company's corporate governance practices and activities in relation to each of the principles of the Code of Corporate Governance {Code} are set out in the following segments, and deviations from the Code are explained. Unless otherwise stated, the corporate governance processes were in place during the financial year.

BOARD OF DIRECTORS

Principle 1: The Board's conduct of its affairs

The Board is entrusted with the overall management of the business affairs of Company, and sets the overall strategy and policies on the Group's business direction. It reviews significant investment and divestment proposals, funding decisions, financial performance and key operational initiatives, and oversees the implementation of appropriate systems to manage the Group's business risks. Other functions include considering and approving nominations and re-nominations to the Board, and reviewing and endorsing the recommended framework of remuneration for the Board and key executives. The Board also assumes responsibility for corporate governance.

The Board has put in place financial authorisation limits for operating and capital budgets, procurement of goods and services, and cheque signatory arrangements. Approval sub-limits are also provided at management level to facilitate operational efficiency. Matters that are specifically reserved for the Board's decision include interested person transactions, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividend payments to shareholders, and other transactions of a material nature requiring announcement under the listing rules of the Singapore Exchange Securities Trading Limited {SGX-ST}. The Board also approves the periodic and full-year financial results for release to the SGX-ST.

The Board meets at least semi-annually. In addition to scheduled Board meetings, *ad hoc* meetings are convened as and when circumstances require. The Board met 3 times during the financial year. To facilitate the Board's decision-making process, the Company's Articles of Association provides for directors to participate in Board meetings by conference telephone and similar communications equipment, and for Board resolutions to be passed in writing, including by electronic means.

Directors and senior executives are briefed on the Group's operations and furnished with information on the Group's corporate governance practices at the time of appointment, and are routinely updated on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting the Company and/or the Group.

In the discharge of its functions, the Board is supported by specialty Board committees that provide independent oversight of management, and which also serve to ensure that there are appropriate checks and balances. These key committees, comprising the Audit Committee and the Remuneration Committee, are made up mainly of independent non-executive directors.

Principle 2: Board Composition and Balance

The Board currently comprises five members, three of whom are independent non-executive directors, and two are executive directors.

The Board has adopted the definition in the Code of what constitutes an independent director in its review of the independence of each director. The independent non-executive members of the Board comprise seasoned professionals with management, financial, accounting and asset management backgrounds. This enables the executive directors and management to benefit from their external and objective perspectives of issues that are brought before the Board.

The Board is of the view that its current composition comprises persons who, as a group, provides the necessary core competencies and that the current Board size is appropriate, taking into consideration the nature and scope of the Group's operations.

Information on the Board members is provided under the section "Board of Directors" in the Annual Report.

Principle 3: Chairman and Chief Executive Officer

The husband and wife team of Dr Henry Tay Yun Chwan and Mdm Chan Siew Lee (Dr Jannie Tay), the founders of The Hour Glass, have respectively held the positions of Executive Chairman and Managing Director of the Company since the time of the Company's public listing in 1988. They take an active role in management and overseeing of the Group's operations, providing a division of executive responsibility and authority in the Company. They are also regarded as controlling shareholders of the Company, having a collective interest in approximately 57.7% of the Company's issued shares.

The Company believes that it has effective independent non-executive directors (forming a majority of the Board) to provide balance within the workings of the Board and oversight for minority shareholders' interests. At the operational level, the close working relationship of the Executive Chairman and the Managing Director contributes to decisiveness and clarity in implementation of corporate policies and objectives, and serves to align the interests of the majority stakeholder with those of minority shareholders in the Company's goals for enhancing shareholder value. It is hence felt that it is not necessary, in the circumstances, for an independent non-executive chairman, or to separate the role of chairman and chief executive officer as recommended by the Code.

As part of his administrative duties, the Executive Chairman ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Group Chief Operating Officer and Group Chief Financial Officer. The Executive Chairman reviews board papers on significant issues before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information, and that formalities and procedures are observed. The Board, together with management, are responsible for ensuring compliance with applicable laws and regulations.

CORPORATE GOVERNANCE



Amended 18 Jul 03, Friday

Principle 4: Board membership

Given the present 5-member Board size, and that it consists of a majority of independent non-executive directors, the formation of a committee of the board to perform the functions of a Nominating Committee, as recommended by the Code, would be superfluous. Hence, the Board has decided against the formation of a Nominating Committee. Instead, the Board performs the functions that such a committee would otherwise perform, namely, it administers nominations and re-nominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members.

In line with the recommendation of the Code, the Company amended its Articles of Association in August 2002 to provide that all directors, including a managing director for the time being of the Company, are to submit themselves for periodic retirement and re-election by shareholders at annual general meetings of the Company.

Principle 5: Board performance

With its present composition and mix, the Board has endeavoured through each director's unique contributions and diversity of experience, to ensure that balanced and well-considered decisions are made in the best interests of the Company.

In the event of the appointment of a new Board member, the criteria for appointment will be underscored by the need to shape the Board in line with the medium-term needs of the Company and its strategic goals and business direction for the Group.

The factors taken into consideration for the re-nomination of the directors for the ensuing year included the directors' attendance and participation at Board meetings and Board committee meetings in the financial year under review, the Board and management having benefited from an open and healthy exchange of views and ideas. More importantly however, the renewal of a director's Board membership recognises the value of that individual to the Board and the Company, and his or her continued contribution to the on-going needs of the Company and its business.

A director's calibre, experience, stature and skills as well as his or her ability to contribute to the proper governance and stewardship of the Company and its operations are important qualities, albeit not capable of precise valuation or measurement, nor need such contributions necessarily be confined to the boardroom. Contributions by a director can take many forms, including providing objective perspectives of issues, facilitating business opportunities and strategic relationships, and accessibility to management outside of a formal environment of Board and/or Board committee meetings. The matrix of Board members' participation and attendance record at meetings of the Board and the specialty Board committees during the financial year is provided at the end of this statement. This also reflects a Board member's additional responsibilities and special focus on the respective Board committees of the Company.

The Board is of the view that the financial indicators set out in the Code as performance criteria for the evaluation of directors' performance are more a measure of management's performance and hence less appropriate for non-executive directors and the Board's performance as a whole. Such financial indicators also may not necessarily fully measure the long-term success and value creation of the Company. The Board is of the view that its performance would perhaps be better reflected in, and evidenced by, proper guidance, diligent oversight and able leadership of the Company, and the support that it lends to management in steering the Company and the Group in the appropriate direction, whether under favourable or challenging market conditions.

Principle 6: Access to information

Non-executive directors have access to the executive directors, management and the company secretary, and *vice versa*. In general, board papers are sent to all directors at least five days in advance of the Board meeting. Senior managers who have prepared the papers, or who can provide additional insight in the

matters to be discussed, are normally invited to present the paper or attend during the Board meeting. The company secretary attended all Board meetings in the year under review.

Where necessary, the Company will, upon the request of directors (whether as a group or individually), provide them with independent professional advice, at the Company's expense, to enable them to discharge their duties. The Group Chief Financial Officer assists the directors in obtaining such advice.

REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

Principle 8: Level and mix of remuneration

Principle 9: Disclosure of remuneration

The Company has had a Remuneration Committee (RC) since November 2000. The RC currently comprises four members. The RC is chaired by Mr Owen Phillimore Howell-Price, an independent non-executive director. The other members are Mr Robert Tan Kah Boh and Mr Timothy Chia Chee Ming, both of whom are independent non-executive directors, and Dr Henry Tay Yun Chwan, an executive director. The RC met once during the financial year.

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

CORPORATE GOVERNANCE



The RC's terms of reference do not include the annual review and recommendation of the fees for non-executive directors of the Company (to be put to shareholders in annual general meeting for approval), which is a Board reserved matter. Such fees are set in accordance with a remuneration framework comprising basic fees and additional fees for serving on Board committees. Executive directors do not receive directors' fees.

The Company adopts an overall remuneration policy for staff comprising of a fixed component in the form of a base salary. The variable component is in the form of a bonus that is linked to the Company's and the individual's performance. Another variable component is the grant of share options to staff under the Company's Share Option Scheme. The Company's two executive directors are under service contracts. Their contract renewals and any revisions are subject to the review and approval of the RC. Being deemed controlling shareholders, the two executive directors are not eligible to participate in the Company's Share Option Scheme.

The Code recommends that the remuneration of the Company's top five key executives who are not directors of the Company should be disclosed annually in a remuneration report. The Company believes that the disclosure of remuneration of the individual executives may be disadvantageous to the Group's interests, given the highly competitive industry conditions and the sensitivity and confidentiality of staff remuneration matters. Other than the two executive directors (being the Executive Chairman and Managing Director) and the Group Chief Operating Officer (who is a sibling of the Managing Director and brother-in-law of the Executive Chairman), no employee who is an immediate family member (as that term is defined in the Listing Manual of the SGX-ST) of a director received remuneration in excess of \$150,000 during the financial year.

The Company has also decided not to prepare a separate remuneration report as most of the information is already included at the end of this statement and in the financial statements in the Annual Report.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Principle 11: Audit Committee

Principle 12: 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 expenditures and investments. Comprehensive budgeting systems are in place to develop annual budgets covering key aspects of the business. The annual budgets are submitted to the Board for review and actual performance is compared with budgets periodically to monitor the Group's performance. All directors are provided with half yearly management accounts. .

The Company recognises that risk analysis and management is, *prima facie*, a function of management. The Company's approach to risk management focuses on ensuring that appropriate controls are in place to effectively manage those risks. Measures are adopted to manage such risks, and risk management policies are monitored by management, and periodically reviewed and approved by the Board. The internal audit plan is developed in conjunction with the Company's risk management objectives and policies, to confirm the operation of internal controls and to assess the effectiveness and efficiency of the control environment. In addition, the Board requires that any major proposal submitted to the Board for decision be accompanied by a comprehensive risk evaluation and, where required, management's proposed mitigation strategies. The Company's risk management policies and practices are described in note 35 to the accounts, at page 67 of the Annual Report.

Established originally in March 1991, the current Audit Committee (AC) comprises three members, all of whom are independent non-executive directors. The AC is

chaired by Mr Robert Tan Kah Boh, and the other members are Mr Owen Phillimore Howell-Price and Mr Timothy Chia Chee Meng. The Board is of the view that the AC members have the relevant expertise to discharge the functions of an AC. The AC's scope of authority are formalized in its terms of reference, which include the statutory functions of an audit committee as prescribed under the Companies Act of Singapore and applicable listing rules of the SGX-ST.

The activities of the AC include reviewing with the external auditors their (i) annual audit plan, findings, and recommendations to management as well as management's response; (ii) evaluation of the system of internal accounting controls; and (iii) audit report. The AC also reviews the assistance given by management to the external auditors, the scope and results of the internal audit procedures, the balance sheet and profit and loss accounts of the Company and Group as well as the half-year and full-year results prior to their submission to the Board, and (where applicable) interested person transactions. The AC also recommends the appointment or re-appointment of the external auditors, and takes into consideration the scope and results of the audit and its cost effectiveness and the independence of the external auditors.

The AC has undertaken a review of all non-audit services provided by the external auditors during the financial year, and is of the view that they would not affect the independence of the external auditors.

During the financial year, the AC met 3 times. The AC has full access to and co-operation of the Company's management and the internal auditors and has full discretion to invite any executive director or officer to attend its meetings. The auditors, both internal and external, have unrestricted access to the AC. Reasonable resources have been made available to the AC to enable it to discharge its duties. The AC will meet the external auditors without the presence of management, at least annually. Currently, the internal auditors meet with the AC annually without the presence of management.

CORPORATE GOVERNANCE



The Company's external auditors carry out, in the course of their annual statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management to the extent of the scope of audit as laid out in their audit plan. Material non-compliance and internal control weaknesses noted during the audit, and the auditors' recommendations to address such non-compliance and weakness are reported to the AC. Management follows up and implements the external auditors' recommendations.

The Board is of the view that the overall internal controls and processes currently in place are adequate.

Principle 13: Internal audit

The Company has had an internal audit function since 1993. The internal audit staff is headed by a senior manager, who reports directly to the AC on audit matters, and to the Executive Chairman on administrative matters. The AC reviews the internal audit reports and activities on a half-yearly basis. The AC also reviews and approves the annual internal audit plan. The AC is of the view that the internal audit department is adequately resourced to perform its functions and have, to the best of its ability, maintained its independence from the activities that it audits.

The internal audit department applies the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors in carrying out its functions.

COMMUNICATING WITH SHAREHOLDERS

Principle 14: Communication with shareholders

Principle 15: Encouraging greater shareholder participation

The Company communicates information to shareholders and the investing community through announcements that are released to the SGX-ST via MASNET. Such announcements include the half-year and full-year results, material transactions, and other developments relating to the Group requiring disclosure under the corporate disclosure policy of the SGX-ST. The Company is not presently subject to mandatory quarterly reporting.

All shareholders of the Company are sent a copy the Annual Report and notice of the Annual General Meeting (AGM). The notice of AGM which sets out all items of business to be transacted at the AGM, is also advertised in the newspapers. The Company also maintains a website www.thehourglass.com where the public can access information on the Group.

The Company's main forum for dialogue with shareholders takes place at its AGM, whereat members of the Board, senior management and the external auditors are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask questions regarding the Company. The Company's Articles of Association allow a shareholder to appoint one or two proxies to attend and vote at general meetings in his/her stead.

Remuneration matters

(I) Breakdown of remuneration in percentage terms

Directors	Salary (%)	Bonus (%)	Fees (%)	Other benefits (%)	Total
Henry Tay Yun Chwan	88.3%	8.3%	-	3.4%	100%
Chan Siew Lee	51.5%	42.7%	-	5.8%	100%
Owen Phillimore-Howell Price	-	-	100%	-	100%
Robert Tan Kah Boh	-	-	100%	-	100%
Timothy Chia Chee Ming	-	-	100%	-	100%

(II) Ranges of gross remuneration received

No. of Directors in remuneration bands	2003	2002
\$750,000 to \$1,000,000	-	1
\$500,000 to \$750,000	1	1
\$250,000 to \$500,000	1	-
Below \$250,000	3	5
Total	5	7

Note:

None of the above persons participate in the Company's Share Option Scheme.

Directors' attendance at Board and committee meetings

Board composition and committees	Board of Directors		Audit Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Henry Tay Yun Chwan	3	3	-	-	1	1
Chan Siew Lee	3	2	-	-	-	-
Owen Phillimore-Howell Price	3	3	3	3	1	1
Robert Tan Kah Boh	3	3	3	3	1	1
Timothy Chia Chee Ming	3	3	3	3	1	1

ADDITIONAL INFORMATION

Ethical standards and business conduct

The Company has developed a code of ethics and business conduct to be observed by all employees of the Group. The code of conduct also deals with subjects such as confidential information and conflicts of interests. The code, which is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism, requires that all personnel act with utmost integrity, objectivity and in compliance with both the letter and spirit of the law as well as with company policies and procedures.

Dealing in Securities

The Company has adopted an internal policy with respect to dealings in securities modelled on the SGX-ST Best Practices Guide. Directors and staff are to refrain from dealing in the securities of the Company during the periods commencing one month before and up to the date of announcement of the Company's half-year and full-year results, or while in possession of material price sensitive non-public information. They are also encouraged not to deal on considerations of a short-term nature.

Interested Person Transactions

Transactions with the Company's interested persons (as that term is defined in the Listing Manual of the SGX-ST) are subject to review and approval by the Board comprising those directors who do not have an interest in the transaction. Where required by the relevant listing rules of the SGX-ST, the AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interests of the Company and shareholders, before making its recommendation to the Board for endorsement. The Company's disclosure in accordance with Rule 907 of the Listing Manual of the SGX-ST in respect of interested person transactions for the financial year ended 31 March 2003 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Amstay Pte Ltd (associate of Dr Henry Tay Yun Chwan and Mdm Chan Siew Lee)	\$466,200*	Not applicable - the Company does not have a shareholders' mandate pursuant to Rule 920

**Gross rental in respect of 3-year lease of office premises at 12th floor, Tong Building, Singapore, commencing January 2003, leased from Amstay Pte Ltd.*



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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 2003.

Principal activities

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

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

Results for the financial year

	Group \$'000	Company \$'000
Net profit for the year	2,560	761

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.

Dividends

During the financial year, a first and final dividend of 1.25 cents per share, less tax of 22% amounting to \$1,060,449 was paid in respect of the previous financial year as proposed in the Report of the Directors of that year.

The Directors propose that a first and final dividend of 0.625 cents per share, less tax of 22% amounting to \$530,230 be paid in respect of the financial year under review.

Material movements in reserves and provision

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

Directors

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

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

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

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

There was no change in any of the abovementioned Directors' interests between the end of the financial year and 21 April 2003.

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 or debentures 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.

Audit Committee

The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee at the date of this report are :

Mr Robert Tan Kah Boh (Chairman)
Mr Owen Phillimore Howell-Price
Mr Timothy Chia Chee Ming

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

- (a) the evaluation of the Group's system of internal accounting controls;
- (b) the Group's financial and operating results;
- (c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors;
- (d) the audit plan of the external auditors, including the nature and scope of the audit before the audit commences;
- (e) audit report submitted by external auditors;
- (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.

Share capital

During the year, employees exercised their options under The Hour Glass Employees' Share Option Scheme and subscribed for 63,000 ordinary shares of \$0.25 each.

No subsidiary company issued any shares during the financial year.

Share options

- (a) The Hour Glass Employees' Share Option Scheme ("ESOS") came to the end of its 10-year operating duration in April 2000. Adopted on 25 April 1990 as The Hour Glass Executives Share Option Scheme, it was renamed and amended to extend its coverage to selected employees of the Company and its subsidiaries below executive grade on 22 September 1994. The termination of the ESOS does not affect outstanding options granted under the ESOS prior to its termination, which continue to be exercisable in accordance with the terms of the ESOS. However, upon its termination no further options have been granted under the ESOS. Employees who were also substantial shareholders of the Company were not eligible to participate in the ESOS. The ESOS was limited to 5% of the issued ordinary share capital of the Company for the time being.
- (b) Details of options granted previously under the ESOS have been disclosed in the Directors' Report for the respective previous years. Under the ESOS:
- (i) The exercise periods of the options are as disclosed hereunder provided that they have not been subsequently cancelled.
 - (ii) Subject to the rules of the ESOS, an option shall immediately lapse upon the participant ceasing to be employed by the Company and its subsidiaries for whatever reason.
 - (iii) The participant may exercise the option by notice in writing accompanied by a remittance for the exercise price (subject to adjustments as provided under the ESOS). All exercise prices are fixed at the market prices of the shares at the time of grant of the options.
 - (iv) Participants of the ESOS may not participate in any other share option schemes of the Company or its subsidiaries and must always participate in the scheme of the company in which they are principally employed unless such company does not have a scheme.
- (c) The ESOS is administered by a committee of Directors comprising :
- Dr Henry Tay Yun Chwan
Mdm Chan Siew Lee
Mr Timothy Chia Chee Ming
- (d) On 28 September 2000, a new share option scheme, The Hour Glass Share Option Scheme 2000 ("Scheme") was adopted to succeed the ESOS. The Scheme, which was approved at an Extraordinary General Meeting held on 28 September 2000, will continue in operation, at the discretion of the committee administering the Scheme, for a maximum duration of 10 years from that date. The size of the Scheme is limited to 15% of the issued ordinary share capital of the Company for the time being.

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

Subject to such participation being approved, any grant of an option to such an associate requires prior approval of independent shareholders in a general meeting.

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

(e) Under the Scheme:

- (i) Options that are granted to participants who are employees of the Company or its subsidiary companies will have a validity period of 10 years from the date of grant. Options that are granted to participants who are non-executive directors will have a validity period of 5 years from the date of grant.
- (ii) Subject to the rules of the Scheme, an option shall immediately lapse upon the participant ceasing to be employed by, or as the case may be, ceasing to be a non-executive director of, the Company or its subsidiaries for whatever reason.
- (iii) Options may be granted under the Scheme at any time while it is in force. Upon acceptance of the grant of an option, the grantee must pay to the Company a consideration of \$1.00 for the grant. Options may be granted with exercise prices that are set:
 - at the market price of the shares at the time of grant;
 - at the market price of the shares at the time of grant, but which may be adjusted (at the end of an incentive period) by a discount of up to 20% of the market price; or
 - at a discount (up-front) to the market price of the shares at the time of grant, such discount not to exceed 20% of that market price.
- (iv) An option in respect of which the exercise price is set at the market price of the shares at the time of grant may not be exercised before the 1st 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 2nd anniversary of its date of grant. Options that are granted may also be subject to vesting schedules.
- (v) The participant may exercise the option by notice in writing accompanied by a remittance for the aggregate exercise price (subject to adjustments as provided under the Scheme).
- (vi) Participants of the Scheme are not restricted from participating in other share option or share incentive schemes, whether implemented by the Company or its subsidiary companies or otherwise.

(f) The Scheme is administered by the Remuneration Committee.

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

	Date granted	Option period (both dates inclusive)	Option exercise price per share \$	Balance 1.4.2002	Options cancelled	Options exercised	Balance 31.3.2003
(i)	06.8.1997	06.8.1998 - 05.8.2002	1.36	204,000	(204,000)	–	–
(ii)	23.1.1998	23.1.1999 - 22.1.2003	0.45	96,000	(96,000)	–	–
(iii)	15.1.1999	15.1.2000 - 14.1.2004	0.38	180,000	(10,000)	(34,000)	136,000
(iv)	19.7.1999	19.7.2000 - 18.7.2004	0.80	262,000	(13,000)	–	249,000
(v)	24.1.2000	24.1.2001 - 23.1.2005	0.52	511,000	(35,000)	(29,000)	447,000
				1,253,000	(358,000)	(63,000)	832,000

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

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

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

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

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

Acquisitions and disposals of subsidiary companies

Acquisitions

During the financial year, the Company acquired additional equity in the following subsidiary companies:

Name of company	Interest acquired %	Interest after acquisition %	Consideration \$	Net assets acquired \$
Lakewind Impex Pte Ltd	20	100	780,492	780,492
Bertolucci (S) Pte Ltd	10	100	267,135	267,135

Liquidation

During the financial year, R.S. Hour Pte Ltd was liquidated.

There were no other acquisition and disposal 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 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 2003 as set out under the paragraph headed 'Directors' above.
- (b) Except as disclosed in Note 36 to the financial statements, there are no other material contracts or loans to which the Company or any related company is a party and which involve Directors' or controlling shareholders' interests subsisted at, or have been entered into since the end of the previous 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
Executive Chairman

Chan Siew Lee
Managing Director

Singapore
8 July 2003

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 2003 and of the results of the business and changes in equity of the Company and of the Group and the cash flow of the Group for the year then ended; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Henry Tay Yun Chwan
Executive Chairman

Chan Siew Lee
Managing Director

Singapore
8 July 2003

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 36 to 69. The financial statements comprise the balance sheets of the Company and of the Group as at 31 March 2003, 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 2003, 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 2003, 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 14.

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

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

ERNST & YOUNG

Certified Public Accountants

Singapore
8 July 2003

PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

(In Singapore dollars)

	Note	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue	3	256,115	251,310	137,871	144,772
Costs and expenses					
Costs of goods sold		215,276	212,717	117,985	126,783
Salaries and employees benefits	28	15,216	14,966	8,702	8,158
Depreciation of investment properties and property, plant and equipment		3,122	2,703	1,602	1,649
Lease rental		6,222	5,372	2,997	2,992
Other operating expenses		10,906	7,584	4,136	3,847
Total costs and expenses		250,742	243,342	135,422	143,429
Operating profit	4	5,373	7,968	2,449	1,343
Investment and interest income	5	785	988	739	5,180
Interest expense	6	(326)	(194)	(107)	(50)
Gain on disposal of investment property		–	1,020	–	–
Provision for amounts due from subsidiary companies		–	–	(951)	(1,269)
Provision for impairment in carrying amount of leasehold premise		(1,500)	–	–	–
Provision for impairment in carrying amount of investment in subsidiary companies		–	–	(499)	–
Profit from continuing operations before taxation and minority interests		4,332	9,782	1,631	5,204
Taxation	7	(1,639)	(3,243)	(870)	(1,033)
Profit from continuing operations after taxation		2,693	6,539	761	4,171
Minority interests, net of taxation		(133)	(413)	–	–
Net profit from continuing operations after taxation and minority interests		2,560	6,126	761	4,171
Discontinued operations, net of taxation					
Net gain from discontinued operations	8	–	54	–	–
Net profit for the year		2,560	6,180	761	4,171
Basic earnings per share (cents)	10	2.35	5.69		
Diluted earnings per share (cents)	10	2.35	5.68		

The accounting policies and explanatory notes on pages 40 to 69 form an integral part of the financial statements.

BALANCE SHEETS AS AT 31 MARCH 2003

(In Singapore dollars)

	Note	Group		Company	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	11	17,729	20,100	11,074	12,435
Investment properties	12	7,620	7,613	947	973
Goodwill	13	97	197	–	–
Subsidiary companies	14	–	–	24,121	23,573
Other investments	15	251	318	251	310
Long term receivable	16	5,405	4,956	5,405	4,956
Deferred tax assets	17	296	264	–	–
		31,398	33,448	41,798	42,247
Current assets					
Stocks	18	115,143	100,701	50,758	46,779
Trade debtors	19	5,490	7,539	1,417	1,813
Other debtors	20	4,569	4,663	1,268	1,792
Amounts due from subsidiary companies	21	–	–	25,409	27,202
Fixed deposits with banks		2,690	895	2,155	895
Cash and bank balances		8,816	8,767	3,953	2,526
		136,708	122,565	84,960	81,007
Less : Current liabilities					
Bank overdrafts		799	–	–	–
Bank term loans	22	15,485	2,800	6,297	–
Trade creditors		22,078	23,112	12,352	10,965
Other creditors	23	1,840	2,056	676	629
Amounts due to subsidiary companies	21	–	–	16,445	20,101
Hire purchase creditors	24	21	–	–	–
Provision for taxation		2,897	4,045	2,400	2,668
		43,120	32,013	38,170	34,363
Net current assets		93,588	90,552	46,790	46,644
Less : Non-current liabilities					
Bank term loans	22	454	677	–	–
Hire purchase creditors	24	38	–	–	–
Deferred tax liabilities	25	173	245	154	186
		665	922	154	186
		124,321	123,078	88,434	88,705
Equity					
Share capital	26	27,191	27,175	27,191	27,175
Reserves	27	93,822	91,635	61,243	61,530
		121,013	118,810	88,434	88,705
Minority interests					
		3,308	4,268	–	–
		124,321	123,078	88,434	88,705

The accounting policies and explanatory notes on pages 40 to 69 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2003

(In Singapore dollars)

	Note	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Ordinary shares					
Balance at beginning of year		27,175	27,175	27,175	27,175
Issuance of ordinary shares		16	–	16	–
Balance at end of year		27,191	27,175	27,191	27,175
Share premiums					
Balance at beginning of year		29,491	29,491	29,491	29,491
Premium on ordinary shares issued during the year		12	–	12	–
Balance at end of year		29,503	29,491	29,503	29,491
Capital reserve					
Balance at beginning of year		261	261	161	161
Surplus on revaluation of freehold premise realised upon disposal		(161)	–	(161)	–
Balance at end of year		100	261	–	161
Foreign currency translation reserve					
Balance at beginning of year		4,521	3,149	–	(68)
Unrealised foreign currency translation adjustment for the year		675	1,304	–	–
Foreign currency translation adjustment realised		–	68	–	68
Balance at end of year		5,196	4,521	–	–
Revenue reserve					
Balance at beginning of year		57,362	49,425	31,878	27,108
Effect of adopting SAS 31		–	3,809	–	2,651
Surplus on revaluation of freehold premise realised upon disposal		161	–	161	–
Net profit for the year		2,560	6,180	761	4,171
Dividends on ordinary shares less tax	9	(1,060)	(2,052)	(1,060)	(2,052)
Balance at end of year		59,023	57,362	31,740	31,878
Total equity		121,013	118,810	88,434	88,705

The accounting policies and explanatory notes on pages 40 to 69 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2003

(In Singapore dollars)	2003	2002
	\$'000	\$'000
Cash flows from operating activities :		
Profit before income tax	4,332	9,782
Adjustments for :		
Interest expenses	326	194
Interest income	(58)	(267)
Depreciation of properties, plant and equipment	2,978	2,557
Depreciation of investment properties	144	146
Provision for impairment in carrying amount of leasehold premise	1,500	–
Amortisation of other investment	54	24
Amortisation of goodwill	100	100
(Gain)/loss on disposals of properties, plant and equipment	(175)	53
Foreign currency translation adjustment	581	1,320
Gain before minority interest of discontinued operations	–	54
Provision for impairment in carrying amount of other investments	13	64
Gain on disposal of investment property	–	(1,020)
Operating profit before working capital	9,795	13,007
Increase in stocks	(14,442)	(12,726)
Decrease in debtors	1,694	429
Decrease in creditors	(1,250)	(1,678)
Cash applied in operations	(4,203)	(968)
Income taxes paid	(2,891)	(3,285)
Interest expense paid	(326)	(194)
Interest income received	58	267
Net cash used in operating activities	(7,362)	(4,180)
Cash flows from investing activities :		
Additional investment in subsidiary companies	(1,048)	–
Proceeds from sale of properties, plant and equipment	567	68
Purchase of properties, plant and equipment (note 34(b))	(2,378)	(3,415)
Proceeds from sale of investment property	–	3,751
Net cash (used in)/provided by investing activities	(2,859)	404
Cash flows from financing activities :		
Proceeds from issue of shares	28	–
Repayment of hire purchase creditors	(3)	–
Net increase/(decrease) in bank loans	12,462	(961)
Dividends paid to shareholders	(1,060)	(2,052)
Dividends paid to minority shareholders of subsidiary companies	(36)	(28)
Net cash provided by/(used in) financing activities	11,391	(3,041)
Net increase/(decrease) in cash and cash equivalents	1,170	(6,817)
Effects of exchange rate changes	(125)	(430)
Cash and cash equivalents at beginning of year (note 34(a))	9,662	16,909
Cash and cash equivalents at end of year (note 34(a))	10,707	9,662

The accounting policies and explanatory notes on pages 40 to 69 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2003

1. Corporate information

The consolidated financial statements of The Hour Glass Limited ("the Company") for the financial year ended 31 March 2003 were authorised for issue in accordance with a resolution of the Directors passed on 8 July 2003.

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

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

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

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

The Group and Company employed 237 and 124 (2002 : 231 and 120) employees as at 31 March 2003, respectively.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

(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 written-off on a straight line basis over a ten-year period.

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

(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 impairment in value which is considered to be permanent.

(e) **Investments**

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

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

(f) **Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment loss. 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 assets.

Premises held on 999-year lease are regarded as equivalent to freehold and are included with freehold premises under 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.

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

(i) Trade and other debtors

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

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

(j) Trade and other creditors

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

Amounts due to subsidiary companies are carried at cost.

(k) Provisions

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

(l) Deferred taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not be reverse in the foreseeable future.

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

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

(l) Deferred taxation (cont'd)

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

(m) Leased assets

Where assets are financed by lease agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright at the values equivalent to the principal values of total rental payable during the periods of the leases and the corresponding lease commitments are included under liabilities. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss accounts. Depreciation on the relevant assets is charged to the profit and loss accounts.

Annual rentals on operating leases are charged to the profit and loss accounts.

(n) Foreign currencies

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

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

(o) Impairment of assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is included in the profit and loss account.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

(p) **Depreciation**

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

Property, plant and equipment :

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

Investment properties :

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

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

(q) **Employee benefits**

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employee. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

Defined contribution plans

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

Share options

The Company has in place The Hour Glass Share Option Scheme 2000 ("Scheme") for the granting of options to eligible employees to subscribe for shares in the Company. There are no charges to the profit and loss account upon the grant or exercise of the options. The exercise price is equivalent to the market value of the shares or at a discount of up to 20% of the market value of the shares at the time of grant.

Details of the Scheme are disclosed in Note 28 to the financial statements.

(r) **Cash and cash equivalents**

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

3. Revenue

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

4. Operating profit

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Operating profit is stated after charging/(crediting) :				
Depreciation of property, plant and equipment	2,978	2,557	1,576	1,623
Depreciation of investment properties	144	146	26	26
Amortisation of goodwill	100	100	–	–
Amortisation of other investment	54	24	54	24
Provision for impairment in carrying amount of quoted investments	13	64	5	63
(Gain)/loss on disposal of property, plant and equipment	(175)	53	(170)	–
Directors' fees	140	140	140	140
Directors' emoluments :				
- Directors of the Company				
• salaries, bonuses and other related costs	938	1,518	938	1,518
• central provident funds	18	23	18	23
- Other directors of subsidiary companies				
• salaries, bonuses and other related costs	732	1,069	–	–
• state provident funds	32	54	–	–
Auditors' remuneration :				
- Auditors of the Company				
• current year	112	106	74	69
• overprovision in prior year	(1)	–	–	–
- Other auditors				
• current year	119	94	–	–
• under-provision in prior year	26	25	–	–
Non audit fees paid to auditors	88	227	51	141
Non audit fees paid to other auditors				
• current year	48	66	–	–
• over-provision in prior year	–	(1)	–	–
Provision for/(write-back of) doubtful debts	36	(17)	19	3
Doubtful debts recovered	(49)	–	–	–
Foreign exchange gain, net	(107)	(1,250)	(397)	(697)

5. Investment and interest income

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Gross dividend income from unquoted subsidiary companies	–	–	77	4,483
Interest income from subsidiary companies	–	–	328	329
Interest income from banks	58	267	5	44
Rental income from subsidiary companies	–	–	101	101
Rental income from external parties	727	721	228	223
	785	988	739	5,180

6. Interest expense

Interest on bank term loans	238	156	36	11
Interest on bank overdrafts	88	38	55	25
Interest on loan from a subsidiary company	–	–	16	14
	326	194	107	50

7. Taxation

Provision for taxation in respect of results for the year :				
Current taxation	1,732	2,833	891	847
Deferred taxation	(58)	261	(32)	186
(Over)/under provision in respect of previous years :				
Current taxation	11	149	11	–
Deferred taxation	(46)	–	–	–
	1,639	3,243	870	1,033

7. Taxation (cont'd)

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

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Profit before taxation for the year	4,332	9,782	1,631	5,204
Taxation on profit before taxation for the year at 22% (2002 : 24.5%)	953	2,396	359	1,275
Adjustments :				
Permanent differences/expenses not deductible for tax purposes	698	495	649	513
Additional tax on income of subsidiary companies in countries whose tax rate is higher than the Singapore statutory tax rate	125	54	–	–
Deferred tax assets not recognised	59	–	–	–
Unabsorbed losses utilised	(71)	–	–	–
Non-taxable income	(59)	(344)	(32)	(795)
Tax incentive	(88)	–	(88)	–
Change in statutory tax rate	(23)	–	(19)	–
(Over)/under provision in respect of previous years	(35)	149	11	–
Others	80	493	(10)	40
Current financial year's taxation charge	1,639	3,243	870	1,033

As at 31 March 2003, certain subsidiary companies have unabsorbed tax losses of approximately \$1,340,000 (2002 : \$2,128,000) available for set-off against future taxable profits subject to the regulations and agreements by the relevant tax authorities.

8. Discontinued operations

The revenue, expenses and results from the operations of subsidiary company which has ceased operations are as follows :

	Group	
	2003	2002
	\$'000	\$'000
Other income	–	71
Operating cost	–	(15)
Gain before taxation	–	56
Taxation	–	(2)
Gain from discontinued operations after taxation	–	54

9. Dividends

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Bonus dividend of nil cents per share (2002 : 1.25 cents per share less tax of 24.5%)	–	1,026	–	1,026
First and final dividend of 1.25 cents per share (2002 : 1.25 cents per share) less tax of 22% (2002 : 24.5%)	1,060	1,026	1,060	1,026
	1,060	2,052	1,060	2,052

The Directors propose that a first and final dividend of 0.625 cents per share less tax of 22% amounting to \$530,230 be paid for the financial year ended 31 March 2003.

10. Earnings per share

	Group	
	2003	2002
	\$'000	\$'000
Earnings for the year	2,560	6,180
	'000	'000
Number of shares		
Weighted average number of ordinary shares for calculation of basic earnings per share	108,744	108,702
Dilution adjustments for share options	18	40
Adjusted weighted average number of shares for calculation of diluted earnings per share	108,762	108,742
	Cents	Cents
Earnings per share		
- Basic	2.35	5.69
- Diluted	2.35	5.68

11. Property, plant and equipment

	Freehold premises \$'000	Leasehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Group					
Cost and valuation					
At 1 April 2002					
- Cost	14,937	3,170	16,075	1,050	35,232
- Valuation 1982	320	–	–	–	320
	15,257	3,170	16,075	1,050	35,552
Additions	–	–	2,127	313	2,440
Disposals/write-offs	(320)	–	(454)	(473)	(1,247)
Foreign currency translation adjustment	196	(125)	129	2	202
Cost					
At 31 March 2003	15,133	3,045	17,877	892	36,947
Accumulated depreciation					
At 1 April 2002	3,076	296	11,483	597	15,452
Charge for the year	304	61	2,475	138	2,978
Disposals/write-offs	(140)	–	(285)	(430)	(855)
Foreign currency translation adjustment	39	13	90	1	143
Provision for impairment in carrying amount of leasehold premise	–	1,500	–	–	1,500
At 31 March 2003	3,279	1,870	13,763	306	19,218
Charge for 2002	303	163	1,996	195	2,557
Net book value					
At 31 March 2003	11,854	1,175	4,114	586	17,729
At 31 March 2002	12,181	2,874	4,592	453	20,100

11. Property, plant and equipment (cont'd)

	Cost \$'000
(a) Freehold premises	
Singapore	
114 square metres shop unit at Peninsula Plaza, situated at 111 North Bridge Road	4,569
638 square metres office unit at 302 Orchard Road, #11-01 Tong Building	7,664
Australia	
356 square metres shop/office unit at 70 Castlereagh Street, Sydney	2,698
Malaysia	
116 square metres office unit at Suite 12-2, 12 th Floor, Wisma UOAI 21 Jalan Pinang, 50450 Kuala Lumpur	202
	<hr/> 15,133 <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)	<hr/> 3,045 <hr/>

11. Property, plant and equipment (cont'd)

	Freehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Company				
Cost and valuation				
At 1 April 2002				
- Cost	12,233	10,682	645	23,560
- Valuation 1982	320	–	–	320
	12,553	10,682	645	23,880
Additions	–	326	240	566
Disposals/write-offs	(320)	(369)	(320)	(1,009)
Cost				
At 31 March 2003	12,233	10,639	565	23,437
Accumulated depreciation				
At 1 April 2002	2,622	8,430	393	11,445
Charge for the year	249	1,242	85	1,576
Disposals/write-offs	(141)	(202)	(315)	(658)
At 31 March 2003	2,730	9,470	163	12,363
Charge for 2002	252	1,242	129	1,623
Net book value				
At 31 March 2003	9,503	1,169	402	11,074
At 31 March 2002	9,931	2,252	252	12,435

A subsidiary company's freehold premises with net book value of approximately \$2,163,000 (2002 : \$2,048,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

The Group's freehold premises with a net book value of approximately \$9,503,000 (2002: \$9,931,000) has been mortgaged to secure banking facilities granted to the Company.

12. Investment properties

	Leasehold premises \$'000	Freehold land \$'000	Freehold building and premises \$'000	Total \$'000
Group				
Cost				
At 1 April 2002	1,329	1,610	5,846	8,785
Foreign currency translation adjustment	–	–	183	183
At 31 March 2003	1,329	1,610	6,029	8,968
Accumulated depreciation				
At 1 April 2002	356	–	816	1,172
Charge for the year	26	–	118	144
Foreign currency translation adjustment	–	–	32	32
At 31 March 2003	382	–	966	1,348
Charge for 2002	26	–	120	146
Net book value				
At 31 March 2003	947	1,610	5,063	7,620
At 31 March 2002	973	1,610	5,030	7,613

	Leasehold premises \$'000
Company	
Cost	
At 1 April 2002 and 31 March 2003	1,329
Accumulated depreciation	
At 1 April 2002	356
Charge for the year	26
At 31 March 2003	382
Charge for 2002	26
Net book value	
At 31 March 2003	947
At 31 March 2002	973

12. Investment properties (cont'd)

The investment properties of the Group as at 31 March 2003 are as follows :

- (a) 42 square metres shop at Centrepont situated at 176 Orchard Road (lease term, 99 years from 17 August 1979) amounting to \$1,329,000. The estimated market value of the property stated at directors' valuation based on professional valuation by Premas International Limited as at 23 November 2001 is \$2,300,000.
- (b) 1,350 square metres (freehold) shop/office unit and lettable space at 252 Collins Street, Melbourne, Australia amounting to \$2,414,000. 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 \$2,424,000 (A\$2,300,000).
- (c) 223.8 square metres (freehold) shophouse at 2 Trengganu Street, Singapore amounting to \$5,226,000. The estimated market value of the property stated at directors' valuation based on professional valuation by Premas International Limited as at 23 November 2001 is approximately \$4,800,000.

A subsidiary company's investment property with a net book value of \$1,981,000 (2002 : \$1,875,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

The Group's investment properties with a net book value of \$5,639,000 (2002 : \$5,738,000) are mortgaged to secure banking facilities granted to the Company.

13. Goodwill

	Group	
	2003	2002
	\$'000	\$'000
Goodwill arising from acquisition of shares in subsidiary companies		
Balance at 1 April	1,394	1,876
Liquidation of subsidiary companies	–	(482)
Balance at 31 March	1,394	1,394
Amortisation :		
Balance at 1 April	1,197	1,579
Provided during the year	100	100
Liquidation of subsidiary companies	–	(482)
Balance at 31 March	1,297	1,197
Goodwill, net of amortisation	97	197

14. Subsidiary companies

	Company	
	2003 \$'000	2002 \$'000
Unquoted shares, at cost	27,461	26,714
Provision for impairment in value of investment	(3,340)	(3,141)
	24,121	23,573
Analysis of provision for impairment in value of investment :		
Balance at 1 April	3,141	4,277
Provided during the year	499	–
Written off against cost of investment	(300)	(1,136)
Balance at 31 March	3,340	3,141

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

Name of subsidiary company	Cost to Company	
	2003 \$'000	2002 \$'000
Dynasty Watch Pte Ltd	500	500
Lakewind Impex Pte Ltd	1,486	706
Astoria Trading Pte Ltd	305	305
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 Hour Glass (Australia) Pty Ltd (formerly known as The Watch Gallery Holding Company Pty Ltd)	4,646	4,646
Bertolucci (S) Pte Ltd	839	572
Gubelin Watch Company Ltd	10,261	10,261
Pagoda Chinatown Pte Ltd	2	2
Monte Carlo Time S.A.M.	1,163	1,163
The Hour Glass Japan Ltd	3,630	3,630
R.S. Hour Pte Ltd	–	300
The Hour Glass USA, Inc	1,678	1,678
Times Master Enterprises Limited	*	*
	27,461	26,714

* Denotes amount less than \$1,000

14. Subsidiary companies (cont'd)

Other details of the subsidiary companies are :

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Auditors
		2003	2002	
		%	%	
Held by the Company				
<i>Retailing and distribution of watches, jewellery and related products</i>				
Dynasty Watch Pte Ltd	Singapore	100	100	Ernst & Young, Singapore
Lakewind Impex Pte Ltd	Singapore	100	80	Ernst & Young, Singapore
Mondial Jewellers Pte Ltd	Singapore	60	60	Ernst & Young, Singapore
Bertolucci (S) Pte Ltd	Singapore	100	90	Ernst & Young, Singapore
The Hour Glass Sdn Bhd	Malaysia	95	95	Ernst & Young, Malaysia
The Hour Glass (HK) Ltd	Hong Kong	100	100	Ernst & Young, Hong Kong
Gubelin Watch Company Ltd	Hong Kong	100	100	Ernst & Young, Hong Kong
The Hour Glass (Australia) Pty Ltd (formerly known as The Watch Gallery Holding Company Pty Ltd)	Australia	100	100	Ernst & Young, Australia
The Hour Glass Japan Ltd	Japan	100	100	Shin Nihon & Co. *
<i>Investment in properties</i>				
Pagoda Chinatown Pte Ltd	Singapore	100	100	Ernst & Young, Singapore
Time Master Enterprises Limited	Hong Kong	100	100	Ernst & Young, Hong Kong
<i>Dormant companies</i>				
Astoria Trading Pte Ltd	Singapore	100	100	Ernst & Young, Singapore
Monte Carlo Time S.A.M.	Monaco	66	66	▲
Multiple Properties Pte Ltd	Singapore	100	100	▲
R.S. Hour Pte Ltd	Singapore	–	60	#
The Hour Glass USA, Inc	USA	100	100	+
Held by subsidiary companies :				
<i>Retailing and distribution of watches and related products</i>				
The Watch Gallery Pty Ltd	Australia	100	100	Ernst & Young, Australia
The Hour Glass (Thailand) Co Ltd ♦	Thailand	49	49	Ernst & Young, Thailand

14. Subsidiary companies (cont'd)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Auditors
		2003	2002	
		%	%	
<i>Distribution of jewellery and related products</i>				
Jewels by Mondial Sdn Bhd	Malaysia	60	60	Ernst & Young, Malaysia
<i>Investment holding</i>				
The Hour Glass Holding (Thailand) Co Ltd ❖	Thailand	49	49	Ernst & Young, Thailand
<i>Dormant companies</i>				
The Hour Glass Dharmala Limited	Hong Kong	60	60	Ernst & Young, Hong Kong

* Associated firm of Ernst & Young International

▲ Not audited as company is under voluntary liquidation.

+ Not required to be audited under the laws of its country of incorporation.

♦ The Group holds a 98.97% controlling interest in the subsidiary through their voting rights

Liquidated during the year

15. Other investments

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Quoted shares, at cost	559	559	550	550
Less : Provision for impairment	(549)	(536)	(540)	(535)
	10	23	10	15
Club memberships, at cost	350	389	350	389
Less : Amounts amortised	(109)	(94)	(109)	(94)
	241	295	241	295
	251	318	251	310
Market value of quoted shares	10	18	10	15

15. Other investments (cont'd)

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Analysis of provision for impairment :				
Balance at 1 April	536	472	535	472
Charged to profit and loss account	13	64	5	63
Balance at 31 March	549	536	540	535
Analysis of amortisation of club membership cost :				
Balance at 1 April	94	70	94	70
Charged to profit and loss account	54	24	54	24
Written off against cost of club membership	(39)	–	(39)	–
Balance at 31 March	109	94	109	94

16. Long-term receivable

	Group and Company	
	2003	2002
	\$'000	\$'000
Receivable pursuant to the disposal of subsidiary companies	5,405	4,956

This relates to the proceeds of CHF 4.5 million receivable from Bulgari in 2007 for the sale of the Swiss subsidiary companies. During the financial year, the Company has entered into a foreign currency forward contract to hedge the foreign currency risk arising from this receivable. Consequently, the amount was translated into Singapore dollar at the exchange rate of the foreign currency forward contract.

17. Deferred tax assets

	Group	
	2003	2002
	\$'000	\$'000
Balance at 1 April	264	344
Provided/(utilised) during the financial year	32	(80)
Balance at 31 March	296	264
Deferred tax assets arises as a result of :		
Excess of tax written down value over net book value of fixed assets	208	159
Provisions	88	105
	296	264

18. Stocks

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Finished goods				
- at cost	78,503	73,970	34,905	37,048
- at net realisable value	36,640	26,731	15,853	9,731
Total finished goods at lower of cost and net realisable value	115,143	100,701	50,758	46,779

19. Trade debtors

Trade debtors are stated after deducting provision for doubtful debts of	1,388	1,437	765	746
Analysis of provision for doubtful debts :				
Balance at 1 April	1,437	1,459	746	743
Doubtful debts recovered	(49)	–	–	–
Charge/(write back) to profit and loss account	36	(17)	19	3
Written-off against bad debts	(9)	(19)	–	–
Foreign currency translation adjustment	(27)	14	–	–
Balance at 31 March	1,388	1,437	765	746

20. Other debtors

Rental and other deposits	875	2,031	232	214
Recoverables and sundry debtors	2,117	2,018	415	1,338
Prepayment	1,435	562	524	192
Staff loans	142	52	97	48
	4,569	4,663	1,268	1,792
Other debtors are stated after deducting provision for doubtful debts of	767	799	–	–
Analysis of provision for doubtful debts :				
Balance at 1 April	799	775	–	3
Write-back to profit and loss account	–	(3)	–	(3)
Written-off against bad debts	–	7	–	–
Foreign currency translation adjustment	(32)	20	–	–
Balance at 31 March	767	799	–	–

21. Amounts due from/(to) subsidiary companies

	Company	
	2003	2002
	\$'000	\$'000
Amounts due from subsidiary companies		
- trade	4,864	4,372
- non-trade	26,834	28,168
Provision	(6,289)	(5,338)
	25,409	27,202
Amounts due to subsidiary companies		
- trade	(8,240)	(13,107)
- non-trade	(8,205)	(6,994)
	(16,445)	(20,101)

The balances with subsidiary companies are unsecured and interest free except for balances with three subsidiary companies, whose outstanding balances bear interest at rates ranging from 2% to 3.75% (2002 : 2% to 3.75%) per annum. All balances have no fixed repayment terms.

22. Bank term loans

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Repayable within 12 months :				
Unsecured loan	14,473	2,800	6,297	—
Secured loan	1,012	—	—	—
	15,485	2,800	6,297	—
Repayable after 12 months :				
Secured loan	454	677	—	—
	15,939	3,477	6,297	—

The Company's short term loan bears interest between 1.5% to 2.14% (2002 : nil%) per annum.

The unsecured term loans of certain subsidiary companies are covered by corporate guarantees given by the Company and minority shareholders. Interest is charged at rates ranging from 2.34% to 2.81% (2002 : 2.81% to 3.97%) 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 6.3% (2002 : 7.23%) per annum.

23. Other creditors

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Deposits received	834	800	549	193
Purchase of properties, plant and equipment	211	60	–	–
Amount due to a minority shareholder of a subsidiary company	127	367	127	367
Amount owing to directors	24	89	–	–
Others	644	740	–	69
	1,840	2,056	676	629

24. Hire purchase creditors

	Group	
	2003 \$'000	2002 \$'000
Repayable within one year	21	–
Repayable after one year	38	–
	59	–

The discount rates implicit in the hire purchase is charged at 3.9% per annum.

Future minimum lease payments together with the present value of the net minimum lease payments are as follows :

	Minimum payments 2003 \$'000	Present value of payments 2003 \$'000
Within one year	23	21
After one year but not more than five years	43	38
Total minimum lease payments	66	59
Less : Amounts representing finance charges	(7)	–
Present value of minimum lease payments	59	59

25. Deferred tax liabilities

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Balance at 1 April	245	64	186	–
(Writeback)/provided during the year	(72)	181	(32)	186
Balance at 31 March	173	245	154	186

Deferred tax liabilities arises as a result of :

Net book value in excess of tax written down value	101	124	101	93
Unremitted dividend income from a foreign subsidiary company	267	297	267	297
Provisions	(195)	(176)	(214)	(204)
	173	245	154	186

26. Share capital

	Group and Company	
	2003	2002
	\$'000	\$'000
Authorised :		
200,000,000 ordinary shares of \$0.25 each	50,000	50,000
Issued and fully paid:		
Balance at beginning of year :		
108,702,023 ordinary shares of \$0.25 each	27,175	27,175
Issued during the year :		
63,000 (2002 : nil) ordinary shares of \$0.25 each	16	–
Balance at end of year :		
108,765,023 (2002 : 108,702,023) ordinary shares of \$0.25 each	27,191	27,175

27. Reserves

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Share premiums	29,503	29,491	29,503	29,491
Revenue reserve	59,023	57,362	31,740	31,878
Foreign currency translation reserve	5,196	4,521	–	–
Capital reserve	100	261	–	161
Total reserves	93,822	91,635	61,243	61,530
Made up of :				
Distributable reserves	64,219	61,883	31,740	31,878
Non-distributable reserves	29,603	29,752	29,503	29,652
	93,822	91,635	61,243	61,530

28. Employee benefits

	Group		Company	
	2003	2002	2003	2002
Number of employees at 31 March	237	231	124	120
	\$'000	\$'000	\$'000	\$'000
Salaries and employees benefits (including executive directors) :				
- salaries, bonuses and other costs	13,833	13,715	7,797	7,244
- state provident fund	1,383	1,251	905	914
	15,216	14,966	8,702	8,158

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

The Scheme grants non-transferable options to selected employees.

Under the Scheme:

- (i) Options that are granted to participants who are employees of the Company or its subsidiary companies will have a validity period of 10 years from the date of grant. Options that are granted to participants who are non-executive directors will have a validity period of 5 years from the date of grant.

28. Employee benefits (cont'd)

- (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 subsidiary companies 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, not exceeding 20% of that market price.
- (iv) An option in respect of which the exercise price is set at the market price of the shares at the time of grant may not be exercised before the 1st 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 2nd anniversary of its date of grant. Options that are granted may also be subject to vesting schedules.
- (v) The participant may exercise the option by notice in writing accompanied by a remittance for the aggregate exercise price (subject to adjustments as provided under the Scheme).
- (vi) Participants of the Scheme are not restricted from participating in other share option or share incentive schemes, whether implemented by the Company or its subsidiary companies or otherwise.

The Scheme is administered by the Remuneration Committee.

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

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

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

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

	Group	
	2003	2002
Outstanding at 1 April	1,253,000	1,590,250
Cancelled	(358,000)	(337,250)
Exercised	(63,000)	—
Outstanding at 31 March	832,000	1,253,000
Exercisable at 31 March	832,000	1,253,000

28. Employee benefits (cont'd)

No share options were granted during the financial year.

Terms of share options outstanding under the ESOS as at 31 March 2003 :

Exercise period	Exercise price \$	Number outstanding	Number exercisable
15.01.2000 - 14.01.2004	0.38	136,000	136,000
19.07.2000 - 18.07.2004	0.80	249,000	249,000
24.01.2001 - 23.01.2005	0.52	447,000	447,000
		832,000	832,000

29. Operating leases

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

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Within 1 year	5,489	3,454	2,129	2,161
Within 2 to 5 years	6,060	1,155	2,374	720
	11,549	4,609	4,503	2,881

30. 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.

30. Segment information (cont'd)

Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the year ended 31 March 2003 and 2002 and certain asset information regarding geographical segments as at 31 March 2003 and 2002. 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.

2003	South East Asia and Australia \$'000	North East Asia \$'000	Total \$'000	Corporate and other eliminations \$'000	Total \$'000
Segment revenue :					
Sales to external customers	214,117	41,998	256,115	–	256,115
Intersegment sales	899	202	1,101	(1,101)	–
Total revenue	215,016	42,200	257,216	(1,101)	256,115
Other geographical information :					
Segment assets	138,568	29,569	168,137	(129)	168,008
Assets of subsidiary companies discontinued					98
					168,106
Capital expenditure for the year	1,739	701	2,440	–	2,440
2002					
Segment revenue :					
Sales to external customers	216,549	34,761	251,310	–	251,310
Intersegment sales	2,763	215	2,978	(2,978)	–
Total revenue	219,312	34,976	254,288	(2,978)	251,310
Other geographical information :					
Segment assets	130,020	26,311	156,331	(450)	155,881
Assets of subsidiary companies discontinued					132
					156,013
Capital expenditure for the year	3,014	401	3,415	–	3,415

31. Contingent liabilities

- (a) The Company has unsecured contingent liabilities in respect of guarantees given to banks, totalling \$5,624,000 (2002 : \$3,672,000) to cover banking facilities granted to subsidiary companies. As at 31 March 2003 \$2,835,000 (2002 : \$2,800,000) of the credit facilities were utilised by the 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.

32. Capital commitments

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

	Group	
	2003	2002
	\$'000	\$'000
Authorised but not contracted for	–	532

33. Foreign currencies forward contracts

At 31 March 2003 the Group and the Company has outstanding foreign currencies forward contracts of \$6,543,000 (2002 : \$100,000) and \$6,045,000 (2002 : \$100,000) respectively.

34. Cash and cash equivalents

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

	Group	
	2003	2002
	\$'000	\$'000
Cash and bank balances	8,816	8,767
Fixed deposits with banks	2,690	895
Bank overdrafts	(799)	–
	10,707	9,662

34. Cash and cash equivalents (cont'd)

(b) Analysis of capital expenditure cash flow :

	Group	
	2003	2002
	\$'000	\$'000
Addition of fixed assets	2,440	3,415
Adjustment for fixed assets acquired under hire purchase	(62)	–
Cash invested in fixed assets	2,378	3,415

35. Financial risk management objectives and policies

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

Interest rate risk

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

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

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

Foreign currency risk

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

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

Liquidity risk

The Group's exposure to liquidity risk is minimal. As at 31 March 2003, the Group has available cash and cash equivalents totalling to approximately \$10.7 million (31 March 2002 : \$9.7 million) to finance its operations.

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

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

Credit risk

The Company and the Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of 31 March 2003 in relation of each class of recognised financial assets is the carrying amount of these assets as indicated in the balance sheet.

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

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

Fair values

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

	Total carrying amount		Aggregate net fair value	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Quoted equity shares	10	23	10	18
<i>Derivative financial instruments</i>				
Foreign currency contracts	*	*	9	3

* No balance sheet carrying amounts are shown as these are commitments as at year end.

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

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

36. Significant related party transactions

Related parties refer to companies in which certain Directors of the Company are also Directors and shareholders of these companies.

Significant transactions entered into by the Company with related parties at rates and terms agreed between the parties are as follows :

	Company	
	2003 \$'000	2002 \$'000
Office rental	254	203
Purchase of motor vehicle	96	–

37. Comparative figures

Comparative figures of segment assets have been adjusted in order to provide proper comparison with current year presentation.

STATISTICS ON SHAREHOLDINGS AS AT 8 JULY 2003

Authorised Share Capital : S\$50,000,000
Issued Share Capital : S\$27,191,255.75
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 - 999	181	6.75	73,107	0.07
1,000 - 10,000	2,143	79.90	8,255,993	7.59
10,001 - 1,000,000	349	13.01	15,727,812	14.46
1,000,001 and above	9	0.34	84,708,111	77.88
Total	2,682	100.00	108,765,023	100.00

PUBLIC FLOAT

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public. The Company has complied with this requirement. As at 8 July 2003, approximately 42% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

SUBSTANTIAL SHAREHOLDERS

(AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

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

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

**TWENTY LARGEST SHAREHOLDERS
AS AT 8 JULY 2003**

No.	No. of Name	Shares	%
1.	TYC Investment Pte Ltd	24,031,562	22.09
2.	United Overseas Bank Nominees Pte Ltd	23,707,000	21.80
3.	DBS Nominees Pte Ltd	21,189,800	19.48
4.	Oversea-Chinese Bank Nominees Pte Ltd	3,842,750	3.53
5.	DBS Vickers Securities (S) Pte Ltd	3,303,937	3.04
6.	UOB Kay Hian Pte Ltd	2,828,562	2.60
7.	Swanson Pte Ltd	2,470,500	2.27
8.	Key Hope Investment Limited	2,000,000	1.84
9.	Teo Cheng Tuan Donald	1,334,000	1.23
10.	Citibank Nominees S'pore Pte Ltd	851,000	0.78
11.	Raffles Nominees Pte Ltd	506,500	0.47
12.	Chai Kum Ho	500,000	0.46
13.	Tay Yun Chwan Henry	459,375	0.42
14.	G K Goh Stockbrokers Pte Ltd	457,995	0.42
15.	Sia Sok Hia	366,875	0.34
16.	Chan Swee Kheng Kenny	327,750	0.30
17.	Singapore Fruits Importers & Exporters Exchange Pte Ltd	300,000	0.28
18.	Chew Cheng	250,000	0.23
19.	Ong Joon Koon	250,000	0.23
20.	HSBC (Singapore) Nominees Pte Ltd	248,000	0.23
	Total	89,225,606	82.04

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 24th Annual General Meeting of the Company will be held at Meritus Mandarin Singapore, Room 832, 8th Floor, South Tower, 333 Orchard Road, Singapore 238867, on Monday, 25 August 2003 at 2:30 pm for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Directors' Report, Auditors' Report and Financial Statements for the year ended 31 March 2003.
2. To approve the payment of a First and Final Dividend of 2.5% per share less 22% Singapore Income Tax, for the year ended 31 March 2003.
3. To re-elect Mdm Chan Siew Lee (Dr Jannie Tay), a Director retiring by rotation under Article 99 of the Company's Articles of Association.
4. To re-elect Mr Robert Tan Kah Boh @ Tan Kah Boo, a Director retiring by rotation under Article 99 of the Company's Articles of Association.

Mr Robert Tan Kah Boh @ Tan Kah Boo, the chairman of the Company's Audit Committee, is an independent Director.

5. To re-appoint Mr Owen Phillimore Howell-Price, a Director retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.

Mr Owen Phillimore Howell-Price, a member of the Company's Audit Committee, is an independent Director.

6. To approve Directors' fees for non-executive Directors of \$140,000. (2002: \$140,000)
7. To appoint Auditors and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

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

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

- (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, 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;
- (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, notwithstanding the provisions of Article 48(2) of the Articles of Association of the Company, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options that are outstanding at the time this Resolution is passed, and (2) any subsequent consolidation or subdivision of shares,

and, unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

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

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

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
5 August 2003

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. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be lodged at the registered office of the Company at 302 Orchard Road, #11-01 Tong Building, Singapore 238862 not less than 48 hours before the time fixed for the Annual General Meeting.

Additional information on items of special business

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

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

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

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 25 August 2003, 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**
1	ORDINARY BUSINESS: Adoption of Reports and Financial Statements				
2	Declaration of Dividend				
3	Re-election of Mdm Chan Siew Lee (Dr Jannie Tay)				
4	Re-election of Mr Robert Tan Kah Boh @ Tan Kah Boo				
5	Re-appointment of Mr Owen Phillimore Howell-Price				
6	Approval of Directors's Fee for non-executive Directors				
7	Appointment of Auditors				
8	SPECIAL BUSINESS: 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 _____ 2003.

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

IMPORTANT : PLEASE READ NOTES OVERLEAF

TOTAL NO. OF SHARES HELD	
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Fold Flip

3rd Fold

Affix
Postage
Stamp

THE HOUR GLASS LIMITED
302 Orchard Road
#11-01 Tong Building
Singapore 238862

2nd Fold

1st Fold

Notes:

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

Amended 18 Jul 03, Friday