

THE HOUR GLASS

THE HOUR GLASS LIMITED

Co. Registration No: 197901972D

Unaudited First Quarter Financial Statement For The Period Ended 30 June 2019

1(a)(i) An income statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Group		
		First Quarter ended		
	Note	30 Jun 19 \$'000	30 Jun 18 \$'000	Change %
Revenue		187,469	180,726	4%
Other income	(i)	1,527	1,399	9%
Total revenue and other income		188,996	182,125	4%
Cost of goods sold		137,584	136,696	1%
Salaries and employees benefits		12,775	11,720	9%
Selling and promotion expenses		5,560	4,801	16%
Depreciation of property, plant and equipment		1,244	1,634	-24%
Depreciation of right-of-use assets		6,914	-	NM
Rental expenses		1,242	7,626	-84%
Finance costs	(ii)	829	286	>100%
Foreign exchange loss/(gain)		177	(349)	NM
Other operating expenses		2,675	2,452	9%
Total costs and expenses		169,000	164,866	3%
Share of results of associates		1,728	1,290	34%
Profit before taxation		21,724	18,549	17%
Taxation		4,451	4,091	9%
Profit for the period		17,273	14,458	19%
Profit attributable to:				
Owners of the Company		17,072	14,294	19%
Non-controlling interests		201	164	23%
		17,273	14,458	19%

Note:

(i) Other income

		Group		
		First Quarter ended		
		30 Jun 19 \$'000	30 Jun 18 \$'000	Change %
Rental income		425	458	-7%
Interest income		460	400	15%
Net gain on disposal of property, plant and equipment		97	78	24%
Management fee		290	211	37%
Others		255	252	1%
		1,527	1,399	9%

NM – Not Meaningful

1(a)(i) An income statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd).

Note:

(ii) Finance costs

Interest on bank loans and overdrafts

Interest on lease liabilities

Group		
First Quarter ended		
30 Jun 19	30 Jun 18	Change
\$'000	\$'000	%
103	286	-64%
726	-	NM
829	286	>100%

1(a)(ii) Amount of any adjustment for under or overprovision of tax in respect of prior years.

Income Tax

- Over provision of tax in respect of prior years

Group		
First Quarter ended		
30 Jun 19	30 Jun 18	Change
\$'000	\$'000	%
-	(1)	NM

1(a)(iii) Statement of comprehensive income

Profit for the period

Other comprehensive income:

Item that may be reclassified subsequently to profit or loss:

Foreign currency translation

Other comprehensive profit for the period, net of tax

Total comprehensive income for the period

Total comprehensive income attributable to:

Owners of the Company

Non-controlling interests

Group		
First Quarter ended		
30 Jun 19	30 Jun 18	Change
\$'000	\$'000	%
17,273	14,458	19%
752	2,857	-74%
752	2,857	-74%
18,025	17,315	4%
17,732	16,677	6%
293	638	-54%
18,025	17,315	4%

NM – Not Meaningful

1(b)(i) A statement of financial position (for the Company and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 Jun 19	31 Mar 19	30 Jun 19	31 Mar 19
	\$'000	\$'000	\$'000	\$'000
Assets				
Non-current assets				
Property, plant and equipment	58,673	55,546	10,069	9,949
Right-of-use assets	113,808	-	80,389	-
Investment properties	55,118	55,665	11,207	11,207
Intangible assets	5,309	5,258	1,144	1,070
Investment in subsidiaries	-	-	52,074	52,074
Investment in associates	36,592	33,494	68	68
Loan to an associate	5,422	5,388	5,422	5,388
Other receivables	8,307	8,287	3,973	3,967
Deferred tax assets	372	377	106	106
	283,601	164,015	164,452	83,829
Current assets				
Inventories	279,239	286,356	166,938	172,214
Trade and other receivables	20,002	16,818	7,748	7,414
Prepaid operating expenses	760	914	401	298
Amount due from associates	79	70	30	10
Amount due from subsidiaries	-	-	5,674	6,541
Cash and cash equivalents	190,837	180,971	89,764	82,811
	490,917	485,129	270,555	269,288
Total assets	774,518	649,144	435,007	353,117
Equity and liabilities				
Current liabilities				
Loans and borrowings	17,537	14,972	-	-
Trade and other payables	35,646	46,346	16,742	22,788
Amount due to subsidiaries	-	-	5,135	5,062
Lease liabilities	24,605	-	15,944	-
Provision for taxation	12,754	11,584	6,725	5,624
	90,542	72,902	44,546	33,474
Net current assets	400,375	412,227	226,009	235,814
Non-current liabilities				
Provisions	286	269	-	-
Lease liabilities	91,455	1,623	66,544	1,623
Deferred tax liabilities	1,314	1,326	-	-
	93,055	3,218	66,544	1,623
Total liabilities	183,597	76,120	111,090	35,097
Net assets	590,921	573,024	323,917	318,020
Equity attributable to owners of the Company				
Share capital	67,638	67,638	67,638	67,638
Reserves	510,338	492,606	256,279	250,382
	577,976	560,244	323,917	318,020
Non-controlling interests	12,945	12,780	-	-
Total equity	590,921	573,024	323,917	318,020
Total equity and liabilities	774,518	649,144	435,007	353,117

1(b)(ii) Aggregate amount of Group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

Amount repayable in one year or less, or on demand

As at 30 Jun 19		As at 31 Mar 19	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
12,793	4,744	12,951	2,021

Amount repayable after one year

As at 30 Jun 19		As at 31 Mar 19	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	-	-	-

Details of any collateral

The unsecured term loans of a subsidiary are covered by corporate guarantees given by the Company.

Loans of \$12,793,000 (31 March 2019: \$12,951,000) are secured on certain properties of a subsidiary and corporate guarantees given by the Company.

1(c) A statement of cash flow (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	First Quarter ended	
	30 Jun 19	30 Jun 18
	\$'000	\$'000
Operating activities		
Profit before taxation	21,724	18,549
Adjustments for:		
Finance costs	829	286
Interest income	(460)	(400)
Depreciation of property, plant and equipment	1,244	1,634
Depreciation of right-of-use assets	6,914	-
Amortisation of intangible assets	177	140
Foreign currency translation adjustment	(81)	(51)
Net gain on disposal of property, plant and equipment	(97)	(78)
Share of results of associates	(1,728)	(1,290)
Operating cash flows before changes in working capital	28,522	18,790
Decrease in inventories	6,669	6,032
Increase in receivables	(3,170)	(5,800)
Decrease/(increase) in prepaid operating expenses	13	(173)
Increase in amount due from associates	(7)	(17)
Decrease in payables	(10,695)	(4,845)
Cash flows from operations	21,332	13,987
Income taxes paid	(3,282)	(2,502)
Interest paid	(829)	(286)
Interest received	460	400
Net cash flows from operating activities	17,681	11,599
Investing activities		
Additions to intangible assets	(227)	(138)
Proceeds from disposal of property, plant and equipment	97	91
Purchase of property, plant and equipment	(4,802)	(2,584)
Net cash flows used in investing activities	(4,932)	(2,631)
Financing activities		
Proceeds from loans and borrowings	2,711	20,343
Repayment of loans and borrowings	-	(23,000)
Payment of lease liabilities	(6,110)	-
Dividends paid to non-controlling interests	(128)	(500)
Net cash flows used in financing activities	(3,527)	(3,157)
Net increase in cash and cash equivalents	9,222	5,811
Effects of exchange rate changes on cash and cash equivalents	644	1,649
Cash and cash equivalents at beginning of financial period	180,971	180,496
Cash and cash equivalents at end of financial period	190,837	187,956

Cash and cash equivalents at the end of the period comprise the following:

	Group	
	30 Jun 19	30 Jun 18
	\$'000	\$'000
Cash and bank balances	97,766	115,669
Fixed deposits with banks	93,071	72,287
	190,837	187,956

1(d)(i) A statement (for the Company and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital \$'000	Foreign currency translation reserve \$'000	Capital reserve \$'000	Asset revaluation reserve \$'000	Revenue reserve \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Group								
Balance at 1 April 2018	67,638	(7,054)	(142)	3,372	443,326	507,140	12,457	519,597
Total comprehensive income								
Profit for the period	-	-	-	-	14,294	14,294	164	14,458
Other comprehensive income								
Foreign currency translation	-	2,383	-	-	-	2,383	474	2,857
Total other comprehensive income	-	2,383	-	-	-	2,383	474	2,857
Total comprehensive income	-	2,383	-	-	14,294	16,677	638	17,315
Contributions by and distributions to owners								
Dividends paid to non-controlling interests	-	-	-	-	-	-	(500)	(500)
Total transactions with owners	-	-	-	-	-	-	(500)	(500)
Balance at 30 June 2018	67,638	(4,671)	(142)	3,372	457,620	523,817	12,595	536,412

Group								
Balance at 1 April 2019	67,638	(10,281)	(142)	3,372	499,657	560,244	12,780	573,024
Total comprehensive income								
Profit for the period	-	-	-	-	17,072	17,072	201	17,273
Other comprehensive income								
Foreign currency translation	-	660	-	-	-	660	92	752
Total other comprehensive income	-	660	-	-	-	660	92	752
Total comprehensive income	-	660	-	-	17,072	17,732	293	18,025
Contributions by and distributions to owners								
Dividends paid to non-controlling interests	-	-	-	-	-	-	(128)	(128)
Total transactions with owners	-	-	-	-	-	-	(128)	(128)
Balance at 30 June 2019	67,638	(9,621)	(142)	3,372	516,729	577,976	12,945	590,921

1(d)(i) Statement of Changes in equity (Cont'd)

<u>Company</u>	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
Balance at 1 April 2018	67,638	205,033	272,671
Total comprehensive income			
Profit for the period	-	5,421	5,421
Total comprehensive income	-	5,421	5,421
Balance at 30 June 2018	67,638	210,454	278,092
Balance at 1 April 2019	67,638	250,382	318,020
Total comprehensive income			
Profit for the period	-	5,897	5,897
Total comprehensive income	-	5,897	5,897
Balance at 30 June 2019	67,638	256,279	323,917

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There has been no change in the number of issued shares in the capital of the Company since the end of the previous period reported on.

The Company does not have any outstanding share convertibles and treasury shares at the end of the period under review.

None of the Company's subsidiaries hold any shares in the Company at the end of the period under review.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

30 Jun 19	31 Mar 19
705,011,880	705,011,880

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the Company's most recently audited annual financial statements have been applied.

The Group has applied accounting policies and methods of computation in the financial statements for the current reporting year consistent with those of the audited financial statements for the year ended 31 March 2019, except as disclosed in paragraph 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and effect of, the change.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on the statements of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted SFRS(I) 16 on 1 April 2019, using the modified retrospective approach, without restating prior years' information.

On the adoption of SFRS(I) 16, the Group has chosen, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of position immediately before 1 April 2019.

In addition, the Group has elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS (I) 16 to all contracts that were previously identified as leases; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and effect of, the change (Cont'd).**

As at 1 April 2019, the adoption of SFRS (I) 16 resulted in the following effects to the Group and the Company:

	Group	Company
	\$'000	\$'000
Assets		
Right-of-use assets	120,796	84,789
Prepaid operating expenses	(141)	-
Liabilities		
Lease liabilities - current	22,963	14,187
Lease liabilities - non-current	97,662	70,572
Trade and other payables	30	30

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	First Quarter ended	
	30 Jun 19	30 Jun 18
(a) Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	705,011,880	705,011,880
(b) Basic and diluted earnings per share (cents)	2.42	2.03

EPS is calculated by dividing the Group's profit attributable to owners of the Company with the weighted average number of ordinary shares during the period. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

There is no dilutive effect for EPS as the Company does not have any outstanding share convertibles as at 30 June 2019.

7. **Net asset value (for the Company and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the Company at the end of the**

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

	Group		Company	
	30 Jun 19	31 Mar 19	30 Jun 19	31 Mar 19
Number of issued shares	705,011,880	705,011,880	705,011,880	705,011,880
Net asset value per ordinary share (in \$)	0.82	0.79	0.46	0.45

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

Revenue for the quarter ended 30 June 2019 ("1Q FY2020") was \$187.5 million, a 4% increase compared to \$180.7 million achieved in the same period last year ("1Q FY2019").

Gross margin improved to 26.6% (1Q FY2019: 24.4%). The Group recorded a higher profit after tax of \$17.3 million, a 19% increase compared to \$14.5 million registered in 1Q FY2019.

As at 30 June 2019, group inventory was \$279.2 million. Cash and cash equivalents stood at \$190.8 million. Consolidated net assets were \$578.0 million or \$0.82 per share.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Group's performance for the period under review is in line with the statement in the results announcement for the year ended 31 March 2019.

10. **A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

Current global economic uncertainties may affect consumer sentiment and dampen spending on luxury goods.

Barring any unforeseen circumstances, the Group expects to be profitable for the financial year.

11. **Dividend**

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend is declared or recommended in respect of the current financial period reported on. However, as in past years, the Directors will consider the recommendation of a full-year (final) dividend.

13. If the Company has obtained a general mandate from shareholders for interested person transactions (“IPT mandate”), the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have an IPT mandate.

14. Statement Pursuant to Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company (comprising the statements of financial position, statements of changes in equity, consolidated income statement, consolidated statement of comprehensive income, and consolidated statement of cash flow together with their accompanying notes) for the three months ended 30 June 2019 to be false or misleading in any material respect.

Signed by Dr Henry Tay Yun Chwan and Dr Kenny Chan Swee Kheng on behalf of the Board of Directors.

15. Confirmation that the Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Hour Glass Limited confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

Christine Chan
Company Secretary
7 August 2019

Statement Pursuant to Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company (comprising the statements of financial position, statements of changes in equity, consolidated income statement, consolidated statement of comprehensive income, and consolidated statement of cash flow together with their accompanying notes) for the three months ended 30 June 2019 to be false or misleading in any material respect.

On behalf of the Board of Directors



Henry Tay Yun Chwan
Executive Chairman



Kenny Chan Swee Kheng
Group Managing Director

Singapore
7 August 2019