THE HOUR GLASS

ANNUAL REPORT 2007

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ROLEX

The amazing Milgauss watches were first introduced in the 1950s. This year, Rolex decided to re-introduce it to their line up of professional watches. The name “Milgauss” comes from the measuring unit of the magnetic fields: gauss.

The Milgauss was built to handle strong magnetic fields in certain industries such as power plants and research labs.

This 50th Anniversary Milgauss is produced in ferromagnetic alloys and is equipped with Rolex’s unique Ferrochrom hairspring and an escape wheel made from a new paramagnetic material.

03 CORPORATE DIRECTORY

CORPORATE DIRECTORY

DIRECTORS

Dr Henry Tay Yun Chwan	Executive Chairman
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	Executive Vice Chairman
Dr Kenny Chan Swee Kheng	Managing Director
Mr Michael Tay Wee Jin	Executive Director
Mr Owen Phillimore Howell-Price	
Mr Robert Tan Kah Boh	
Mr Jason Choo Choon Wai	(appointed on 1 August 2006)
Mr Ariel Kor	(appointed 1 August 2006)
Mr Timothy Chia Chee Ming	(retired on 21 July 2006)

SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

302 Orchard Road
#11-01 Tong Building
Singapore 238862
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Facsimile: (65) 6732 8683
Website: www.thehourglass.com
E-mail address : info@thehourglass.com
Co. Registration No.: 197901972D

REGISTRAR

Lim Associates (Pte) Ltd
3 Church Street #08-01, Samsung Hub
Singapore 049483

AUDIT COMMITTEE

Mr Robert Tan Kah Boh	Chairman
Mr Owen Phillimore Howell-Price	
Mr Jason Choo Choon Wai	(appointed on 1 August 2006)
Mr Timothy Chia Chee Ming	(retired on 21 July 2006)

REMUNERATION COMMITTEE

Mr Owen Phillimore Howell-Price	Chairman
Mr Robert Tan Kah Boh	
Mr Ariel Kor	(appointed on 1 August 2006)
Mr Timothy Chia Chee Ming	(retired on 21 July 2006)

AUDITORS

Ernst & Young
Certified Public Accountants
Singapore
Partner in charge (since financial year ended 31 March 2006) :
Mr Liew Choon Wei

PRINCIPAL BANKERS

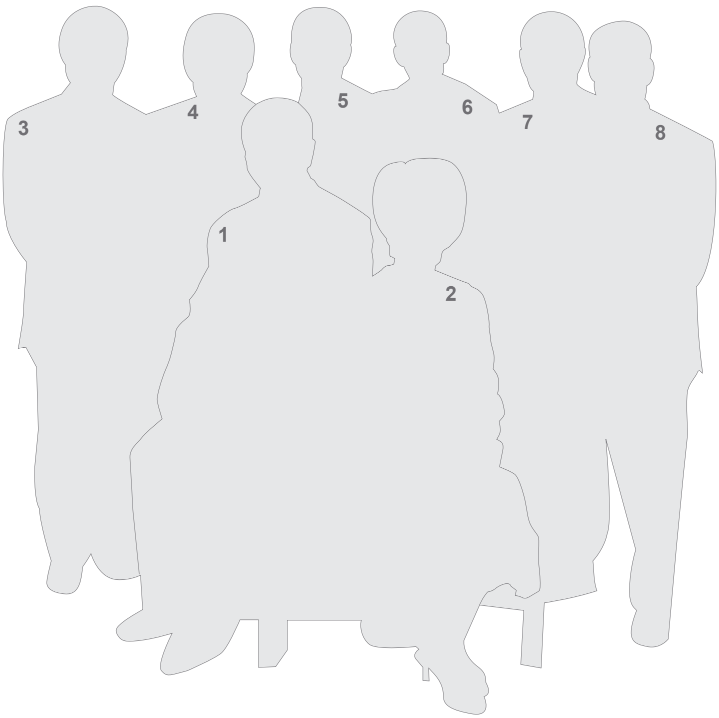
DBS Bank Ltd
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

SOLICITORS

Allen & Gledhill
Rodyk & Davidson

BOARD OF DIRECTORS

BOARD OF DIRECTORS



1. Dr Henry Tay Yun Chwan
   Executive Chairman
2. Mdm Chan Siew Lee
   (Dato' Dr Jannie Tay)
   Executive Vice Chairman
3. Dr Kenny Chan Swee Kheng
   Managing Director
4. Mr Robert Tan Kah Boh
   Independent Non-executive Director
5. Mr Jason Choo Choon Wai
   Independent Non-executive Director
6. Mr Ariel Kor
   Independent Non-executive Director
7. Mr Owen Phillimore Howell-Price
   Independent Non-executive Director
8. Mr Michael Tay Wee Jin
   Executive Director

DR HENRY TAY YUN CHWAN
Executive Chairman

Dr Henry Tay was appointed Executive Chairman of The Hour Glass Limited in October 1987, having served as an Executive Director since 11 August 1979.

Dr Tay graduated with a MBBS (Honours) from Monash University, Melbourne and prior to co-founding The Hour Glass in 1979, was both a Medical Practitioner as well as Partner of Lee Chay & Co., one of Singapore's earliest luxury watch retail companies. From 1986 to 2001, Dr Tay was Executive Chairman of a group of companies whose businesses were in the distribution and retailing of Burberry fashion apparel and accessories in the Asia Pacific region outside Japan.

Dr Tay is an independent director and chairman of the audit committee of UOB Kay Hian Holdings Limited. He also holds directorships in several private companies focused on investments and real estate development.

Dr Tay served as a Committee Member of the Community Chest from 1992 and was appointed Vice Chairman from 1994 to 2004. An active fundraiser for various charitable organizations, Dr Tay has received many awards including the Friends of MCDS (Ministry of Community Development and Sports) Award in 2002 and the President's Social Service Award in August 2005.

Dr Tay was the Founder President of the Hong Kong - Singapore Business Association from 1994 to 2000 and is presently its Honorary President. He has also served as a board member of the Singapore Tourism Board, and Patron of the Singapore Kennel Club.

A.LANGE SOHNE

The illustrious name "A. Lange & Söhne" stands for a commitment to exceptional achievements, perfection, and the utmost in value. With this showpiece of ingenious technology, Lange demonstrates that the usefulness of mechanical wristwatches can indeed evolve further even after a 100 years. All indications of its perpetual calendar can be advanced separately with individual push-pieces or collectively with one main push-piece. This exquisite timepiece also features the patented ZERO RESET mechanism devised by Lange and quite probably unparalleled in precision watchmaking.

PATEK PHILIPPE

Patek Philippe's latest Grand Complication, the Ref. 5159, unites the two Patek Philippe traditions: the perpetual calendar with retrograde date and the officer's-style case. The slightly enlarged model features a contemporary dial with a hand-guilloched pattern. It is also the one and only timepiece with the caliber 315 S QR that has a self-winding movement with date and sweep seconds. Patek Philippe's philosophy of combining advanced technologies with traditional watchmaking has brought about many timelessly elegant watches that uphold the respect for the past and the fascination for the future.

HARRY WINSTON

The new Excenter Perpetual Calendar is the renaissance of Harry Winston's very first men's watch introduced in 1989. Unveiled at Baseworld 2007, the new Excenter Perpetual Calendar underwent a makeover and features a more contemporary design. In appearance, the new Excenter has the sleek, functional and ultra-modern attributes that characterize the latest concepts in supercars. The iconic three-arch Winston watchcase is crafted in gold while the trademark Excenter dial indicates moon phases and a leap-year cycle with planets eclipsing the chapter rings of the hours and months.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

MDM CHAN SIEW LEE (DATO' DR JANNIE TAY)
Executive Vice Chairman

Dato' Dr Jannie Tay was appointed to the Board of The Hour Glass Limited and served as its Managing Director since co-founding it on 11 August 1979, up till 31 March 2004. She was appointed Executive Vice Chairman on 1 April 2004 and continues to play an active role in the development of the Company.

In recognition of her outstanding professional achievements, Dato' Dr Jannie Tay was the recipient of the 2003 Monash University Distinguished Alumni Award, an institution from which she obtained both a Bachelor of Science degree in Physiology (Honours) and a Masters of Science degree in Pharmacology. She was conferred the Darjah Sultan Ahmad Shah Pahang (DSAP) in 2004.

Dato' Dr Jannie Tay is the President of the Singapore Retailers Association, Chairman of The Retail Academy of Singapore and Chairman of the Retail Industry Skills and Training Council. She also serves as the President of the Asean Business Forum, Chairman of the Commonwealth Business Women's Network, and is the first female Executive Board Member of the Commonwealth Business Council and Founder President of the International Women's Forum in Singapore.

She is also the Founder and current President of the Women's Business Connection. She was appointed a member of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific ("UNESCAP") since 2004. UNESCAP's mandate is to foster cooperation between its members in order to promote economic and social development in the Asian Pacific region. Having previously served on the Women's Leadership Initiative Board of the John F. Kennedy School of Government, Harvard University and the United Nations Office for Project Services, she was named as one of the 50 Leading Women Entrepreneurs of the World in 1997.

A tireless worker for charitable causes and the Arts, she has raised significant sums for the Community Chest of Singapore, the Autism Resource Centre, the Canossian School for the Hearing Impaired, the Ong Teng Cheong Music Fund and the Timor-Leste Foundation.

DR KENNY CHAN SWEE KHENG
Managing Director

Dr Kenny Chan became a member of the Board of The Hour Glass Limited on 1 April 2004. He joined the Company as Group Chief Operating Officer in 2002 and was appointed as Managing Director of the Company on 1 April 2004.

A graduate of Monash University with a MBBS (Honours), Dr Chan has over 20 years of experience in the luxury goods industry. Prior to his joining The Hour Glass, he was the Managing Director of Burberry Singapore and Burberry Australia, companies that formed part of a group that was the exclusive distributor and agent of Burberry, covering a territory that stretched from Korea to New Zealand.

A former Young Presidents' Organisation Singapore Chapter Chairman, Dr Chan also served as a Council Member for the Singapore Retailers Association from 2000 to 2002.

MR MICHAEL TAY WEE JIN
Executive Director

Mr Michael Tay was appointed as an Executive Director of The Hour Glass Limited on 15 August 2005, having joined the Company in January 1999 as its Business Re-Engineering Manager.

Mr Tay has developed extensive watch industry experience having headed multiple facets of The Hour Glass' businesses from specialty watch manufacturing, global marketing and distribution to greenfield retail development and group marketing and merchandising. He is also a member of the international advisory board of Harry Winston Rare Timepieces.

Mr Tay graduated from Oxford Brookes University, United Kingdom with a First Class (Honours) in Business and International Management.

BREGUET

Breguet watches captivate collectors through their incomparable beauty and unparalleled functionality. The latest Breguet Tourbillion Messidor is yet another masterpiece which showcases Breguet's exceptional watchmaking skills. Combining intricate mechanism with incredible functionality, it features an openworked hand-wound movement and is entirely engraved by hand. It is also designed with a tourbillion regulator with running seconds on the tourbillion carriage at 6 o'clock. The unprecedented Breguet Tourbillion Messidor comes in a sapphire-crystal caseback and is also available in 950 platinum.

DANIEL ROTH

This new hand-wound tourbillon entirely developed and manufactured by Daniel Roth reveals every single component in all its glory. The bridges, plate and dial elements are crafted in finely chased and decorated gold. The Tourbillon Lumiere has an ultra light two part tourbillon cage, anti-reflective sapphire crystals, blued steel serpentine hands and encased in a 5N red gold rated double-ellipse case. The result is an exquisitely crafted creation featuring one of the thinnest tourbillon movements on the market, while losing none of its renowned precision.

ULYSSE NARDIN

Representing the pinnacle of both technological and artistic watchmaking is the creation of the FREAK Diamonsil by Ulysse Nardin. It contains fewer parts than the simplest watch today and, remains a Carrousel Tourbillon by necessity. With the latest breakthrough in silicium diamond alloy technology, Ulysse Nardin is able to pursue its primary objective of continuous product improvement, increasing maximum lifespan by protecting its movements against external strains and stress. The FREAK Diamonsil is a technical work of art, a symphony in white and blue produced in a Limited Edition of 28 pieces in Platinum.

BOARD OF DIRECTORS

MR OWEN PHILLIMORE HOWELL-PRICE
Independent Non-Executive Director

Mr Owen Price was appointed to the Board of The Hour Glass Limited on 11 April 1994. Currently, Mr Price serves as Chairman of the Company's Remuneration Committee and is also a member of its Audit Committee. He is an independent Director of the Company.

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

MR ROBERT TAN KAH BOH
Independent Non-Executive Director

Mr Robert Tan was appointed to the Board of The Hour Glass Limited on 18 November 1999. Currently, Mr Tan serves as Chairman of the Company's Audit Committee and is also a member of its Remuneration Committee. He is an independent Director of the Company.

Mr Tan was with an international public accounting firm for 28 years serving 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.

MR JASON CHOO CHOON WAI
Independent Non-Executive Director

Mr Jason Choo was appointed to the Board of The Hour Glass Limited on 1 August 2006 as an independent Director and serves as a member of the Company's Audit Committee.

Mr Choo is a director and the Chief Executive Officer of Gems TV Holdings Limited. In addition, Mr Choo is chairman and director of Lonsdale Capital Pte Ltd. Mr Choo holds directorships in several private companies in Singapore as well as in the region.

Mr Choo is a graduate of Colorado College where he obtained a Bachelor of Arts degree in Economics.

MR ARIEL KOR
Independent Non-Executive Director

Mr Ariel Kor was appointed to the Board of The Hour Glass Limited on 1 August 2006 as an independent Director and serves as a member of the Company's Remuneration Committee.

Mr Kor is a Director of Sampoerna Capital. He also holds directorships in Harel Insurance Investments Ltd and the Coffee Bean & Tea Leaf Company Inc.

Mr Kor is a graduate of Oxford University where he obtained a Bachelor of Arts degree and a Masters of Arts degree.

DE BETHUNE

With the perfect combination of looks, innovation and crafted mechanics comes the new DB24 aptly dubbed “The Big Power”. With a highly stylized performance aesthetic, the Big Power’s newly patented function allows the wearer to adjust the speed of regulation of the oscillating system through the crown in the standard position. Three modes for three activity types - quiet motion, active motion and, an accelerated performance position.

GERALD GENTA

The Gefica Safari’s uniqueness lies in rugged masculine strength drawn from the African Mother Earth. The spirit of the new Gefica is profoundly urban, while its shape, materials and the colours unite to immerse the wearer in the aesthetic and sensual world of African Art. Crafted in bronze and titanium, its jumping hour, retrograde minute and date complication module is entirely developed, built and assembled in the workshops of Manufacture Gerald Genta.

RICHARD MILLE

Richard Mille presents the Skeletonized Automatic RM016 with a watchcase that represents the first entrance of a new form into the Richard Mille collection. It is a counterpoint to the existing collection’s themes of motor sports and sailing, reflected in its discreet line that is the thinnest in the collection, yet with the same wrist fitting curvature and taper as the rest of the ensemble. The exclusively designed RM016 also allows the rewinding of the mainspring to be adapted most effectively to the user’s activity level whether it is used in sporting or non-sporting environments. This invention allows the movement winding mechanism to be optimized and personalized to the owner’s lifestyle.

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

I am delighted to report that the Group has delivered an impressive 50% growth in net profit to $19.4 million, on the back of a healthy 15% increase in revenue to $407.2 million for the financial year ended 31 March 2007. The net profit growth constitutes a six-fold increase from the net profit of $2.7 million barely five years ago.

The Group's improved operating performance was also reflected in its strong balance sheet with shareholders funds increasing 54% to $210.4 million. This translates into a net asset value per share of $1.88 as at 31 March 2007. The Group's debt to equity ratio of 0.13 remains conservative and year-end closing inventory levels, at $142.3 million, represent an annual average stock turn ratio of 2.5 times, double that of the industry average.

In view of the Group's stellar performance and to reward shareholders, the Board is pleased to recommend a final dividend of 1.25 cents per share, and a special bonus dividend of 9.75 cents per share, giving shareholders a record dividend payout of 11.0 cents per share.

BUSINESS REVIEW

The Group had achieved an exceptionally robust qualitative sales growth over the prior year with $52.6 million more sales being recorded. This also translated into an operating profit of $23.7 million, 66% higher than the $14.3 million earned in the previous financial year.

The top line growth is attributable to higher revenue contributions from key markets in the Asia Pacific region, particularly Hong Kong and Singapore, where continued broad-based macro growth underpinned by improvements in regional bourses and asset reflation helped carry the positive momentum in consumer sentiment. This is with the exception of Thailand where uncertainty over the political leadership of the country has dampened demand for high-end luxury consumer goods.

For a fifth year running, we were able to grow our net profit faster than revenue by concentrating on improving the fundamentals of the business. These include an efficient inventory management policy that supports our growth objectives and, a focused merchandising and marketing strategy that enhances our gross profit margins whilst ensuring that we continue to contain our expense structures.

To consolidate our leadership position as a multi-brand specialist watch retailer in the Asia Pacific region, the Group has invested in renewing its retail store formats. During the financial year, the Tang Plaza boutique in Singapore and the Ginza store in Japan were refurbished. This capital expenditure had resulted in positive revenue growth for the Group.

As mentioned in the Chairman's statement two years ago, a central tenet of The Hour Glass' capital allocation policy is to seek out superior returns that may be generated from our financial resources. Our investment in Gems TV Holdings Limited ("Gems TV") which was made in June 2006, contributed its maiden dividend payout of $0.94 million during the financial year to provide a reasonable rate of return for our investment. Despite the potential volatility of Gems TV's quoted prices, The Hour Glass intends to hold its investment in Gems TV for the long term in order to participate in its growth potential.

OUTLOOK

The increase in intra-regional tourism traffic, especially visitors from mainland China to Hong Kong, has accelerated in the past year. Coupled with rising regional affluence and a general "feel good" factor, this has fuelled the demand for specialist timepieces across most territories that we operate in. We anticipate that these tailwinds driving the market should continue into the foreseeable future.

This however, also pose some challenges to our business. Favourable market forces have resulted in a bevy of new entrants jumping into the watch retail industry. Now, these competitors not only comprise start-ups attempting to build multi-brand luxury watch businesses, but also include manufacturers who establish free standing mono brand boutiques. On this front, The Hour Glass has entered into discussions with several brand partners to manage mono brand boutique operations. We will move forward with such opportunities provided

HUBLOT

The Hublot One Million Dollar Big Bang is yet another world's first, showcasing the art of invisible visibility in diamond setting. 439 scintillating baguette diamonds concealing a tourbillion movement brings forth an exquisite timepiece. With a complexity far surpassing the existing gem setting skill, its diamond setting skill is so skillfully executed that not even one ounce of gold is visible. The One Million Dollar Big Bang is the very symbol of the fusion between jewellery and watch making.

URWERK

The innovative 201 Hammerhead has a revolving satellite complication system that displays time with three telescopic minute hands operating through three orbiting and revolving hour satellites. These telescopic hands precisely adjust their length following the minutes and then retract. The Control Board on the back of the 201 also features an Oil Change indicator notifying the owner a service is due as well as a 100 year indicator, the worlds first horological odometer, keeping track of the total time of use for over a 100 years.

ALAIN SILBERSTEIN

Alain Silberstein is rightfully considered to be a highly innovative watch designer who creates timepieces in the most original color spectrum. Alain Silberstein watches are created for those who adore functional items which boast unconventional design and dexterity. The watch, with its titanium brushed case and its nicely decorated bezel has an antiglare sapphire crystal.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

that they can produce tangible benefits for the Group.

In the second half of 2007, the Group will be relocating two boutiques in Kuala Lumpur as part of our ongoing plan to invest and enhance the quality of our retail network. We will also endeavour to seek new brand partnerships to add to our list of luxury watch brands and continue to lead by being the preferred retailer of choice and knowledge centre of specialist watches in the region.

As the watch world's leading cultural retail enterprise, The Hour Glass is delighted to once again stage its award winning watch festival "TEMPUS". TEMPUS - The Temple of Time, will be held from 5 to 9 September 2007 at the Raffles City Convention Centre and I would like to invite all our shareholders to attend the event. This year, the festival will showcase more than $150 million worth of timepieces presented by over 55 exhibitors, nearly double the number of participants in TEMPUS 2004. Some key highlights include Antiquorum's Only Watch 2007 travelling exhibit and the unveiling of The Hour Glass' Museum of Contemporary Horological Art. MOCHA, as we call it, will feature significant timekeeping artifacts produced from 1970 onwards with a strong emphasis on horological masterpieces created over the past decade. We are exhilarated by the overwhelming show of support for TEMPUS – The Temple of Time and are determined to produce what will be the most exciting programme the watch world will have seen.

Our current management team has done an exemplary job by producing 5 years of consecutive revenue and profit growth. They continue to drive the business with an emphasis on market development strategies combined with strong fiscal discipline. I have every confidence that Kenny and his team will continue to strengthen the brands we represent, build new and deeper business relationships with our partners and continue to drive the enterprise forward.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank our management and front line teams for their diligence and dedication over the past several years. We also extend our heartfelt gratitude to our clients, brand partners, business associates and shareholders for their continued encouragement and support.

I would also like to take this opportunity to thank my fellow Board members for their guidance and wise counsel and express my sincere gratitude to Mr Timothy Chia, who after having served as an independent director for twenty years, retired from the Board on 21 July 2006. Mr Timothy Chia's contribution was highly valued and we wish him the very best. On a related note, I am delighted to welcome Mr Jason Choo and Mr Ariel Kor as our new independent directors. I am confident that our new independent directors will bring diversity and fresh perspectives to the Board.

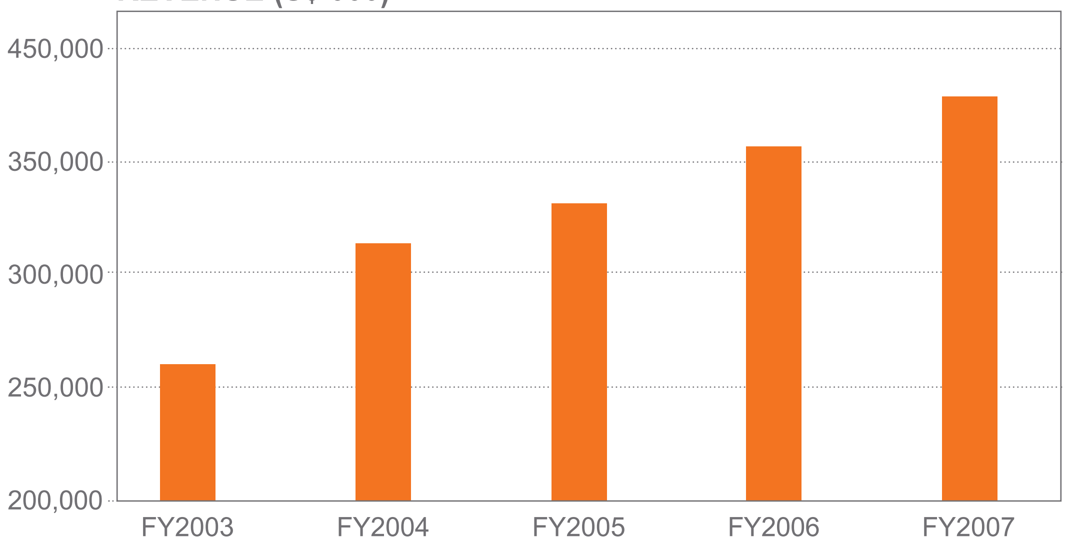
With the management team continuing to execute its business strategy and enhance the quality of our fiscal position, I am confident we will yet again be profitable in the year ahead.

Henry Tay Yun Chwan
Executive Chairman
30 May 2007

FINANCIAL HIGHLIGHTS

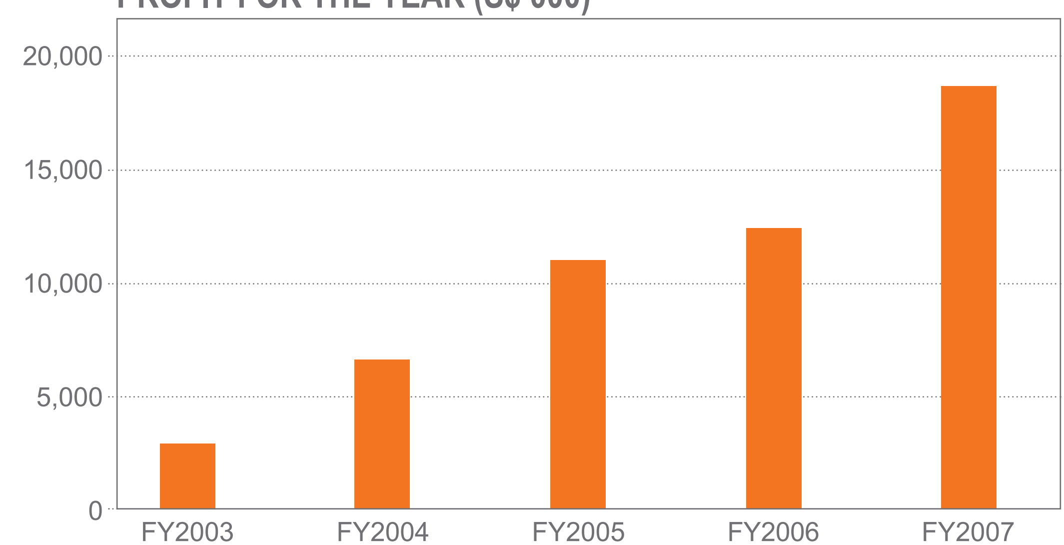
FINANCIAL HIGHLIGHTS

REVENUE (S$'000)



FY2003	FY2004	FY2005	FY2006	FY2007
256,115	320,279	335,133	354,547	407,160

PROFIT FOR THE YEAR (S$'000)

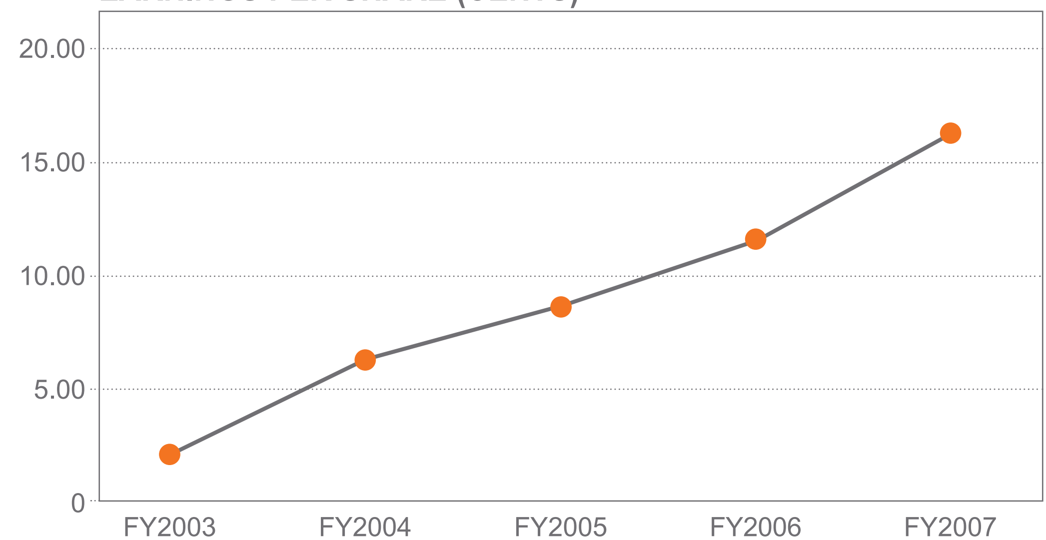


FY2003	FY2004	FY2005	FY2006	FY2007
2,693	6,315	10,102	12,917	19,381

FINANCIAL HIGHLIGHTS

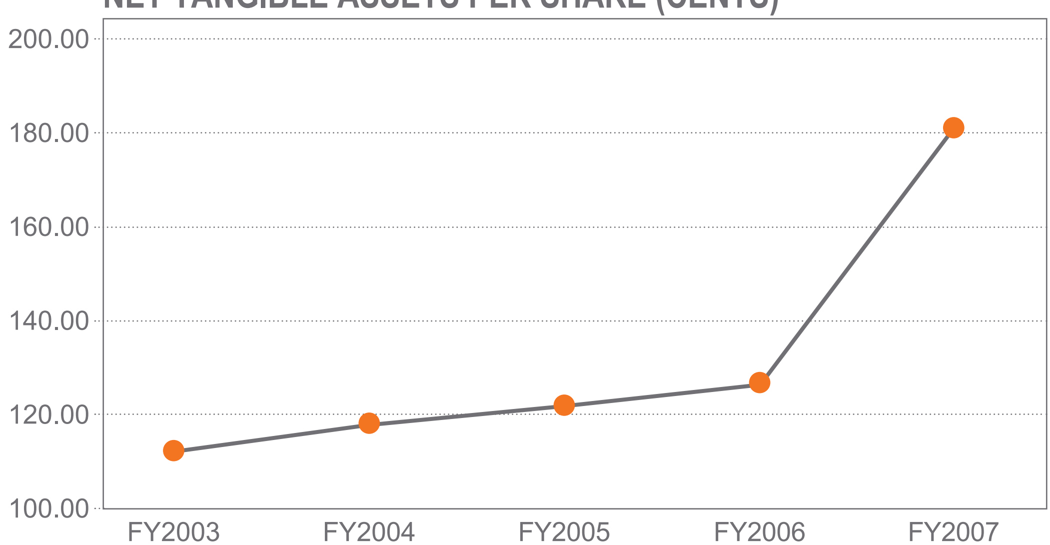
FINANCIAL HIGHLIGHTS

EARNINGS PER SHARE (CENTS)



FY2003	FY2004	FY2005	FY2006	FY2007
2.35	5.62	7.99	11.42	16.86

NET TANGIBLE ASSETS PER SHARE (CENTS)



FY2003	FY2004	FY2005	FY2006	FY2007
111.26	118.64	120.09	125.63	187.59

CORPORATE GOVERNANCE

The Hour Glass Limited is committed to ensuring a high standard of corporate governance within the Group to protect the interests of its shareholders and maximise long-term shareholder value. This report describes the corporate governance practices and activities of the Company for the financial year ended 31 March 2007.

The Company's corporate governance practices and activities in relation to each of the principles of the Code of Corporate Governance 2005 ("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 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. Newly appointed Directors are also provided with a formal letter setting out the director's duties and obligations under applicable laws and regulations.

The Board is accountable to shareholders while management is accountable to the Board. Each Director is expected to act in good faith and in the best interests of the Company at all times in the exercise of his duties and powers. 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 entirely of independent non-executive directors.

Principle 2: Board Composition and Guidance

During the financial year, the Board had eight members, consisting of four independent non-executive directors, and four 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, investment, private equity and commercial backgrounds. This enables the executive directors and management to benefit from their external and objective perspectives of issues that are brought before the Board. It also provides a broad spectrum of business acumen and skill sets to

CORPORATE GOVERNANCE

help shape the strategic process, as well as monitoring the performance of management and operating as an appropriate check and balance.

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.

The profiles of the Directors are set out under the section "Board of Directors" in the Annual Report. Additional information on the Board members is set out below :

NAME OF DIRECTOR	AGE	DATE FIRST APPOINTED AS DIRECTOR	DATE LAST RE-ELECTED AS DIRECTOR
Dr Henry Tay Yun Chwan	63	11 Aug 1979	21 Jul 2006
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	62	11 Aug 1979	28 Jul 2005
Dr Kenny Chan Swee Kheng	54	01 Apr 2004	22 Jul 2004
Mr Michael Tay Wee Jin	32	15 Aug 2005	21 Jul 2006
Mr Owen Phillimore Howell-Price	81	11 Apr 1994	21 Jul 2006
Mr Robert Tan Kah Boh	62	18 Nov 1999	28 Jul 2005
Mr Ariel Kor	32	01 Aug 2006	-
Mr Jason Choo Choon Wai	36	01 Aug 2006	-

CORPORATE GOVERNANCE

Principle 3: Chairman and Chief Executive Officer

Dr Henry Tay and his spouse, Mdm Chan Siew Lee (Dato' Dr Jannie Tay) are the founders of The Hour Glass. Dr Henry Tay and Dr Jannie Tay are regarded as controlling shareholders of the Company, having a collective interest in approximately 62.0% of the Company's issued shares. Dr Henry Tay is the Executive Chairman, and Dr Jannie Tay is the Executive Vice Chairman. Dr Kenny Chan is the Managing Director of the Company since 1 April 2004, and Mr Michael Tay is Executive Director since 15 August 2005. These four executive directors take an active role in management and overseeing of the Group's operations, providing a division of executive responsibility and authority in the Company.

The Company believes that it has effective independent non-executive directors 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 senior management team, which includes the Executive Chairman, Executive Vice Chairman, the Managing Director and the Executive 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 Managing Director and Group Chief Financial Officer. The Executive Chairman encourages constructive relations among members of the Board and between the Board and management and facilitates contributions of the non-executive Directors. He also 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.

Principle 4: Board membership

Mr Ariel Kor and Mr Jason Choo were appointed to the Board on 1 August 2006. Both are independent non-executive Directors. Based on the present 8-member Board size, of which four of the Board members are 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. The selection of candidates for new appointments to the Board as part of the Board's renewal process are evaluated taking into account various factors including the current and mid-term needs and goals of the Company, as well as the relevant expertise of the candidates and their potential contributions to the Board.

In line with the recommendation of the Code, the Company's Articles of Association were amended 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. In 2006, the Articles were amended to update the Articles generally and take into account changes to the regulatory framework which included the removal of the concepts of par value of shares.

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.

The criteria for appointment of a new Board member 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

CORPORATE GOVERNANCE

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 and that of individual Board members 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 duties include assisting the Chairman in ensuring that board procedures are followed and communicating changes in listing rules or other regulations affecting corporate governance and compliance were appropriate. The company secretary also attends Board meetings to take minutes. The Company's Articles of Association provide for the appointment and removal of secretary by the Board.

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

During the year, the Company's Remuneration Committee ("RC") comprised Mr Owen Price, Mr Robert Tan and Mr Timothy Chia who retired from the Board on 21 July 2006. Mr Ariel Kor who was appointed to the Board on 1 August 2006, joined the RC concurrently as a member. All of the RC members are independent non-executive directors. The RC is chaired by Mr Owen Price. The RC met 3 times during the financial year.

The RC's terms of reference are primarily to review, determine and recommend to the Board, the framework of remuneration, terms of engagement, compensation and benefits for senior executives, including the executive directors of the Company. Its functions include review of senior executive development and succession, compensation plans and recruitment strategies, and evaluation of executives' performance.

The RC's terms of reference do not include the annual

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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. The Company's executive directors are under service contracts. Their contract renewals and any revisions are subject to the review and approval of the RC. The Company does not presently operate an employee share option scheme. The Code recommends that the remuneration of the Company's top five 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, For the financial year under review, except for the four executive directors, 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 annual remuneration in excess of $150,000.

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 31 to the accounts, at page 64 of the Annual Report.

The current Audit Committee ("AC") comprises three members, all of whom are independent non-executive directors. The AC is chaired by Mr Robert Tan. During the financial year, the other members were Mr Owen Price and (until he retired from the Board on 21 July 2006) Mr Timothy Chia. Mr Jason Choo joined the AC as member concurrently with his appointment to the Board on 1 August 2006. 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

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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, significant financial reporting issues and judgments 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 (including remuneration and terms of engagement) and the independence of the external auditors. During the financial year, the AC also reviewed the "whistle blowing" policy and arrangements proposed for staff and others, including procedures for follow up action and independent investigations.

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 2 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, and with the internal auditors, without the presence of management, at least annually.

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 Managing Director 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.

COMMUNICATION 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 SGXNET. 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 of 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. Resolutions put to the general meetings are separate unless they are interdependent

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and linked, and the reasons and material implications are explained. 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.

DISCLOSURE OF REMUNERATION

Directors' fees are paid to non-executive directors, subject to approval by shareholders at annual general meeting. Executive directors do not receive any directors' fees.

SUMMARY COMPENSATION TABLES – FINANCIAL YEAR ENDED 31 MARCH 2007

(I) Breakdown of remuneration in percentage terms

Name / Position	Salary* %	Bonus %	Fees# %	Other benefits %	Total %
Henry Tay Yun Chwan *Executive Chairman*	40	50	-	10	100
Chan Siew Lee *Executive Vice Chairman*	39	49	-	12	100
Kenny Chan Swee Kheng *Managing Director*	28	68	-	4	100
Michael Tay Wee Jin *Executive Director*	38	51	-	11	100
Owen Phillimore-Howell Price *Independent Director*	-	-	100	-	100
Robert Tan Kah Boh *Independent Director*	-	-	100	-	100
Timothy Chia Chee Ming@ *Independent Director*	-	-	100	-	100
Mr Ariel Kor^ *Independent Director*	-	-	100	-	100
Mr Jason Choo Choon Wai^ *Independent Director*	-	-	100	-	100

* *Salary includes employer's CPF contribution*

\# *accrued for FY2007*

@ *Mr Timothy Chia retired from the Board on 21 July 2006.*

^ *Mr Ariel Kor and Mr Jason Choo Choon Wai were appointed to the Board on 1 August 2006*

(II) Ranges of gross remuneration received

No. of Directors in remuneration bands	2007	2006
$1,250,000 and above	1	-
$1,000,000 to below $1,250,000	-	1
$750,000 to below $1,000,000	2	-
$500,000 to below $750,000	1	2
$250,000 to below $500,000	-	-
Below $250,000	5	4
Total	9	7

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DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS
– Financial Year ended 31 March 2007

Board composition & 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	NA	NA	NA	NA
Chan Siew Lee	3	2	NA	NA	NA	NA
Kenny Chan Swee Kheng	3	3	NA	NA	NA	NA
Michael Tay Wee Jin	3	3	NA	NA	NA	NA
Owen Phillimore-Howell Price	3	3	2	2	3	3
Robert Tan Kah Boh	3	3	2	2	3	3
Timothy Chia Chee Ming @	3	1	2	1	3	3
Ariel Kor^	3	1	NA	NA	3	NA
Jason Choo Choon Wai^	3	2	2	1	NA	NA

@ *Mr Timothy Chia retired from the Board on 21 July 2006.*

^ *Mr Ariel Kor and Mr Jason Choo Choon Wai were appointed to the Board on 1 August 2006.*

NA means not applicable.

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.

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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. During the financial year under review, no transaction was conducted with any interested person which amounted to $100,000 or more, and the Company did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of The Hour Glass Limited (the "Company") and its subsidiary companies (collectively the "Group") for the financial year ended 31 March 2007 and the balance sheet and statement of changes in equity of the Company as at 31 March 2007.

Directors

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 (Dato' Dr Jannie Tay)	(Executive Vice Chairman)
Dr Kenny Chan Swee Kheng	(Managing Director)
Mr Michael Tay Wee Jin	(Executive Director)
Mr Owen Phillimore Howell-Price	
Mr Robert Tan Kah Boh	
Mr Jason Choo Choon Wai	(appointed on 1 August 2006)
Mr Ariel Kor	(appointed on 1 August 2006)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and its related corporations (other than wholly-owned subsidiary companies) as stated below :

	Shareholdings registered in the name of or beneficially held by directors		Shareholdings in which the directors are deemed to have an interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Hour Glass Limited				
Henry Tay Yun Chwan	8,570,562	8,955,138	56,502,062	59,037,413
Chan Siew Lee	1,543,437	1,543,557	56,502,062	59,037,413
Kenny Chan Swee Kheng	427,250	446,422	70,000	73,141
Michael Tay Wee Jin	10,000	10,449	–	–
Owen Phillimore Howell-Price	100,000	100,000	–	–

There was no change in any of the abovementioned Directors' interests between the end of the financial year and 21 April 2007.

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

Directors' interests in shares and debentures (cont'd)

Except as disclosed in this report, no Director who held office at the end of the financial year had an interest in shares, or debentures of the Company, or of its related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit 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.

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 Jason Choo Choon Wai	(appointed on 1 August 2006)

The Audit Committee held two meetings during the financial year. The Audit Committee has full access to and co-operation from 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 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.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Statement.

Share options

(i) No options to take up unissued shares in the Company or its subsidiary companies have been granted during the financial year.

(ii) No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary companies.

(iii) As at the end of the financial year, there were no unissued shares of the Company or its subsidiary companies under option.

Other information required by the Singapore Exchange Securities Trading Limited

Except as disclosed in Note 33 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

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Henry Tay Yun Chwan
Executive Chairman

Kenny Chan Swee Kheng
Managing Director

Singapore
30 May 2007

STATEMENT BY DIRECTORS PURSUANT TO SECTION 201(15)

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

(i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2007 and the results of the business, changes in equity and cash flow of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) 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 of Directors,

Henry Tay Yun Chwan
Executive Chairman

Kenny Chan Swee Kheng
Managing Director

Singapore
30 May 2007

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

We have audited the accompanying financial statements of The Hour Glass Limited (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 31 to 67, which comprise the balance sheets of the Group and the Company as at 31 March 2007, the statements of changes in equity of the Group and the Company, and the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2007 and the results, changes in equity and cash flow of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records 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.

ERNST & YOUNG
Certified Public Accountants

Singapore
30 May 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 $'000	2006 $'000
Revenue	3	407,160	354,547
Other income	4	2,035	991
Total revenue		409,195	355,538
Cost of goods sold		336,932	297,740
Salaries and employees benefits		23,934	19,711
Depreciation of property, plant and equipment and investment properties	11,12	2,290	2,482
Selling and promotion expenses		9,036	8,744
Rental expenses		6,948	6,567
Finance costs	5	1,303	869
Foreign exchange gain		(510)	(499)
Other operating expenses		5,571	5,619
Total costs and expenses		385,504	341,233
Operating profit	6	23,691	14,305
Exceptional items	7	467	1,276
Profit before taxation		24,158	15,581
Taxation	8	(4,777)	(2,664)
Profit for the year		19,381	12,917
Attributable to:			
Equity holders of the Company		18,644	12,433
Minority interests		737	484
		19,381	12,917
Earnings per share (cents)			
Basic and diluted	10	16.86	11.42

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS AS AT 31 MARCH 2007

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Non-current assets					
Property, plant and equipment	11	16,307	15,846	11,072	10,396
Investment properties	12	2,916	2,861	839	866
Subsidiary companies	13	–	–	19,191	19,368
Investment securities	14	72,121	–	72,121	–
Intangible assets	15	–	11	–	11
Other receivables	16	887	6,721	887	6,721
Deferred tax assets	17	1,582	874	485	–
		93,813	26,313	104,595	37,362
Current assets					
Stocks	18	142,254	127,473	67,801	59,367
Trade debtors	19	10,499	8,480	4,202	3,674
Other debtors	20	3,727	3,795	2,168	1,838
Dividend receivable from a subsidiary company		–	–	3,912	–
Other receivable	16	5,513	–	5,513	–
Prepaid operating expenses		391	404	260	164
Amounts due from subsidiary companies	21	–	–	8,790	9,873
Fixed deposits with banks		5,842	2,599	1,233	742
Cash and bank balances		21,176	16,472	10,595	6,036
		189,402	159,223	104,474	81,694
Less : Current liabilities					
Interest bearing loans and borrowings	22	26,315	15,532	15,500	–
Trade creditors	23	17,885	13,401	6,746	4,357
Other creditors	24	17,027	10,696	11,974	7,819
Amounts due to subsidiary companies	21	–	–	535	514
Provision for taxation		5,675	3,827	3,196	2,870
		66,902	43,456	37,951	15,560
Net current assets		122,500	115,767	66,523	66,134
Non-current liabilities					
Provision		201	64	–	–
Deferred tax liabilities	25	14	185	–	185
		(215)	(249)	–	(185)
Net assets		216,098	141,831	171,118	103,311
Equity attributable to equity holders of the Company					
Share capital	26	59,306	56,725	59,306	56,725
Reserves	27	151,081	80,014	111,812	46,586
		210,387	136,739	171,118	103,311
Minority interests		5,711	5,092	–	–
Total equity		216,098	141,831	171,118	103,311

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							
	Share capital $'000 (Note 26)	Share premium $'000	Foreign currency translation reserve $'000	Fair value adjustment reserve $'000	Revenue reserve $'000	Total reserves $'000	Minority interests $'000	Total equity $'000
Group								
Balance as at 1 April 2005	27,210	29,515	7,103	–	66,938	74,041	4,766	135,532
Unrealised foreign currency translation adjustment	–	–	(2,651)	–	–	(2,651)	2	(2,649)
Net income recognised directly in equity	–	–	(2,651)	–	–	(2,651)	2	(2,649)
Profit for the year	–	–	–	–	12,433	12,433	484	12,917
Total recognised income and expense for the year	–	–	(2,651)	–	12,433	9,782	486	10,268
Payment of dividend by a subsidiary company	–	–	–	–	–	–	(160)	(160)
Dividends on ordinary shares less tax (Note 9)	–	–	–	–	(3,809)	(3,809)	–	(3,809)
Transfer of share premium account to share capital account	29,515	(29,515)	–	–	–	–	–	–
Balance as at 31 March 2006 and 1 April 2006	56,725	–	4,452	–	75,562	80,014	5,092	141,831
Unrealised foreign currency translation adjustment	–	–	(358)	–	–	(358)	2	(356)
Net gain on fair value changes during the year	–	–	–	56,590	–	56,590	–	56,590
Net income recognised directly in equity	–	–	(358)	56,590	–	56,232	2	56,234
Profit for the year	–	–	–	–	18,644	18,644	737	19,381
Total recognised income and expense for the year	–	–	(358)	56,590	18,644	74,876	739	75,615
Payment of dividend by a subsidiary company	–	–	–	–	–	–	(120)	(120)
Dividends on ordinary shares less tax (Note 9)	–	–	–	–	(3,809)	(3,809)	–	(3,809)
Issuance of new shares pursuant to scrip dividend scheme	2,581	–	–	–	–	–	–	2,581
Balance as at 31 March 2007	59,306	–	4,094	56,590	90,397	151,081	5,711	216,098

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

	Share capital $'000 (Note 26)	Share premium $'000	Fair value adjustment reserve $'000	Revenue reserve $'000	Total reserves $'000	Total equity $'000
Company						
Balance as at 1 April 2005	27,210	29,515	–	42,694	42,694	99,419
Profit for the year	–	–	–	7,701	7,701	7,701
Total recognised income and expense for the year	–	–	–	7,701	7,701	7,701
Dividends on ordinary shares less tax (Note 9)	–	–	–	(3,809)	(3,809)	(3,809)
Transfer of share premium account to share capital account	29,515	(29,515)	–	–	–	–
Balance as at 31 March 2006 and 1 April 2006	56,725	–	–	46,586	46,586	103,311
Net gain on fair value changes during the year	–	–	56,590	–	56,590	56,590
Net income recognised directly in equity	–	–	56,590	–	56,590	56,590
Profit for the year	–	–	–	12,445	12,445	12,445
Total recognised income and expense for the year	–	–	56,590	12,445	69,035	69,035
Dividends on ordinary shares less tax (Note 9)	–	–	–	(3,809)	(3,809)	(3,809)
Issuance of new shares pursuant to scrip dividend scheme	2,581	–	–	–	–	2,581
Balance as at 31 March 2007	59,306	–	56,590	55,222	111,812	171,118

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	2007 $'000	2006 $'000
Profit before taxation	24,158	15,581
Adjustments for :		
Dividend income	(943)	–
Finance costs	1,303	869
Interest income	(326)	(197)
Depreciation of property, plant and equipment and investment properties	2,290	2,482
(Gain)/loss on disposal of plant and equipment	(129)	8
Foreign currency translation adjustment	(692)	(2,624)
Amortisation of club memberships	11	1
Provision for impairment loss in club memberships	–	1
Gain on disposal of other investments	–	(4)
Exceptional items	(467)	(1,276)
Operating profit before working capital changes	25,205	14,841
Increase in stocks	(14,781)	(11,559)
(Increase)/decrease in debtors	(2,150)	2,409
Decrease in prepayments	13	285
Increase in creditors	11,419	1,557
Proceeds from long-term receivables	308	317
Cash generated from operations	20,014	7,850
Income taxes paid	(3,509)	(3,396)
Interest expense paid	(1,303)	(869)
Interest income received	326	197
Net cash flows from operating activities	15,528	3,782
Cash flows from investing activities :		
Dividend income	943	–
Proceeds from disposal of other investments	–	248
Purchase of investment in shares	(15,531)	–
Proceeds from disposal of plant and equipment	600	8
Purchase of property, plant and equipment	(2,979)	(1,993)
Proceeds from disposal of investment properties	–	5,323
Net cash (used in)/provided by investing activities	(16,967)	3,586
Cash flows from financing activities :		
Repayment of hire purchase creditors	–	(16)
Proceeds from bank term loans	15,500	12,163
Repayment of bank term loans	(4,840)	(11,714)
Dividends paid to shareholders	(3,809)	(3,809)
Proceeds from issue of shares pursuant to scrip dividend scheme	2,581	–
Dividend paid to minority shareholders of subsidiary company	(120)	(160)
Net cash provided by/(used in) financing activities	9,312	(3,536)
Net increase in cash and cash equivalents	7,873	3,832
Effects of exchange rate changes	74	155
Cash and cash equivalents at beginning of year	19,071	15,084
Cash and cash equivalents at end of year (Note 30)	27,018	19,071

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

1. Corporate information

The Hour Glass Limited ("the Company") is a limited liability company, which is incorporated in the Republic of Singapore.

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

The principal activities of the Company and its subsidiary companies (collectively, 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.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except for derivative financial instrument and available-for-sale financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

2.2 FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 108	:	Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	:	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 40, FRS 107 and the amendment to FRS 1 as indicated below.

2.2 FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective (cont'd)

FRS 40, Investment Property

With the adoption of FRS 40 on 1 April 2007, investment properties are permitted to be stated at either fair value or cost less accumulated depreciation. The Group intends to measure all its investment properties at fair value and the gains or losses arising from changes in the fair value of investment properties would be included in the profit and loss account in the year in which they arise. Under the transitional provisions of FRS 40, the revaluation gain of $5,989,000 would be taken to the profit and loss account and the net book value of $490,000 would be classified to property, plant and equipment on 1 April 2007.

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information on financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from financial year beginning 1 April 2007.

2.3 Significant accounting estimates

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 5 years, except for freehold and leasehold premises which are depreciated over 50 years. The carrying amount of the Group's property, plant and equipment at 31 March 2007 was $16,307,000 (2006: $15,846,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's and the Company's income tax and deferred tax provisions are as follows :

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Deferred tax assets	1,582	874	485	–
Provision for taxation	(5,675)	(3,827)	(3,196)	(2,870)
Deferred tax liabilities	(14)	(185)	–	(185)

2.3 Significant accounting estimates (cont'd)

(iii) Impairment review of property, plant and equipment and financial assets

The Group follows the guidance of FRS 36 and 39 in determining when a property, plant and equipment or financial asset is impaired. The determination requires significant judgement of, among other factors, the duration and extend to which the fair value of the asset is less than its carrying value; and the financial health of and near-term business outlook for the business operations or financial asset, including factors such as industry and sector performance and operational and financing cash flow.

2.4 Functional and foreign currency

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Selling prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

(c) Foreign currency translation

On consolidation, the results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 Subsidiaries and principles of consolidation

(a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

2.5 Subsidiaries and principles of consolidation (cont'd)

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the holding company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Acquisitions of subsidiaries are accounted for using the purchase method. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Premises held on 999-year lease are regarded as equivalent to freehold and are included with freehold premises under property, plant and equipment.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows :

Freehold and leasehold premises	–	50 years
Furniture and equipment	–	2 to 5 years
Motor vehicles	–	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.7 Investment properties

Investment properties are those properties which are held on long-term basis for their investment potential and income. Investment properties are depreciated over 50 years. They are included in the balance sheet at cost less accumulated depreciation and any impairment losses.

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

2.7 Investment properties (cont'd)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of retirement or disposal.

2.8 Intangible assets

Intangible assets include club memberships which relate to the entrance fees paid for the right to use the facilities of the club and club memberships are measured on initial recognition at cost. Following initial recognition, club memberships are carried at cost less any accumulated amortisation and impairment loss.

Club memberships are amortised on a straight-line basis over the estimated economic useful lives (30 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. The amortisation expense is recognised in the profit and loss account through the 'depreciation and amortisation expenses' line item.

2.9 Other receivables

Other receivables relate to proceeds for the disposal of certain subsidiaries and goodwill compensation from a principal. Other receivables are carried at amortised cost using the effective interest method.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account as 'other operating expenses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.11 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

2.11 Financial assets (cont'd)

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

(a) Financial assets at fair value through profit or loss

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.23.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- Cash and bank balances and fixed deposits with banks.
- Trade and other receivables, including amounts due from subsidiary companies.

(c) Available-for-sale financial assets

The Group classifies its investment securities as available-for-sale financial assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present

2.12 Impairment of financial assets (cont'd)

value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment loss in respect of equity instruments are not recognised in the profit and loss account.

2.13 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flow from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

2.14 Inventories

Inventories are stated at the lower of cost (specific identification method) and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as purchase costs.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, and fixed deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, amounts due to subsidiary companies and interest-bearing loans and borrowings. Financial liabilities are initially recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.17 Borrowing costs

Borrowing costs are generally expensed as incurred.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, 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.

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.20 Leases

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(a) Sale of goods

Revenue from the sale of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer which, generally coincides with their delivery and acceptance of the goods sold. Revenue represents sale of goods after deducting allowances for goods returned and trade discounts.

(b) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

(c) Interest income

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.22 Income taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred income tax is provided using the liability method on 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, except :

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.22 Income taxes (cont'd)

- In respect of temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income 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. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except :

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 Derivative financial instruments

The Group uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the contract date and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify as hedge accounting are taken to the profit and loss account for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

3. Revenue

Revenue represents sale of goods after deducting allowances for goods returned and trade discounts.

4. Other income

	Group	
	2007	**2006**
	$'000	$'000
Investment income	943	–
Rental income	515	638
Interest income	326	197
Gain on disposal of property, plant and equipment	129	–
Others	122	156
	2,035	991

5. Finance costs

	Group	
	2007	**2006**
	$'000	$'000
Interest on bank term loans	1,282	810
Interest on bank overdrafts	21	59
	1,303	869

6. Operating profit

	Group	
	2007	**2006**
	$'000	$'000
This is determined after charging/(crediting) the following :		
(Gain)/loss on disposal of plant and equipment	(129)	8
Salaries and employees benefits (including executive directors):		
- salaries, bonuses and other costs	22,331	18,314
- state provident funds	1,553	1,347
- provision for retirement gratuity	50	50
Directors' fees	164	152
Non audit fees paid to :		
- auditors of the Company	39	35
- other auditors	29	28
Amortisation of club memberships	11	1
Gain on disposal of other investments	–	(4)
Provision for doubtful debts	63	163
Inventories written down	8,576	8,320
Inventories written-back	(12,013)	(8,314)

7. Exceptional items

	Group 2007 $'000	Group 2006 $'000
Gain from disposal of investment properties	–	798
Writeback of provision related to a discontinued operation in previous year	467	478
	467	1,276

8. Taxation

	Group 2007 $'000	Group 2006 $'000
Provision for taxation in respect of results for the year :		
Current taxation	5,603	3,863
Deferred taxation	(220)	(241)
Over provision in respect of previous years :		
Current taxation	(4)	(958)
Deferred taxation	(602)	–
	4,777	2,664

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

	2007	2006
Profit before taxation	24,158	15,581
Taxation at statutory rate of 18% (2006 : 20%)	4,348	3,116
Adjustments :		
Expenses not deductible for tax purposes	573	343
Effect of different tax rates in other countries	1,007	471
Deferred tax assets not recognised	(94)	–
Unabsorbed losses utilised	(18)	(13)
Non-taxable income	(273)	(245)
Tax exempt income and incentive	(94)	(81)
Over provision in respect of previous years	(606)	(958)
Effect of reduction in tax rate	(42)	-
Others	(24)	31
Tax expense	4,777	2,664

8. Taxation (cont'd)

The statutory income tax rate applicable to the Company was reduced to 18% for Year of Assessment 2008 from 20% for Year of Assessment 2007.

As at 31 March 2007, certain subsidiary companies have unabsorbed tax losses of approximately $757,000 (2006: $1,639,000) available for set-off against future taxable profits of the subsidiary companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiary companies operate.

9. Dividends

	Group	
	2007	**2006**
	$'000	$'000
- First and final dividend of 1.25 cents (2006 : 1.25 cents) per ordinary share less tax of 20% (2006 : 20%)	1,088	1,088
- Bonus dividend of 3.125 cents (2006 : 3.125 cents) per ordinary share less tax of 20% (2006 : 20%)	2,721	2,721
	3,809	3,809

The Directors have recommended that a first and final dividend of 1.25 cents per ordinary share less tax of 18% amounting to $1,150,000 and a bonus dividend of 9.75 cents per ordinary share less tax of 18% amounting to $8,996,000 (collectively, "FY2007 Dividend") be paid for the financial year ended 31 March 2007. This is subject to the approval of the shareholders at the next Annual General Meeting of the Company.

The Company's scrip dividend scheme under which shareholders may elect to receive dividends in the form of new shares in lieu of cash will apply to FY2007 Dividend.

10. Earnings per share

	Group	
	2007	**2006**
	$'000	$'000
Profit after deducting minority interests used in calculating earnings per share	18,644	12,433
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	110,582	108,842

11. Property, plant and equipment

	Freehold premises $'000	Leasehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Group					
Cost					
At 1 April 2005	15,699	2,833	17,572	1,260	37,364
Additions	–	–	1,993	–	1,993
Disposals/write-offs	–	–	(708)	–	(708)
Foreign currency translation adjustment	(343)	(22)	(608)	(1)	(974)
At 31 March 2006 and 1 April 2006	15,356	2,811	18,249	1,259	37,675
Additions	–	–	1,471	1,508	2,979
Disposals/write-offs	–	–	(2,247)	(1,146)	(3,393)
Foreign currency translation adjustment	204	(196)	304	–	312
At 31 March 2007	15,560	2,615	17,777	1,621	37,573
Accumulated depreciation and impairment losses					
At 1 April 2005	4,021	1,790	14,419	511	20,741
Depreciation charge for the year	313	26	1,863	172	2,374
Disposals/write-offs	–	–	(683)	–	(683)
Foreign currency translation adjustment	(87)	(15)	(500)	(1)	(603)
At 31 March 2006 and 1 April 2006	4,247	1,801	15,099	682	21,829
Depreciation charge for the year	310	25	1,605	269	2,209
Disposals/write-offs	–	–	(2,236)	(686)	(2,922)
Foreign currency translation adjustment	54	(126)	222	–	150
At 31 March 2007	4,611	1,700	14,690	265	21,266
Net carrying value					
At 31 March 2007	10,949	915	3,087	1,356	16,307
At 31 March 2006	11,109	1,010	3,150	577	15,846

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	3,136
Malaysia	
116 square metres office unit at Suite 12-2, 12th Floor, Wisma UOA II 21 Jalan Pinang, Kuala Lumpur	191
	15,560
(b) Leasehold premises	
Hong Kong	
201.9 square metres office unit at 1416 & 1416A Starhouse, Salisbury Road, Kowloon (lease term, 999 years from 25 July 1864)	2,615

A subsidiary company's freehold premises with net carrying value of approximately $2,263,000 (2006 : $2,175,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

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

	Freehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost				
At 1 April 2005	12,233	8,581	936	21,750
Additions	–	887	–	887
Disposals/write-offs	–	(114)	–	(114)
At 31 March 2006 and 1 April 2006	12,233	9,354	936	22,523
Additions	–	916	1,293	2,209
Disposals/write-offs	–	(2,215)	(892)	(3,107)
At 31 March 2007	12,233	8,055	1,337	21,625
Accumulated depreciation				
At 1 April 2005	3,220	7,712	238	11,170
Depreciation charge for the year	245	681	145	1,071
Disposals/write-offs	–	(114)	–	(114)
At 31 March 2006 and 1 April 2006	3,465	8,279	383	12,127
Depreciation charge for the year	244	607	216	1,067
Disposals/write-offs	–	(2,209)	(432)	(2,641)
At 31 March 2007	3,709	6,677	167	10,553
Net carrying value				
At 31 March 2007	8,524	1,378	1,170	11,072
At 31 March 2006	8,768	1,075	553	10,396

12. Investment properties

	Leasehold premises $'000	Freehold land $'000	Freehold building and premises $'000	Total $'000
Group				
Cost				
At 1 April 2005	1,329	1,610	6,549	9,488
Disposals	–	(1,610)	(3,616)	(5,226)
Foreign currency translation adjustment	–	–	(310)	(310)
At 31 March 2006 and 1 April 2006	1,329	–	2,623	3,952
Foreign currency translation adjustment	–	–	182	182
At 31 March 2007	1,329	–	2,805	4,134
Accumulated depreciation				
At 1 April 2005	437	–	1,320	1,757
Depreciation charge for the year	26	–	82	108
Disposals	–	–	(701)	(701)
Foreign currency translation adjustment	–	–	(73)	(73)
At 31 March 2006 and 1 April 2006	463	–	628	1,091
Depreciation charge for the year	27	–	54	81
Foreign currency translation adjustment	–	–	46	46
At 31 March 2007	490	–	728	1,218
Net carrying value				
At 31 March 2007	839	–	2,077	2,916
At 31 March 2006	866	–	1,995	2,861

12. Investment properties (cont'd)

	Leasehold premises $'000
Company	
Cost	
At 1 April 2005, 1 April 2006 and 31 March 2007	1,329
Accumulated depreciation	
At 1 April 2005	437
Depreciation charge for the year	26
At 31 March 2006 and 1 April 2006	463
Depreciation charge for the year	27
At 31 March 2007	490
Net carrying value	
At 31 March 2007	839
At 31 March 2006	866

The investment properties of the Group as at 31 March 2007 are as follows :

(a) 42 square metres shop at Centrepoint situated at 176 Orchard Road (lease term, 99 years from 17 August 1979) amounting to $1,329,000. The estimated market value of the property stated at directors' valuation based on professional valuation by Cushman & Wakefield (S) Pte Ltd as at 10 January 2007 is approximately $2,800,000.

(b) 1,345 square metres (freehold) shop/office unit and lettable space at 252 Collins Street, Melbourne, Australia amounting to $2,805,000. The estimated market value of the property stated at directors' valuation based on professional valuation by LandMark White (Vic) Pty Ltd as at 23 January 2007 is approximately $7,347,000 (A$6,000,000).

A subsidiary company's investment property with net carrying value of $2,077,000 (2006 : $1,995,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

13. Subsidiary companies

	Company	
	2007 $'000	**2006** $'000
Unquoted shares, at cost	20,459	20,636
Impairment loss	(1,268)	(1,268)
	19,191	19,368

13. Subsidiary companies (cont'd)

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

	Cost to Company	
	2007	**2006**
	$'000	$'000
Name of subsidiary company		
Dynasty Watch Pte Ltd	500	500
Glajz-THG Pte Ltd	990	990
The Hour Glass Sdn Bhd	430	430
THG (HK) Limited #	–	175
The Hour Glass (HK) Limited	10,261	10,261
The Hour Glass (Australia) Pty Ltd	4,646	4,646
The Hour Glass Japan Ltd	3,630	3,630
Time Master Enterprises Limited	*	*
The Hour Glass Holding (Thailand) Co Ltd	2	2
Pagoda Chinatown Pte Ltd @	–	2
	20,459	20,636

\# *During the year, all the issued shares in THG (HK) Limited were transferred to The Hour Glass (HK) Limited due to rationalisation of group structure.*

* *Denotes amount less than $1,000.*

@ *The company was voluntarily wound up during the year.*

Details of the subsidiary companies as at 31 March are :

Name of company	**Country of incorporation and place of business**	**Percentage of equity held by the Group**	
		2007	**2006**
		%	**%**
Held by the Company			
Retailing and distribution of watches, jewellery and related products			
① Dynasty Watch Pte Ltd	Singapore	100	100
① Glajz-THG Pte Ltd	Singapore	60	60
② The Hour Glass Sdn Bhd	Malaysia	95	95
② The Hour Glass (HK) Limited	Hong Kong	100	100
THG (HK) Limited #	Hong Kong	–	100
② The Hour Glass (Australia) Pty Ltd	Australia	100	100
③ The Hour Glass Japan Ltd	Japan	100	100

13. Subsidiary companies (cont'd)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group 2007 %	2006 %
Investment in properties			
② Time Master Enterprises Limited	Hong Kong	100	100
Investment holding			
② ④ The Hour Glass Holding (Thailand) Co Ltd	Thailand	49	49
Held by subsidiary companies			
Retailing and distribution of watches and related products			
② THG (HK) Limited #	Hong Kong	100	–
② ④ The Hour Glass (Thailand) Co Ltd	Thailand	49	49

① *Audited by Ernst & Young, Singapore.*

② *Audited by member firms of Ernst & Young, Global in the respective countries.*

③ *Not required to be audited under the laws of its country of incorporation.*

④ *The Group holds a 98.97% controlling interest in the subsidiary companies through its voting rights.*

All the issued shares in THG (HK) Limited were transferred to The Hour Glass (HK) Limited during the year.

14. Investment securities

	Group and Company 2007 $'000	2006 $'000
Available-for-sale financial assets :		
Quoted equity shares		
At cost	15,531	–
Fair value adjustment	56,590	–
	72,121	–

15. Intangible assets

	Group and Company $'000
Club memberships	
Cost	
Balance at 1 April 2005, 1 April 2006 and 31 March 2007	350
Accumulated amortisation and impairment loss	
Balance at 1 April 2005	338
Amortisation for the year	1
Balance at 31 March 2006 and 1 April 2006	339
Amortisation for the year	11
Balance at 31 March 2007	350
Net carrying value	
Balance at 31 March 2007	–
Balance at 31 March 2006	11

16. Other receivables

		Group and Company 2007 $'000	2006 $'000
Receivable pursuant to the disposal of subsidiary companies	(a)	5,513	5,546
Goodwill compensation	(b)	1,183	1,469
		6,696	7,015
Current portion of receivable pursuant to the disposal of subsidiary companies		(5,513)	–
Current portion of goodwill compensation (Note 20)		(296)	(294)
		887	6,721

(a) This relates to the proceeds receivable of 4,500,000 Swiss Francs from Bulgari International Corporation N.V. in year 2007 for the sale of the Swiss subsidiary companies.

(b) This relates to the goodwill compensation receivable from a principal for giving up distribution rights in certain territories/countries in the Asia Pacific region. The goodwill compensation is receivable in eight equal instalments of 250,000 Swiss Francs per annum until year 2011.

17. Deferred tax assets

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Balance at 1 April	874	705	–	–
Under recognised deferred tax assets in respect of previous years	417	–	417	–
Recognised in profit and loss account	234	241	68	–
Foreign currency translation adjustment	57	(72)	–	–
Balance at 31 March	1,582	874	485	–
Deferred tax assets arise as a result of :				
Excess of tax written down value over net book value	676	586	(75)	–
Provisions	939	288	560	–
Unrealised foreign exchange loss	(33)	–	–	–
	1,582	874	485	–

18. Stocks

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Finished goods				
- at cost	100,779	88,476	56,299	44,659
- at net realisable value	41,475	38,997	11,502	14,708
Total finished goods at lower of cost and net realisable value	142,254	127,473	67,801	59,367
Inventories written down charged to the profit and loss account	8,576	8,320	3,972	2,693

During the financial year, the Group and the Company wrote-back $12,013,000 and $7,158,000 (2006 : $8,314,000 and $3,972,000) of inventories respectively which were included in cost of goods sold in the profit and loss account, as the inventories previously written down were sold above net realisable value during the year.

19. Trade debtors

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Trade debtors are stated after deducting allowance for doubtful debts of	135	245	101	200
Analysis of allowance for doubtful debts :				
Balance at 1 April	245	122	200	69
Doubtful debts recovered	(173)	(23)	(136)	(7)
Charged to profit and loss account	63	163	37	138
Bad debts written off	–	(17)	–	–
Balance at 31 March	135	245	101	200

The following foreign currency denominated amounts, which differ from the functional currencies of the companies within the Group, are included in trade debtors :

	Group 2007	Group 2006	Company 2007	Company 2006
United States Dollar	2,748	2,667	–	16
Australian Dollar	331	321	–	–
Swiss Francs	195	56	21	–
Others	36	52	–	–

20. Other debtors

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Rental and other deposits	2,016	1,863	502	356
Recoverables and sundry debtors	1,395	1,589	1,351	1,155
Staff loans	20	49	19	33
Current portion of goodwill compensation (Note 16)	296	294	296	294
	3,727	3,795	2,168	1,838
Other debtors are stated after deducting allowance for doubtful debts of	572	615	–	–
Analysis of allowance for doubtful debts :				
Balance at 1 April	615	620	–	–
Foreign currency translation adjustment	(43)	(5)	–	–
Balance at 31 March	572	615	–	–

21. Amounts due from/(to) subsidiary companies

	Company	
	2007	**2006**
	$'000	$'000
Amounts due from subsidiary companies		
- trade	1,716	1,677
- non-trade	7,106	8,228
Provision for non-recoverability of debts	(32)	(32)
	8,790	9,873
Amounts due to subsidiary companies		
- trade	(535)	(514)

Trade receivables from/payable to subsidiary companies are unsecured, non-interest bearing and are repayable within the normal trade terms extended.

Non-trade balances with subsidiary companies are unsecured, non-interest bearing and repayable on demand except for balances with one (2006 : one) subsidiary company, whose outstanding balance of $171,179 (2006 : $181,545) bears interest at rates 2.0% (2006 : 2.0%) per annum.

22. Interest bearing loans and borrowings

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Unsecured borrowings	26,315	13,229	15,500	–
Secured loan	–	2,303	–	–
	26,315	15,532	15,500	–

The following foreign currency denominated amounts, which differ from the functional currencies of the companies within the Group, are included in interest bearing loans and borrowings :

United States Dollar	1,213	1,295	–	–

The Group's unsecured borrowings are repayable on demand and bear interest at rates ranging from 3.99 % to 7.00% (2006 : 1.56% to 6.21%) per annum (Note 32). Interest rates are repriced at intervals of 1 week to 12 months.

The unsecured borrowings of certain subsidiary companies are covered by corporate guarantees given by the Company and minority shareholders.

A short term loan of a subsidiary company was secured by a legal mortgage executed in favour of a bank on the subsidiary's properties in Melbourne and Sydney (Note 11 and 12). Interest was charged from 6.80% to 7.40% (2006 : 6.60% to 7.01%) per annum. This loan was fully repaid during the financial year. The subsidiary company is in the process of discharging the legal mortgage.

23. Trade creditors

The following foreign currency denominated amounts, which differ from the functional currencies of the companies within the Group, are included in trade creditors :

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Singapore Dollar	1,011	498	–	–
United States Dollar	2,757	2,365	34	72
Swiss Francs	2,025	1,124	1,081	697
Others	79	126	–	–

24. Other creditors

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Deposits from customers	5,213	2,014	3,326	1,229
Forward currency contract (Note 32)	205	335	205	335
Sundry creditors	1,224	138	1,093	68
Accruals	10,058	8,209	7,023	6,187
Others	327	–	327	–
	17,027	10,696	11,974	7,819

25. Deferred tax liabilities

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Balance at 1 April	185	185	185	185
Overprovision in respect of previous year	(185)	–	(185)	–
Charged to profit and loss account	14	–	–	–
Balance at 31 March	14	185	–	185
Deferred tax liabilities arise as a result of :				
Net book value in excess of tax written down value	14	143	–	143
Unremitted dividend income from a foreign subsidiary company	–	243	–	243
Provisions	–	(201)	–	(201)
	14	185	–	185

26. Share capital

	Group and Company	
	2007	**2006**
	$'000	$'000
Issued and fully paid :		
Balance at beginning of year :		
108,842,023 (2006 : 108,842,023) ordinary shares	56,725	27,210
Transfer of share premium account to share capital account	–	29,515
Issued of 3,308,161 ordinary shares #	2,581	–
Balance at end of year :		
112,150,184 (2006 : 108,842,023) ordinary shares	59,306	56,725

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share.

In July 2006, the Company implemented a scrip dividend scheme (the "Scheme") which enabled shareholders to elect to receive new ordinary shares credited as fully paid in lieu of cash on dividends declared. During the year under review, 3,308,161 new ordinary shares were issued in lieu of cash dividends pursuant to the Scheme.

27. Reserves

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Revenue reserve	90,397	75,562	55,222	46,586
Foreign currency translation reserve	4,094	4,452	–	–
Fair value adjustment reserve	56,590	–	56,590	–
Total reserves	151,081	80,014	111,812	46,586

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

28. Commitments and contingencies

(a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows :

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Expenditure for property, plant and equipment	–	475	–	475
Exhibition expenditure	651	–	651	–
	651	475	651	475

(b) Operating lease commitments – As lessor

The Group and Company have entered into commercial property leases on its investment properties portfolio as disclosed in Note 12. These non-cancellable leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 March but not recognised as receivables, are as follows :

Not later than one year	450	533	303	264
Later than one year but not later than five years	646	257	638	22
	1,096	790	941	286

(c) Operating lease commitments – As lessee

The Group and the Company have entered into commercial leases on certain properties under lease agreements that are non-cancellable within the lease period. These leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments payable under non-cancellable operating leases as at 31 March but not recognised as liabilities, are as follows :

Not later than one year	6,306	6,927	3,090	3,351
Later than one year but not later than five years	6,301	11,550	2,431	4,862
Later than five years	–	119	–	–
	12,607	18,596	5,521	8,213

29. Segment information

Reporting format

The primary reporting segment reporting format is determined to be geographical segments as the operating businesses are organised and managed separately according to the location of the Group assets, with each segment representing a strategic business unit to serve that market.

29. Segment information (cont'd)

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the country of operation.

Business segment

The Group comprises 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.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between geographical segments. These transfers are eliminated on consolidation.

Geographical segments

The following table presents revenue, capital expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 March 2007 and 2006.

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Group $'000
2007					
Segment revenue :					
Sales to external customers	328,269	78,891	407,160	–	407,160
Intersegment sales	229	428	657	(657)	–
Other income	6,522	130	6,652	(4,617)	2,035
Total revenue	335,020	79,449	414,469	(5,274)	409,195
Segment result :					
Segment results	19,631	8,683	28,314	(4,623)	23,691
Exceptional item					467
Profit before taxation					24,158
Taxation					(4,777)
Profit for the year					19,381
Other segment information :					
Segment assets	250,898	30,735	281,633	–	281,633
Unallocated corporate assets					1,582
					283,215
Segment liabilities	50,163	11,265	61,428	–	61,428
Unallocated corporate liabilities					5,689
					67,117
Capital expenditure for the year	2,847	132	2,979	–	2,979
Depreciation and amortisation	2,066	235	2,301	–	2,301

29. Segment information (cont'd)

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Group $'000
2006					
Segment revenue :					
Sales to external customers	300,517	54,030	354,547	–	354,547
Intersegment sales	69	471	540	(540)	–
Other income	1,259	32	1,291	(300)	991
Total revenue	301,845	54,533	356,378	(840)	355,538
Segment result :					
Segment results	11,237	3,174	14,411	(106)	14,305
Exceptional items					1,276
Profit before taxation					15,581
Taxation					(2,664)
Profit for the year					12,917
Other segment information :					
Segment assets	157,947	26,715	184,662	–	184,662
Unallocated corporate assets					874
					185,536
Segment liabilities	34,528	5,165	39,693	–	39,693
Unallocated corporate liabilities					4,012
					43,705
Capital expenditure for the year	1,642	351	1,993	–	1,993
Depreciation and amortisation	2,382	101	2,483	–	2,483

30. Cash and cash equivalents

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

	Group 2007 $'000	Group 2006 $'000
Cash and bank balances	21,176	16,472
Fixed deposits with banks	5,842	2,599
	27,018	19,071

Cash and bank balances and fixed deposits with banks earn interest at floating rates based on daily bank deposit rates ranging from 0.40% to 5.90% (2006 : 0.50% to 5.50%) per annum. Fixed deposits with banks are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group.

30. Cash and cash equivalents (cont'd)

The following foreign currency denominated amounts, which differ from the functional currencies of the companies within the Group, are included in cash and cash equivalents :

	Group	
	2007	**2006**
	$'000	$'000
United States Dollar	671	952
Swiss Francs	1,005	456

31. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group adopts measures to manage such risks. Financial risk management policies are periodically reviewed and approved by the Board of Directors. The Group's accounting policies in relation to derivative financial instruments are set out in Note 2.23.

Interest rate risk

The Group is exposed to market risk 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 also disclosed in various notes to the financial statements.

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 risk arising from its foreign currency denominated assets and liabilities. The principal currencies which the Group has exposure to are the United States Dollar, Swiss Francs and Australian Dollar.

The Group uses foreign currency forward contracts to manage its foreign currency risk. Such foreign exchange risk is actively managed through limits on foreign exchange and currency hedging.

Liquidity risk

The Group's exposure to liquidity risk is minimal. As at 31 March 2007, the Group has available cash and cash equivalents totalling approximately $27.0 million (31 March 2006 : $19.1 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 met through bank borrowings.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations when these are due. It is the Company's policy to transact with credit worthy counterparties. In addition, receivable balances are monitored on an on-going basis, the granting of material credit limits to counterparties is reviewed and approved by senior management.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables (including related party balances), investment securities and certain derivative financial instrument, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group or the Company.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

32. Financial instruments

Credit risk

As the Group transacts with a diversity of counterparties in different countries, the Group does not have any significant exposure to any individual customer.

Fair values

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained through quoted market prices, discounted cash flow models and option pricing models as appropriate.

Financial instruments carried at fair value

The Group has carried its other receivables, and its derivative financial instrument, at their fair value as required by FRS 39.

Financial instruments whose carrying amounts approximate fair values

Management has determined that the carrying amounts of cash and bank balances, fixed deposits with banks, trade and other debtors, amounts due from/(to) subsidiary companies, trade and other creditors and interest bearing loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Derivative financial instrument

Derivative financial instrument included in the balance sheets at 31 March is as follows :

	Group and Company			
	2007		2006	
	Notional amount	Fair value	Notional amount	Fair value
	$'000	$'000	$'000	$'000
Forward currency contract	5,405	(205)	5,405	(335)

The negative fair value of the derivative financial instrument is presented in other creditors (Note 24).

Interest rate risk

Effective interest rates

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date :

	Note	Effective interest rate %	Total $'000	Within 1 year $'000
Group				
2007				
Financial assets				
Cash and bank balances and fixed deposits with banks	30	0.40 to 5.90	27,018	27,018
Financial liabilities				
Unsecured bank borrowings				
- Thai Baht floating rate	22	5.80 to 6.80	(1,732)	(1,732)
- Malaysian Ringgit floating rate	22	4.70 to 5.15	(7,870)	(7,870)
- US Dollar floating rate	22	5.30 to 7.00	(1,213)	(1,213)
- Singapore Dollar	22	3.99	(15,500)	(15,500)
			(26,315)	(26,315)

32. **Financial instruments (cont'd)**

	Note	Effective interest rate %	Total $'000	Within 1 year $'000
2006				
Financial assets				
Cash and bank balances and fixed deposits with banks	30	0.50 to 5.50	19,071	19,071
Financial liabilities				
Secured bank borrowings				
- Australian Dollar floating rate	22	6.60 to 7.01	(2,303)	(2,303)
Unsecured bank borrowings				
- Thai Baht floating rate	22	4.75 to 6.00	(2,284)	(2,284)
- Malaysian Ringgit floating rate	22	4.25 to 4.75	(7,844)	(7,844)
- Japanese Yen floating rate	22	1.56 to 1.59	(1,806)	(1,806)
- US Dollar floating rate	22	5.24 to 6.21	(1,295)	(1,295)
			(15,532)	(15,532)
Company				
2007				
Financial assets				
Cash and bank balances and fixed deposits with banks		0.40 to 5.90	11,828	11,828
Financial liabilities				
Unsecured bank borrowings				
- Singapore Dollar	22	3.99	(15,500)	(15,500)
2006				
Financial assets				
Cash and bank balances and fixed deposits with banks		0.50 to 5.50	6,778	6,778

33. **Related party transactions**

An entity or individual is considered a related party of the Group for the purposes of the financial statements if :

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

33. Related party transactions (cont'd)

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties :

	Sale of goods $'000	Rendering of services $'000	Purchase of goods $'000	Rental expense $'000
2007				
Directors of the Company	428	–	–	–
Directors of the subsidiary companies	144	–	–	–
Director-related companies	–	9	87	123
2006				
Directors of the Company	185	–	–	–
Directors of the subsidiary companies	93	–	13	–
Director-related companies	–	7	31	123

These transactions were made in the ordinary course of business and terms are agreed between the parties.

(b) Compensation of key management personnel

	Group	
	2007 $'000	**2006** $'000
Short-term employee benefits	5,907	4,431
Provident Fund contributions	93	86
Total compensation paid to key management personnel	6,000	4,517
Short-term employee benefits paid to the key management personnel comprised :		
- Directors of the Company	3,544	2,485
- Other key management personnel	2,456	2,032
	6,000	4,517

34. Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2007 were authorised for issue in accordance with a resolution of the Directors on 30 May 2007.

STATISTICS OF SHAREHOLDINGS AS AT 7 JUNE 2007

Number of Shares : 112,150,184

Class of Shares : Ordinary

Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	158	8.11	59,046	0.05
1,000 - 10,000	1,535	78.80	5,798,405	5.17
10,001 - 1,000,000	240	12.32	12,621,788	11.26
1,000,001 and above	15	0.77	93,670,945	83.52
Total	**1,948**	**100.00**	**112,150,184**	**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 7 June 2007, approximately 31.9% 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)

	No. of Shares	
Name	**Direct**	**Deemed**
TYC Investment Pte. Ltd.	46,007,338	-
Key Hope Investment Limited	7,314,103	-
Swanson Pte. Ltd.	5,715,972	-
Dr Henry Tay Yun Chwan	8,955,138	59,037,413 ①
Mdm Chan Siew Lee	1,543,557	59,037,413 ①
Siong Lim Private Limited	4,811,000	2,092,000 ②
Kambau Pte. Ltd.	-	6,147,000 ③

① Dr Henry Tay Yun Chwan's and Mdm Chan Siew Lee's deemed interests arise from their interest in TYC Investment Pte Ltd, Key Hope Investment Limited and Swanson Pte Ltd.

② Siong Lim Private Limited is, pursuant to the Companies Act Cap. 50, deemed to be interested in the shares of the Company held by Mellford Pte Ltd and Raffles Investments (1993) Pte Ltd.

③ Kambau Pte. Ltd. is, pursuant to the Companies Act Cap. 50, deemed to be interested in the shares of the Company held by Siong Lim Private Limited and Raffles Investments (1993) Pte Ltd.

TWENTY LARGEST SHAREHOLDERS AS AT 7 JUNE 2007

No.	Name	No. of Shares	%
1	TYC Investment Pte Ltd	36,872,722	32.88
2	DBS Nominees Pte Ltd	12,697,454	11.32
3	United Overseas Bank Nominees Pte Ltd	7,321,151	6.53
4	Key Hope Investment Limited	7,314,103	6.52
5	Hong Leong Finance Nominees Pte Ltd	6,542,000	5.83
6	Siong Lim Private Limited	4,811,000	4.29
7	Oversea-Chinese Bank Nominees Pte Ltd	4,021,616	3.59
8	Swanson Pte Ltd	2,581,356	2.30
9	Phillip Securities Pte Ltd	2,538,956	2.26
10	Teo Cheng Tuan Donald	1,836,000	1.64
11	OCBC Nominees Singapore Pte Ltd	1,734,301	1.55
12	Citibank Nominees S'pore Pte Ltd	1,492,340	1.33
13	UOB Kay Hian Pte Ltd	1,412,562	1.26
14	Raffles Investments (1993) Pte Ltd	1,336,000	1.19
15	HSBC (Singapore) Nominees Pte Ltd	1,159,384	1.03
16	Mellford Pte Ltd	756,000	0.67
17	Tan Sheau Yen Helen	627,000	0.56
18	Ong Yek Siang	594,000	0.53
19	Lim Cher Khiang	546,933	0.49
20	Henry Tay Yun Chwan	538,435	0.48
	Total	**96,733,313**	**86.25**

THE HOUR GLASS LIMITED
(Incorporated in the Republic of Singapore)
(Co. Reg. No. 197901972D)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of the Company will be held at Meritus Mandarin Singapore, Room 832, Level 8, South Tower, 333 Orchard Road, Singapore 238867, on Friday, 20 July 2007 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS:

1. To receive the Directors' Report, Auditors' Report and Financial Statements for the financial year ended 31 March 2007.

2. To approve the payment of a First and Final Dividend of 1.25 cents per share and a Bonus Dividend of 9.75 cents per share, respectively less 18% Singapore Income Tax, for the financial year ended 31 March 2007.

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 Dr Kenny Chan Swee Kheng, a Director retiring by rotation under Article 99 of the Company's Articles of Association.

5. To re-elect Mr Jason Choo Choon Wai, a Director retiring under Article 103 of the Company's Articles of Association.

   (Mr Jason Choo Choon Wai, a member of the Company's Audit Committee, is an independent Director.)

6. To re-elect Mr Ariel Kor, a Director retiring under Article 103 of the Company's Articles of Association.

7. To re-appoint Mr Owen Phillimore Howell-Price as a Director of the Company pursuant to 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.)

8. To approve Directors' fees for non-executive Directors of $152,274 for the financial year ended 31 March 2007. (2006: $140,000)

9. To re-appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

10. 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 shares in the 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 shares of the Company;

    (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, the percentage of shares shall be based on the number of issued shares in the 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 or vesting of share awards that are outstanding or subsisting 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."

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

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 (the **"Act"**), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (**"Shares"**) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a **"Market Purchase"**) on the Singapore Exchange Securities Trading Limited (**"SGX-ST"**); and/or

(ii) off-market purchases (each an **"Off-Market Purchase"**) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **"Share Purchase Mandate"**);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

(c) in this Resolution:

"Prescribed Limit" means that number of issued Shares representing 10% of the issued Shares of the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares); and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 110% of the Average Closing Price,

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last 5 market days on which Shares were transacted on the SGX-ST immediately preceding the date of making the Market Purchase by the Company, or, as the case may be, the date of making the offer pursuant to the Off-Market Purchase, as deemed to be adjusted for any corporate action that occurs after the relevant 5 market day period;

"date of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"market day" means a day on which the SGX-ST is open for trading in securities; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

12. 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, authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares of the Company as may be required to be allotted and issued pursuant to The Hour Glass Limited Scrip Dividend Scheme."

BY ORDER OF THE BOARD

Christine Chan
Company Secretary

4 July 2007
Singapore

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 10 This Ordinary Resolution is to empower the Directors to issue new shares, from the date of this Annual General Meeting up to the date of the next Annual General Meeting, up to a number not exceeding in total 50% of the issued shares in the 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 shares will be calculated based on the number of issued shares in the capital of the Company at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options or vesting of share awards that have been issued or granted (provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual) and which are outstanding or subsisting at the time that this Resolution is passed, and any subsequent consolidation or subdivision of shares.

Item 11 This Ordinary Resolution is to renew, effective until the next Annual General Meeting, the Share Purchase Mandate for the Company to make purchases or acquisitions of its issued ordinary shares. The Company intends to use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance purchases or acquisitions of its shares. For illustrative purposes only, the financial effects of an assumed purchase or acquisition by the Company, of 10% of its issued ordinary shares as at 7 June 2007 , at a purchase price equivalent to the Maximum Price per share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited accounts of the Group and the Company for the financial year ended 31 March 2007, and certain other assumptions, are set out in the Company's letter to shareholders dated 4 July 2007 accompanying the Annual Report 2007.

Item 12 This Ordinary Resolution, if passed, will authorise the Directors to issue shares in the Company pursuant to The Hour Glass Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

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.*
3. *CPF investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.*

I/We, ____ (Name)

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

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS [%]

and/or (delete as appropriate)

NAME	ADDRESS	NRIC/PASSPORT NUMBER	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 20 July 2007, 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**
	ORDINARY BUSINESS:				
1	Adoption of Reports and Financial Statements				
2	Declaration of Dividends				
3	Re-election of Mdm Chan Siew Lee (Dr Jannie Tay)				
4	Re-election of Dr Kenny Chan Swee Kheng				
5	Re-election of Mr Jason Choo Choon Wai				
6	Re-election of Mr Ariel Kor				
7	Re-appointment of Mr Owen Phillimore Howell-Price				
8	Approval of Directors' Fees for non-executive Directors				
9	Re-appointment of Auditors				
	SPECIAL BUSINESS:				
10	Approval of general share issue mandate				
11	Renewal of share purchase mandate				
12	Authority to issue shares under The Hour Glass Scrip Dividend Scheme				

* If you wish to exercise 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 ________________________ 2007.

TOTAL NO. OF SHARES HELD	

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

IMPORTANT : PLEASE READ NOTES OVERLEAF

Fold Flip

3rd Fold

Affix
Postage
Stamp

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

2nd Fold

1st Fold

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

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. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

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.

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OPERATIONS DIRECTORY

THE HOUR GLASS BOUTIQUES

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Key Personnel: Kanitta Saisuk . Pilaiwan Phasakul

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