

THE HOUR GLASS LIMITED



MONTE-CARLO



GENEVA



TOYKO



BANGKOK



SINGAPORE



HONG KONG



JAKARTA



KUALA LUMPUR



SYDNEY

A N N U A L R E P O R T 1 9 9 6



GERALD GENTA
RETROGRADE CLASSIC

THE HOUR GLASS
A GLOBAL WATCH COMPANY

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C O R P O R A T E D I R E C T O R Y

DIRECTORS

DR HENRY TAY YUN CHWAN (EXECUTIVE CHAIRMAN)

MRS JANNIE TAY (NEE CHAN SIEW LEE) (MANAGING DIRECTOR)

MR MICHAEL KWEE CHONG-KOK

MR TIMOTHY CHIA CHEE MING

MR SYDNEY MICHAEL HWANG

MR OWEN PHILLIMORE HOWELL-PRICE

SECRETARY

FRANCISCA WONG YOKE SIN

REGISTERED OFFICE

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REGISTRAR

LIM ASSOCIATES (PTE) LTD

10 COLLYER QUAY • #19-08 OCEAN BUILDING • SINGAPORE 049315 • TEL 536 5355

AUDIT COMMITTEE

MR TIMOTHY CHIA CHEE MING (CHAIRMAN)

MR MICHAEL KWEE CHONG - KOK

DR HENRY TAY YUN CHWAN

MR OWEN PHILLIMORE HOWELL - PRICE

AUDITORS

ERNST & YOUNG

PRINCIPAL BANKERS

THE DEVELOPMENT BANK OF SINGAPORE LTD

HONG KONG & SHANGHAI BANKING CORPORATION LTD

KEPPEL BANK OF SINGAPORE LTD

SOLICITORS

ALLEN & GLEDHILL

HELEN YEO & PARTNERS

T H E D I R E C T O R S

MR OWEN HOWELL-PRICE



DR HENRY TAY
EXECUTIVE CHAIRMAN

MRS JANNIE TAY
MANAGING DIRECTOR



MR SYDNEY MICHAEL HWANG



MR TIMOTHY CHIA CHEE MING



MR MICHAEL KWEE CHONG-KOK



C H A I R M A N ' S S T A T E M E N T

For the year ended 31 March 1996, The Hour Glass Group achieved another record year of turnover and profits. Turnover was up 6.1% to \$434.4 million from \$409.6 million in the previous year, while profit after tax and minority interests rose 14.6% to \$11.7 million.

This is the fifth consecutive year of record sales and profits and it is particularly heartening to note that this was attained despite the difficult trading conditions in the local and regional markets. I attribute this success to the diligence and tireless efforts of our dedicated staff to whom I express my heartfelt thanks.

In light of the good performance, your Directors are pleased to recommend a first and final dividend of 10% less income tax for the financial year, and to maintain the bonus dividend of 2.5% less income tax for the second consecutive year.

During the year, the issued and paid-up capital of the Company was increased from \$21.8 million to \$27.1 million from the issue of 21.3 million ordinary shares arising primarily from the exercise of warrants which expired in December 1995. The Group's net assets grew by 30.2% to \$98.4 million, compared with \$75.6 million in the previous year. The Company also completed the redemption of its Unsecured Loan Stock 1991/96 totalling \$19 million.

In Singapore, the core watch and jewellery operations continued to post steady growth with the support of local and ASEAN-based customers. To ensure that we deliver to our customers the best of services, a Watch Care Centre is being set up to attend to their increasing sophisticated needs.

During the year under review, we implemented new measures to reduce costs and took steps to streamline our operations. We closed the last outlet in Changi Airport which was not doing well, and disposed of our entire interests in the loss-making Milano chain of restaurants and the pizza home delivery business. The divestment, while resulting in a Group one-off loss of \$2.7 million, will not only

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have a positive impact on the group's future bottomline but also releases management and financial resources to concentrate on our core businesses.

In Hong Kong, the group completed the purchase of the last 20% equity stake in Gubelin Watch Company Ltd, bringing our total stake to 90%. Through Gubelin's retail outlet and the wholesale division of The Hour Glass (HK) Ltd, Gerald Genta (HK) Ltd and Bertolucci (HK) Ltd, sales in Hong Kong have been strong. We remain confident of the business potential in Hong Kong even as it reverts to China in 1997. Indeed, we see Hong Kong as our gateway to China, and as such we are well-positioned to benefit from the inflow of tourists and businessmen to and from the mainland.

In Bangkok, our associate The Hour Glass (Thailand) Co. Ltd, made a small loss in its second year. However, the operation is improving as the management and retail team gain more experience in the watch business.

In Australia, performance was affected by a slowdown in Japanese tourists and the strong Australian dollar. In the Gold Coast area, we have consolidated our operations with the closure of 2 existing outlets and the opening of a larger boutique at the Le Boulevard Shopping Centre. While we expect trading conditions to remain tough in the current year, our new focus on domestic customers as well as the rising number of ASEAN tourists may help to offset the lower Japanese tourists arrivals.

In Europe, progress through Daniel Roth S.A., has been a bit slow as we evaluated new product lines and developed marketing strategies. However, we were able to access the factory's distribution network to show-case our products and strengthen our position in the European markets, particularly in Italy and Switzerland. Wholesaling of Daniel Roth watches shall also be carried out by our newly incorporated subsidiary in Tokyo, The Hour Glass Japan Limited. With this strategic move into this key market we hope to be able to service our valued customers in their home ground.





The Group has also recently completed its acquisition of a 66% stake in Gerald Genta S.A., one of the world's finest makers of timepieces, and a 66% stake in Monte-Carlo Time S.A.M., the marketing arm of Gerald Genta S.A. based in Monaco. These purchases represent the Group's ongoing strategy of vertical integration from retailing to distribution to manufacturing which strongly positions the Company as a major global player in the watch industry.

We are excited about developing both the Daniel Roth and Gerald Genta brand names as two of the most prestigious brands in the world, and to use these two brands to strengthen our well-entrenched position in the existing markets of South East Asia, and to penetrate and develop a strong presence in the new markets of Europe, the Middle East, Japan and the United States.

However, we can only fulfil this vision with the continuous support of our team of loyal staff, business partners and suppliers. To all who have contributed to our success in the past year, please accept my sincere appreciation and thanks, and I look forward to your continuing support. We have always believed that our strength lies in our people and to this end, we will continue to devote substantial resources to train our staff and to develop a core team to manage our overseas business.

The current year is likely to remain tough as trading conditions become increasingly competitive internationally. If this trend continues, it will be difficult to maintain the profitability of the past year.

HENRY TAY YUN CHWAN
EXECUTIVE CHAIRMAN
8 AUGUST 1996

From the **Swiss Alps** in the West, to the **Pearl of the Orient** in the East, to the **Gold Coast** in the South - The Hour Glass Group is charting a course to become a global watch company.

With presence in 12 markets worldwide, our strategy of building up The Hour Glass into a watch company with worldwide operations is slowly but surely taking shape.

The building blocks were laid, as early as 1994, when we acquired majority interests - first in **Daniel Roth S.A.** and then in **Gerald Genta S.A.** which are both reputed to be the finest watch designers and manufacturers in the world.

Through these acquisitions, we have created a Singapore company which is almost unchallenged in the global watch industry - a strong manufacturing presence with unparalleled in-house design capability that is backed by international marketing expertise and a worldwide distribution network.

In addition, the brand names of Daniel Roth and Gerald Genta - makers of the most prestigious and sought-after timepieces in the world - have opened up new and exciting market opportunities for us, particularly in Europe, the Middle East, Japan and the United States.

We believe that our increased presence in the global markets will raise the international stature of The Hour Glass Group and enhance our business potential.



SINGAPORE
KUALA LUMPUR
JAKARTA
BANGKOK
HONG KONG
TOKYO
TAIPEI

GURUGA
MOSKOW
MILAN
BARCELONA
SYDNEY
MELBOURNE
SURFERS-PARADISE

T I M E L E S S E L E G A N C E



BERTOLUCCI



GERALD GENTA



ULYSSE NARDIN



BLANCPAIN



DANIEL ROTH

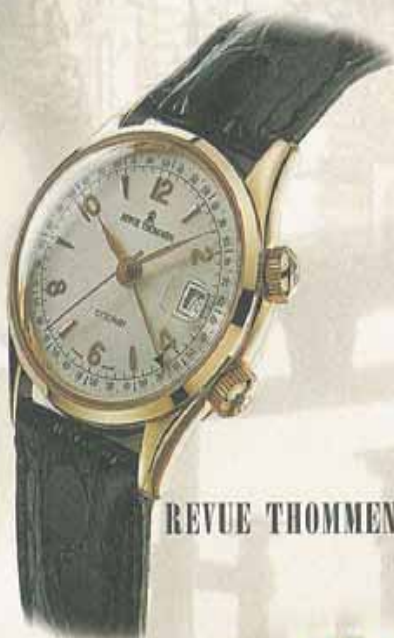
A R O U N D T H E W O R L D



BREGUET



HUBLOT



REVUE THOMMEN



PAUL PICOT



CHRISTIAN DIOR

Representing the timeless elegance of the world's finest watchmakers, the brands to which The Hour Glass holds exclusive agency and distribution rights in certain countries in Asia and Australia.

This current year promises to be an exciting one as we look to develop new markets through Daniel Roth S.A. and Gerald Genta S.A.

PATEK PHILIPPE



OMEGA

THE ROYAL DIAMOND



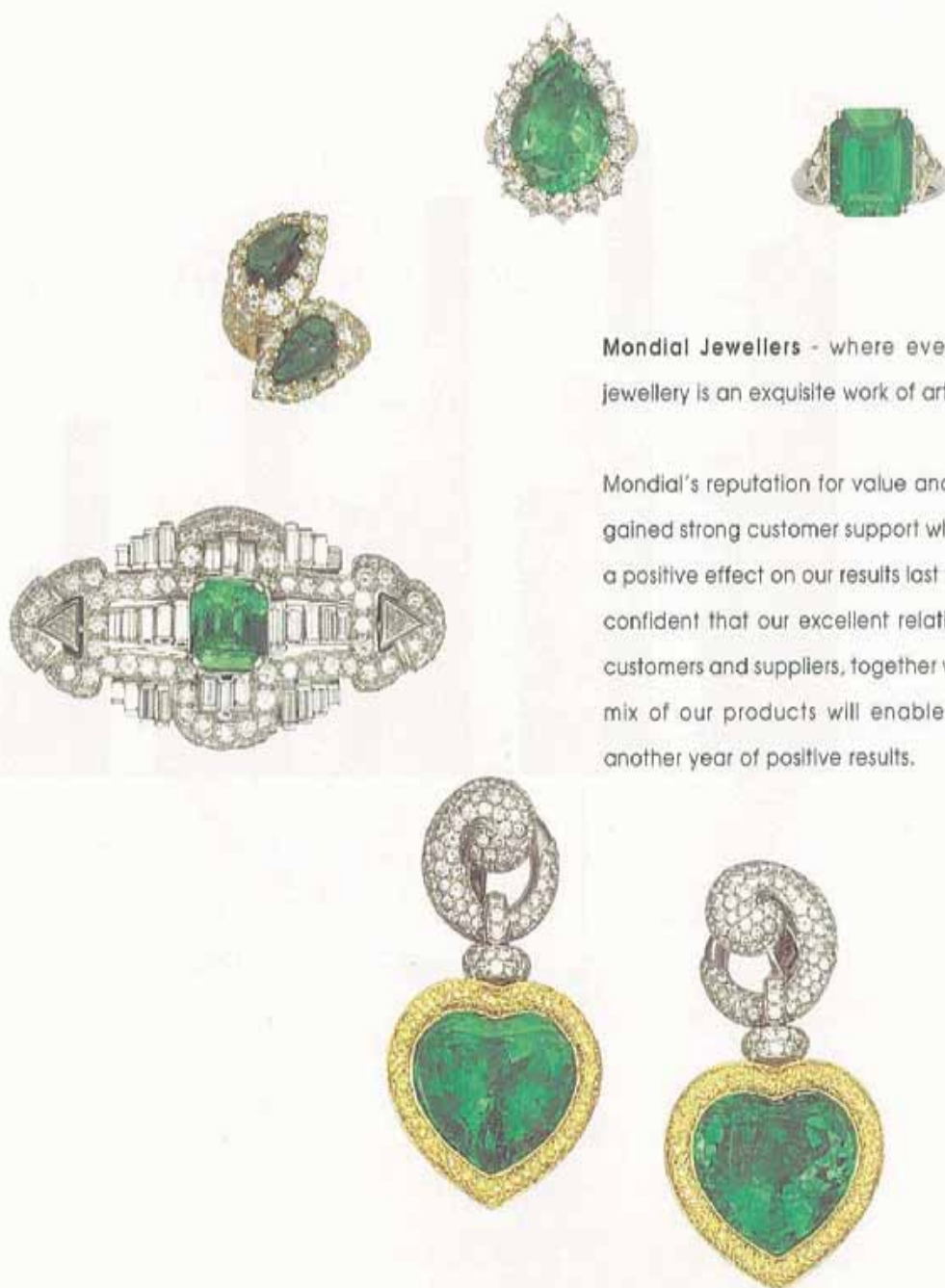
The epitome of prestige and class, the luxury Brands for which The Hour Glass represents as dealers in certain countries, Asia and Australia.

These brands, together with a wide range of other brands are marketed at the Group's retail outlets which overall sustained a modest improvement in retail sales despite the tough trading conditions. Better cost controls also contributed to improved profits.

CARTIER



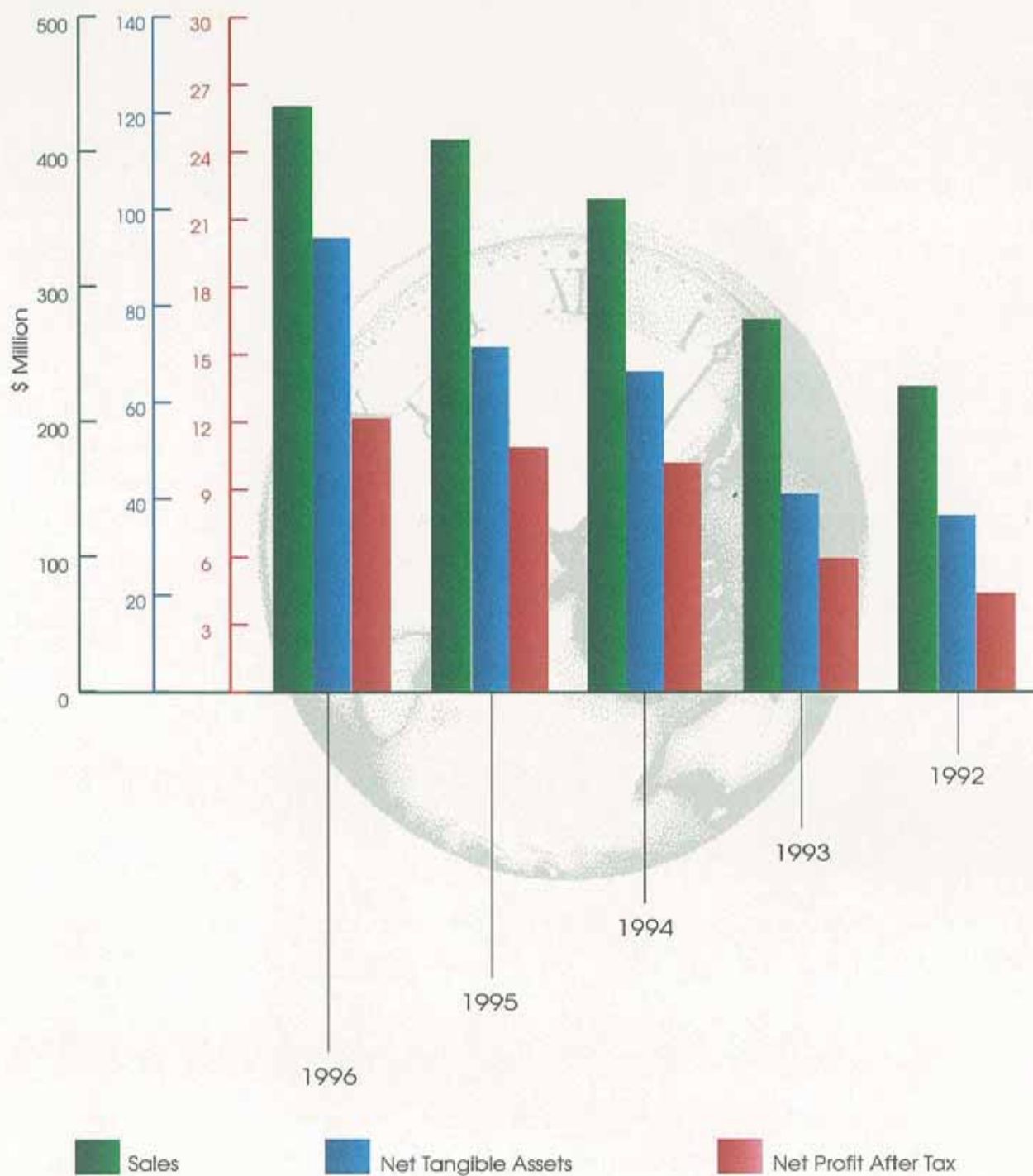
T H E A R T O F E X Q U I S I T E T A S T E



Mondial Jewellers - where every piece of jewellery is an exquisite work of art.

Mondial's reputation for value and quality has gained strong customer support which has had a positive effect on our results last year. We are confident that our excellent relationships with customers and suppliers, together with the right mix of our products will enable us to show another year of positive results.

F I N A N C I A L S N A P S H O T



F I N A N C I A L S T A T E M E N T S

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Report of The Directors

The Directors have pleasure in presenting their report together with the audited accounts of the Company and of the Group for the year ended 31 March 1996.

Principal Activities

The principal activities of the Company are those of holding company and the wholesaling and retailing of watches, jewellery and related products. The principal activities of the Group are those of investment holding companies, wholesalers and retailers of watches and jewellery, watch manufacturing, and investment in properties.

Aside from the divestment of the restaurant businesses, there have been no significant changes in the nature of the Group's activities during the year under review.

Results For The Financial Year

	Group \$'000	Company \$'000
Profit after taxation and minority interests	11,665	12,017
Extraordinary item, Note 8	(2,684)	(13,232)
Profit after taxation and extraordinary item	8,981	(1,215)
Dividends, less tax, Note 9	(2,881)	(2,881)
Retained profit/(loss) transferred to revenue reserve	6,100	(4,096)

In the opinion of the Directors, the results of the operations of the Company and of the Group during the financial year have not been affected by any item, transaction or event of a material and unusual nature other than the extraordinary item disclosed in Note 8 to the accounts.

Dividends

During the year, the Company paid a first and final dividend of 10% and a bonus dividend of 2 1/2% less tax of 27%, in respect of the previous year as proposed in the Report of the Directors of that year. This amounted to \$2,362,000.

The Directors propose a first and final dividend of 10%, and a bonus dividend of 2 1/2% less tax of 26%, amounting to \$2,506,000 to be paid.

Transfers to/from reserves and provisions

	Group \$'000	Company \$'000
The following amounts have been debited/(credited)to :		
Revenue reserve		
Loan stock premium	(1,344)	(1,344)
Exchange differences arising on consolidation	(485)	-
	(1,829)	(1,344)
Share premium account		
Premium on exercise of warrants and options	(10,877)	(10,877)
Capital reserve		
Loan stock premium	1,344	1,344

Directors

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

Dr Henry Tay Yun Chwan	(Executive Chairman)
Mdm Chan Siew Lee	(Managing Director)
Mr Michael Kwee Chong-Kok	
Mr Timothy Chia Chee Ming	
Mr Owen Phillimore Howell-Price	
Mr Sydney Michael Hwang	

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

Since the end of the previous financial year, no Director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Companies Act, Cap 50 except those disclosed in Note 4 to the accounts.

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

Name of director	Shareholdings registered in the name of or beneficially held by directors		Shareholdings in which directors are deemed to have an interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
Ordinary shares of \$0.25 each				
Henry Tay Yun Chwan	765,625	995,625	41,251,562	56,502,062
Chan Siew Lee	152,250	229,750	41,251,562	56,502,062
Michael Kwee Chong-Kok	-	-	46,875	46,875
Timothy Chia Chee Ming	61,875	61,875	-	-
Owen Phillimore Howell-Price	100,000	100,000	-	-
Sydney Michael Hwang	10,000	10,000	20,000	30,000
5% unsecured loan stock 1991/1996				
Henry Tay Yun Chwan	184,000	-	-	-
Chan Siew Lee	24,000	-	-	-
Warrants 1991/1995				
Henry Tay Yun Chwan	230,000	-	15,250,500	-
Chan Siew Lee	77,500	-	15,250,500	-

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

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

Audit committee

The Committee held meetings since the last Directors' report and performed the functions specified in the Companies Act. In performing its functions, the Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls. The Committee also reviewed the accounts of the Company and the consolidated accounts of the Group for the year ended 31 March 1996 as well as the auditors' report thereon.

- The Committee has recommended to the Board of Directors the nomination of Ernst & Young, Certified Public Accountants, as external auditors of the Company at the forthcoming Annual General Meeting.

Share capital

During the year, the issued and paid-up capital of the Company was increased from \$21,774,218.50 to \$27,094,630.75 arising from the issue of 21,281,649 ordinary shares of par value \$0.25 each as follows:

- (a) Allotment and issue of 21,229,649 shares pursuant to the conversion by warrant holders. The conversion price was \$0.76 per share.
- (b) Allotment and issue of 52,000 shares pursuant to the exercise by option holders under The Hour Glass Employees' Share Option Scheme. The options were exercised at the various applicable prices.

The newly issued shares of the Company rank pari passu in all respects with the other existing issued shares.

Share options

As at 31 March 1996, there were the following share options which were granted and accepted by employees under The Hour Glass Employees' Share Option Scheme to take up unissued ordinary shares in the Company.

	Date granted	No. of holders	Consideration for options \$	Option period (both dates inclusive)	Number of unissued ordinary shares of \$0.25 each	Option Exercise price per share \$
(i)	26.7.1993	13	13	26.7.94 - 25.7.98	177,500	1.07
(ii)	26.7.1994	10	10	26.7.95 - 25.7.99	155,000	1.74
(iii)	17.1.1995	47	47	17.1.96 - 16.1.00	273,000	1.27
(iv)	14.7.1995	24	24	14.7.96 - 13.7.00	123,750	1.26
(v)	16.2.1996	62	62	16.2.97 - 15.2.01	289,000	1.49

Subject to Rule 4 of the Option Scheme, an option shall immediately lapse upon the participant ceasing to be employed by the Company for any reason whatsoever.

The grantee may exercise the option by notice in writing accompanied by a remittance for the exercise price (subject to adjustments as provided under the Scheme) together with the option certificate relating to the option being exercised.

The persons to whom the options have been granted do not have the right to participate, by virtue of the options, in any share issue of any other company.

Options exercised

During the year, 52,000 ordinary shares of the Company were issued by virtue of the exercise by option holders under The Hour Glass Employees' Share Option Scheme. The options were exercised at the various applicable prices.

Acquisition and disposal of subsidiaries

Name of Company	Interest Acquired	Net Tangible Assets on Date of Acquisition	Consideration
Acquired :			
Gubellin Watch Company Ltd	20%	HK\$11,034,291	HK\$10,245,400
Gerald Gentia S. A.	51%	SFR5,452,506	SFR7,121,448
Monte Carlo Time S. A. M.	51%	FF3,068,518	SFR791,272

There was no disposal of subsidiaries during the year. The restaurant businesses operated by Hour Glass Lifestyle Pte Ltd and its subsidiaries were divested by the end of the year.

Asset values

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

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

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

- (a) any amount written off or provided for bad debts and doubtful debts in the Group inadequate to any substantial extent; and
- (b) the values attributed to current assets in the consolidated accounts misleading.

Charges and contingent liabilities

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

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

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

Other circumstances affecting the accounts

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

Unusual items after the financial year

Subsequent to year end, Hour Glass Lifestyle Pte Ltd and its subsidiaries intend to undergo a members' voluntary liquidation. All liquidation costs of these subsidiary companies will be borne by The Hour Glass Limited.

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

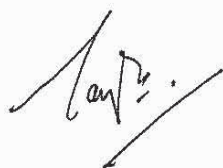
Other information required by the Stock Exchange of Singapore

- (a) The interest of the Directors of the Company in the share capital of the Company and of its related companies as at the 21st day after the end of the financial year remained unchanged from those at 31 March 1996 as set out under the paragraph headed 'Directors' above.
- (b) No material contracts to which the Company or any related Company is a party and which involve Directors' interests subsisted at, or have been entered into since the end of the financial year.

Auditors

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

On behalf of the Board,



Henry Tay Yun Chwan
Chairman



Chan Siew Lee
Managing Director

8 August 1996
Singapore

Statement by Directors Pursuant to Section 201 (15)

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

- (i) the balance sheets, profit and loss accounts and consolidated cash flow statement together with the notes thereto, set out on pages 30 to 50 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 1996; the results of the Company and the Group, and the cash flow of the Group for the year ended on that date;
- (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,



Henry Tay Yun Chwan
Chairman



Chan Siew Lee
Managing Director

8 August 1996
Singapore

Report of the Auditors to the Members of The Hour Glass Limited

We have audited the accounts set out on pages 30 to 50 in accordance with Statements of Auditing Guideline and Statements of Auditing Practice and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered appropriate in the circumstances.

In our opinion:-

- (a) the accounts are properly drawn up in accordance with the provisions of the Companies Act, Cap.50 and Statements of Accounting Standard and so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company as at 31 March 1996, the results of the Group and of the Company and the cash flow of the Group for the year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the accounts and consolidated accounts.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

We have considered the accounts and auditors' reports of all the subsidiaries for which we have not acted as auditors, and whose accounts have been included in the consolidated accounts. The subsidiary companies audited by our associated firms are indicated in Note 14 to the accounts.

We are satisfied that the accounts of the subsidiaries that are consolidated with the accounts of the holding company are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts, and we have received satisfactory information and explanations as required by us for those purposes.

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



ERNST & YOUNG
Certified Public Accountants

8 August 1996
Singapore

Profit & Loss Accounts for the year ended 31 March 1996

	Note	Group		Company	
		1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Turnover	3	434,427	409,598	324,045	312,927
Operating profit	4	19,087	17,853	16,930	15,731
Investment and interest income	5	1,163	1,055	914	870
Interest expense	6	(2,097)	(2,264)	(918)	(1,271)
		18,153	16,644	16,926	15,330
Share of loss of associated company		(110)	(109)	-	-
Profit before taxation		18,043	16,535	16,926	15,330
Taxation	7	(5,929)	(5,675)	(4,909)	(4,480)
Profit after taxation		12,114	10,860	12,017	10,850
Minority interests		(449)	(678)	-	-
Profit before extraordinary item		11,665	10,182	12,017	10,850
Extraordinary item	8	(2,684)	(718)	(13,232)	-
Profit/(Loss) attributable to members of the Company		8,981	9,464	(1,215)	10,850
Dividends	9	(2,881)	(2,024)	(2,881)	(2,024)
Retained profit/(loss)		6,100	7,440	(4,096)	8,826
Earnings per share	10	11.90¢	11.82¢		
Diluted earnings per share	10	10.66¢	9.34¢		

Statement of revenue reserve

Balance at 1 April	33,724	27,405	36,077	27,251
Retained profit/(loss)	6,100	7,440	(4,096)	8,826
Loan stock premium	1,344	-	1,344	-
Exchange differences arising on consolidation	485	(1,121)	-	-
• Balance at 31 March	41,653	33,724	33,325	36,077

The accompanying notes to the accounts form an integral part of the accounts.

Balance Sheets as at 31 March 1996

	Note	Group		Company	
		1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Fixed assets	11	23,168	25,739	16,183	16,892
Investment properties	12	10,643	10,234	223	229
Goodwill on consolidation	13	4,390	4,131	-	-
Subsidiary companies	14	-	-	46,355	51,515
Other investments	15	98	98	89	89
Associated company	16	1,427	1,555	803	819
Current assets					
Stocks		125,294	95,921	59,110	49,439
Trade debtors	17	11,775	8,000	2,922	1,775
Other debtors	18	5,702	4,972	1,655	1,190
Fixed deposits		5,001	10,253	4,983	10,223
Cash and bank balances		10,271	8,775	5,541	2,660
		158,043	127,921	74,211	65,287
Less : Current liabilities					
Amounts due to bankers	19	9,366	4,238	-	-
Bank term loans	20	10,708	11,893	1,695	2,330
Trade creditors		42,739	37,866	26,780	25,672
Other creditors	21	13,105	4,032	9,834	218
Provision for taxation		6,832	6,543	5,638	5,143
Proposed dividend, net		2,506	1,987	2,506	1,987
5% Unsecured loan stock 1991/96	22	-	19,072	-	19,072
		85,256	85,631	46,453	54,422
Net current assets		72,787	42,290	27,758	10,865
Long term liabilities					
Bank term loans	20	1,467	2,567	1,467	2,567
Deferred taxation		1,298	99	-	-
		(2,765)	(2,666)	(1,467)	(2,567)
Net Assets		109,748	81,381	89,944	77,842
<hr/>					
Share capital	23	27,095	21,774	27,095	21,774
Share premium	24	29,363	18,486	29,363	18,486
Capital reserve	25	261	1,605	161	1,505
Revenue reserve		41,653	33,724	33,325	36,077
Share Capital and Reserves		98,372	75,589	89,944	77,842
Minority interests		11,376	5,792	-	-
		109,748	81,381	89,944	77,842

The accompanying notes to the accounts form an integral part of the accounts.

**Consolidated Cashflow Statement
for the year ended 31 March 1996**

	1996 \$'000	1995 \$'000
Cashflows from operating activities :		
Profit before income tax	18,043	16,535
Adjustments for :		
Depreciation of fixed assets	3,971	3,669
Depreciation of investment properties	79	69
Amortisation of goodwill on consolidation	666	749
Loss on disposals of fixed assets	106	234
Currency realignment	235	(530)
Operating profit before working capital changes	23,100	20,726
Stocks	(12,588)	(9,839)
Trade debtors	(888)	(1,033)
Other debtors, deposits and prepayments	(534)	(222)
Trade creditors	1,517	(1,258)
Other creditors	7,445	123
Cash generated from operations	18,052	8,497
Income tax paid	(5,788)	(5,612)
Loss from associated company	110	109
Net cash from operating activities	12,374	2,994
Cashflows from investing activities :		
Disposals of fixed assets	1,846	448
Purchase of fixed assets	(3,035)	(3,770)
Purchase of investment properties	(339)	(1,094)
Incorporation and Acquisition of Subsidiaries	(10,912)	(11,530)
Acquisition of Associated company	-	(609)
Reduction in Minority Interest of Subsidiaries	(1,772)	-
Net cash used in investing activities	(14,212)	(16,555)
Cashflows from financing activities		
Proceeds from issuing shares	16,198	1,581
Net (decrease) increase in bank borrowings and loan stock	(16,520)	729
Amount owing by associated company	18	(1,055)
Dividends paid to Shareholders	(2,362)	(1,978)
Dividends paid to Minority shareholders of subsidiary companies	(62)	(17)
Net cash used in financing activities	(2,728)	(740)
Net decrease in cash and cash equivalents	(4,566)	(14,301)
Cash and cash equivalents at beginning of year (Note 33)	14,790	32,666
Cash and cash equivalents at end of year (Note 33)	10,224	18,365

Consolidated Cashflow Statement
for the year ended 31 March 1996 (cont'd)

The incorporation and acquisition of subsidiaries have been shown in the statement as a single item.
The effect on the individual assets and liabilities is set out below :-

	1996 \$'000	1995 \$'000
Fixed assets	804	1,084
Investment properties	-	3,859
Stocks	16,785	14,795
Trade debtors	2,887	1,933
Other debtors	407	684
Cash	1,844	3,368
Trade creditors	(3,356)	(4,336)
Other creditors	(791)	(2,742)
Amounts due to bankers	(1,325)	(6,943)
Provision for taxation	(168)	(460)
Deferred taxation	(1,179)	-
Minority interests	(6,808)	(3,062)
Exchange difference	5	(52)
	9,105	8,128
Cash paid	10,912	11,530
Goodwill	1,807	3,402

Notes to the Accounts - 31 March 1996

1. Significant accounting policies

(a) *Basis of accounting*

The accounts of the Company and of the Group are prepared under the historical cost convention, modified by the revaluation of freehold premises, and are prepared in accordance with applicable Accounting Standards.

(b) *Basis of consolidation*

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

When subsidiary companies are acquired, any excess of the consideration over the net assets at the date of acquisition is included in goodwill on consolidation and are dealt with through the profit and loss account in the year in which it arises except for goodwill on consolidation which is in excess of \$100,000. The excess amount is then written-off on a straight line basis over a ten-year period.

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

In the segmental report, unrealised profit from intercompany transactions are dealt with in the holding Company.

(c) *Revenue recognition*

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

(d) *Subsidiary companies*

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

(e) *Associated Company*

The investment in associated company is stated at cost. Provision is made for any diminution in value which is considered to be permanent.

An associated company is defined as a company, not being a subsidiary, in which the Group has a long-term interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of the results of associated company is included in the consolidated profit and loss account.

The Group's share of the post acquisition results of associated company is included in the investment in the consolidated balance sheet.

1. Significant accounting policies (Cont'd)

(f) *Fixed assets and investment properties*

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

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

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

(g) *Stocks*

Stocks comprising trading stocks are valued at the lower of cost and net realisable value with cost being determined principally on the specific identification basis. Net realisable value is arrived at after due allowance is made for all obsolete, damaged and slow-moving stocks.

(h) *Deferred taxation*

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

(i) *Foreign currencies*

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign currency assets and liabilities are converted into local currency at year end exchange rates. Exchange differences arising from the translation of long term inter-company balances are taken directly to revenue reserve. Other exchange differences are dealt with in the profit and loss account.

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

(j) *Depreciation*

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

Fixed assets :

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

1. Significant accounting policies (Cont'd)

Investment properties :

Freehold premises - 50 years

No depreciation is provided on freehold land.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(k) *Loan stock premium*

Loan stock premium is retained as part of capital reserve and upon full redemption of the 5% unsecured loan stock 1991/1996 is treated as distributable reserve.

2. General

The Company is incorporated in Singapore. The financial statements of the Company and the consolidated financial statements of the Group are expressed in Singapore dollars.

The principal activities of the Company are those of holding company and the wholesaling and retailing of watches, jewellery and related products. The principal activities of the Group are those of investment holding companies, wholesalers and retailers of watches and jewellery, watch manufacturing, and investment in properties.

Aside from the divestment of the restaurant businesses, there have been no significant changes in the nature of the Group's activities during the year under review.

3. Turnover

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

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Turnover is analysed as follows:-				
External customers	434,427	409,598	312,352	296,349
Subsidiaries	-	-	11,693	16,578
	434,427	409,598	324,045	312,927

4. **Operating profit**

	Group		Company	
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
Operating profit is stated after charging/(crediting):-				
Amortisation of goodwill on consolidation	666	749	-	-
Depreciation of fixed assets	3,971	3,669	1,669	1,733
Depreciation of investment properties	79	69	6	6
Loss / (gain) on disposals of fixed assets	106	234	(20)	17
Directors' fees	155	125	155	125
Directors' emoluments -				
Directors of the Company	2,246	2,033	2,246	2,033
Other directors of subsidiaries	1,173	1,267	-	-
Professional fees paid to companies in which directors have an interest	178	229	26	122
Auditors' remuneration	277	265	121	122
Non audit fees paid to auditors	195	90	100	39

5. **Investment and interest income**

Gross dividend income from unquoted subsidiary companies	-	-	184	114
Interest income from subsidiary companies	-	-	164	258
Interest income from fixed deposits	594	533	476	407
Rental income	569	522	90	91
	1,163	1,055	914	870

6. Interest expense

	Group		Company	
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
Interest on unsecured loan stock	735	960	735	960
Interest on bank term loans	890	935	181	285
Interest on bank overdrafts and bills payable	472	240	2	26
Interest on loans from shareholders of a subsidiary	-	129	-	-
	2,097	2,264	918	1,271

7. Taxation

Provision for taxation in respect of profit for the year -

Current taxation	5,964	5,687	4,909	4,480
Deferred taxation	(32)	-	-	-
Over provision in respect of previous years' current taxation	(3)	(12)	-	-
	5,929	5,675	4,909	4,480

The taxation charge for the Group materially differs from the amount determined by applying the Singapore income tax rate of 26% (1995 : 27%) to the pre-tax profits because of non-deductible expenses, difference in tax rates applicable to overseas subsidiaries and profits made by the Company and certain subsidiary companies which are not available for set off against losses of other subsidiary companies.

8. Extraordinary item

Hour Glass Lifestyle Pte Ltd and its subsidiaries

Provision for diminution in value of investments and advances	-	-	13,232	-
Loss on divestment of businesses	2,684	-	-	-
Loss from embezzlement of funds by a director of a subsidiary company	-	1,229	-	-
Attributable taxation	-	(332)	-	-
Minority interest	-	(179)	-	-
	2,684	718	13,232	-

9. Dividends

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Proposed final 10% (1995 : 10%) and bonus 2.5% (1995 : 2.5%) less tax	2,506	1,987	2,506	1,987
Dividend paid in respect of the previous year	375 2,881	37 2,024	375 2,881	37 2,024

10. Earnings per share

Earnings per share is calculated by dividing the net profit after tax and minority interests but before extraordinary item of \$11,665,000 (1995 : \$10,182,000) with 98,050,000 (1995 : 86,135,000) ordinary shares which represent the weighted average number of shares for the year.

The diluted earnings per share is calculated based on the above profit divided by the enlarged capital of 109,419,000 (1995 : 109,054,000) shares on the premise that the holders of options for 1,040,000 (1995 : 675,000) shares exercised their rights to subscribe for shares in the Company as at 1 April 1996 and 1 April 1995 respectively. The enlarged share capital includes 21,230,000 warrants which were exercised during the year. In respect of the prior year, 21,282,000 warrants were deemed to have been exercised on 31 March 1995.

11. Fixed assets

Group	Freehold premises \$'000	Leasehold premises \$'000	Furniture & equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost -					
At 1 April 1995	15,317	1,329	16,866	2,855	36,367
Additions	-	-	2,648	387	3,035
Disposals	(77)	-	(5,480)	(932)	(6,489)
From subsidiaries acquired	-	-	1,825	89	1,914
Currency realignment	202	-	78	9	289
At 31 March 1996	15,442	1,329	15,937	2,408	35,116
Accumulated depreciation -					
At 1 April 1995	917	171	8,088	1,452	10,628
Charge for 1996	308	26	3,147	490	3,971
Disposals	(10)	-	(3,135)	(636)	(3,781)
From subsidiaries acquired	-	-	1,021	89	1,110
Currency realignment	13	-	14	(7)	20
At 31 March 1996	1,228	197	9,135	1,388	11,948
Charge for 1995	317	27	2,856	469	3,669
Net book value -					
At 31 March 1996	14,214	1,132	6,802	1,020	23,168
At 31 March 1995	14,400	1,158	8,778	1,403	25,739

		1996 \$'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	
	Residential duplex situated at 13 Stephanie Court, Labrador, Gold Coast	77
	Residential apartment situated at 13 Salisbury Road, Kensington, Sydney	321
	356 square metres shop/office unit at 70 Castlereagh Street, Sydney	2,811
		<u>15,442</u>
(b)	Leasehold premises	
	Singapore	
	41.9 square metres shop unit at Centrepont, situated at 176 Orchard Road (lease term, 99 years from 17 August 1979)	<u>1,329</u>

Company	Freehold premises \$'000	Leasehold premises \$'000	Furniture & equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost -					
At 1 April 1995	12,233	1,329	6,865	1,365	21,792
Additions	-	-	737	375	1,112
Disposals	-	-	(292)	(365)	(657)
At 31 March 1996	<u>12,233</u>	<u>1,329</u>	<u>7,310</u>	<u>1,375</u>	<u>22,247</u>
Accumulated depreciation -					
At 1 April 1995	773	171	3,280	676	4,900
Charge for 1996	245	26	1,160	238	1,669
Disposals	-	-	(200)	(305)	(505)
At 31 March 1996	<u>1,018</u>	<u>197</u>	<u>4,240</u>	<u>609</u>	<u>6,064</u>
Charge for 1995	<u>245</u>	<u>27</u>	<u>1,278</u>	<u>183</u>	<u>1,733</u>
Net book value -					
At 31 March 1996	<u>11,215</u>	<u>1,132</u>	<u>3,070</u>	<u>766</u>	<u>16,183</u>
At 31 March 1995	<u>11,460</u>	<u>1,158</u>	<u>3,585</u>	<u>689</u>	<u>16,892</u>

12. Investment properties

	Group		Company
	Freehold land \$'000	Freehold premises \$'000	Freehold premises \$'000
Cost and valuation -			
At 1 April 1995	2,203	8,198	320
Additions	-	339	-
Currency realignment	-	153	-
At 31 March 1996	2,203	8,690	320
Accumulated depreciation -			
At 1 April 1995	-	167	91
Charge for 1996	-	79	6
Currency realignment	-	4	-
At 31 March 1996	-	250	97
Charge for 1995	-	69	6
Net book value			
At 31 March 1996	2,203	8,440	223
At 31 March 1995	2,203	8,031	229
Analysis at 31 March 1996			
Cost	2,203	8,370	-
Valuation	-	320	320
	2,203	8,690	320
Analysis at 31 March 1995			
Cost	2,203	7,878	-
Valuation	-	320	320
	2,203	8,198	320
Borrowing costs capitalised in investment properties during the year			
		1996 \$'000	1995 \$'000
		-	137

The investment properties of the Group are as follows:-

- 36.9 square metres shop unit at Lucky Plaza, situated at 304 Orchard Road, Singapore, amounting to \$320,000 based on a valuation made in 1982.
- 134.9 square metres terrace shophouses at 57 Boat Quay, Singapore, amounting to \$2,837,000.
- 1,350 square metres shop/office unit and lettable space at 252, Collins Street, Melbourne, Australia amounting to \$2,493,000.
- 223.8 square metres shophouses at 2 Trengganu Street, Singapore amounting to \$5,243,000.

13. Goodwill on consolidation

	Group	
	1996	1995
	\$'000	\$'000
Goodwill arising from acquisition of shares in subsidiaries	8,290	6,483
Amortisation to date	(3,018)	(2,352)
Amount written off to extraordinary item, on divestment of businesses of subsidiaries, Note 8	(882)	-
	<u>4,390</u>	<u>4,131</u>

14. Subsidiary companies

	Company	
	1996	1995
	\$'000	\$'000
Unquoted shares, at cost less provision of \$1,128,000 (1995 : \$126,000)	31,374	21,465
Amounts owing by subsidiary companies less provision of \$12,050,000 (1995: \$373,000)	15,565	30,615
Amounts owing to subsidiary companies	(584)	(565)
	<u>46,355</u>	<u>51,515</u>

The balances with subsidiary companies are interest free except for balances with three subsidiary companies; with interest ranging from 5% to 6.25% per annum. All balances do not have fixed repayment terms. The amounts owing by subsidiary companies are mainly trade in nature. The amounts owing to subsidiary companies are non-trade in nature.

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

Name of Company	Cost to Company	
	1996	1995
	\$'000	\$'000
Dynasty Watch Pte Ltd	500	500
Lakewind Impex Pte Ltd	706	706
Astoria Trading Pte Ltd	305	305
Hour Glass Fragrances Pte Ltd	15	15
Creative Retailing Pte Ltd	126	126
Transland Realty Pte Ltd	14	14
Watch Gallery Pte Ltd	527	527
Hour Glass Lifestyle Pte Ltd	1,002	1,002
Les Arts & Antiques Pte Ltd	454	454
Multiple Properties Pte Ltd	1,356	1,356
Mondial Jewellers Pte Ltd	990	990
The Hour Glass Sdn Bhd	430	430
The Hour Glass (HK) Ltd	175	175
The Watch Gallery Holding Company Pty Ltd	4,646	4,646
Bertolucci (S) Pte Ltd	401	401
Gubelin Watch Company Ltd	9,080	7,204
Daniel Roth S. A.	2,738	2,738
Pagoda Chinatown Pte Ltd	2	2
Gerald Genta S. A.	8,132	-
Monte-Carlo Time S.A.M.	903	-
	<u>32,502</u>	<u>21,591</u>

14. Subsidiary companies (Cont'd)

Other details of the subsidiary companies are :-

Name of Company	Country of incorporation and place of business	Percentage of equity held by the Group	
		1996 %	1995 %
Held by the Company			
<i>Retailers and wholesalers of watches, jewellery, porcelain and related products</i>			
Dynasty Watch Pte Ltd	Singapore	100	100
Lakewind Impex Pte Ltd	Singapore	80	80
Astoria Trading Pte Ltd	Singapore	100	100
Les Arts & Antiques Pte Ltd	Singapore	70	70
Mondial Jewellers Pte Ltd	Singapore	60	60
Bertolucci (S) Pte Ltd	Singapore	80	80
* The Hour Glass Sdn Bhd	Malaysia	95	95
* The Hour Glass (HK) Ltd	Hong Kong	100	100
* Gubelin Watch Company Ltd	Hong Kong	90	70
* The Watch Gallery Holding Co. Pty Ltd	Australia	100	100
* Monte-Carlo Time S. A. M.	Monaco	51	-
<i>Manufacturer of watches and related products</i>			
* Daniel Roth S. A.	Switzerland	51	51
* Gerald Genta S. A.	Switzerland	51	-
<i>Investment holding</i>			
Hour Glass Lifestyle Pte Ltd	Singapore	100	100
<i>Investment in properties</i>			
Multiple Properties Pte Ltd	Singapore	100	100
Pagoda Chinatown Pte Ltd	Singapore	100	100
<i>Dormant Companies</i>			
Creative Retailing Pte Ltd	Singapore	100	100
Transland Realty Pte Ltd	Singapore	100	100
Watch Gallery Pte Ltd	Singapore	100	100
Hour Glass Fragrances Pte Ltd	Singapore	60	60
Held by subsidiary companies :			
<i>Retailer/wholesaler of watches and related products</i>			
* The Watch Gallery Pty Ltd	Australia	100	100
* Gerald Genta (HK) Ltd	Hong Kong	100	100
* Bertolucci (HK) Ltd	Hong Kong	60	60
<i>Investment holding</i>			
* The Hour Glass Dharmala Limited	Hong Kong	60	60
<i>Restauranteurs</i>			
Faith Foods Pte Ltd	Singapore	100	100
Festival Foods Pte Ltd	Singapore	100	100
Milano Restaurants Pte Ltd	Singapore	100	100
Kind Foods Pte Ltd	Singapore	100	100
Dino's Restaurants Pte Ltd	Singapore	100	100
La Tourte Pte Ltd (formerly known as Domino's Restaurant Pte Ltd)	Singapore	100	100
<i>Dormant companies</i>			
Joyful Foods Pte Ltd	Singapore	100	100
Mondial Pte Ltd	Singapore	60	60
* Jewels by Mondial Sdn Bhd	Malaysia	60	60

* Audited by associated firms

15. Other investments

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Quoted shares at cost	570	570	561	561
Less : Provision for diminution	(472)	(472)	(472)	(472)
	98	98	89	89
Market value of quoted shares	165	133	156	127

16. Associated Company

Unquoted shares at cost	609	609	-	-
Share of post acquisition losses	(219)	(109)	-	-
	390	500	-	-
Amount owing by associated company	1,037	1,055	803	819
	1,427	1,555	803	819

The amount owing by associated company is mainly trade in nature

Name of Company	Country of incorporation and place of business	Percentage of equity held by the Group	
		1996 %	1995 %
Held by subsidiary company			
The Hour Glass Thailand Co Ltd	Thailand	49	49

17. Trade debtors

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Trade debtors are stated after deducting provision for doubtful debts of	512	467	89	67

Analysis of provision for doubtful debts:-

Balance at 1 April	467	464	67	255
Charge to profit and loss account	-	81	24	-
Bad debts written-back	-	(13)	-	-
Bad debts written-off	(8)	(188)	(2)	(188)
From subsidiary acquired	59	123	-	-
Currency realignment	(6)	-	-	-
Balance at 31 March	512	467	89	67

18. Other debtors

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Rental and other deposits	1,479	1,696	756	770
Recoverables	1,194	1,091	31	13
Secured loan to a joint-venture partner less provision of \$188,000 (1995 : \$188,000)	529	442	-	-
Prepayment	989	596	374	158
Others less provision of \$396,000 (1995 : \$396,000)	1,511	1,147	494	249
	5,702	4,972	1,655	1,190

19. Amounts due to bankers

Overdrafts, secured (Note 20)	4,837	-	-	-
Overdrafts, unsecured	4,529	4,238	-	-
	9,366	4,238	-	-

The overdrafts of the subsidiary companies are proportionately guaranteed by the Company relative to its shareholding. The amounts due to bankers bear an annual interest rate ranging from prime to 1.375% above prime (1995 : prime to 1.375% above prime).

20. Bank term loans

Repayable within 12 months

Secured loan	8,113	8,163	1,100	1,100
Unsecured loan	2,595	3,730	595	1,230
	10,708	11,893	1,695	2,330

Repayable after 12 months

Secured loan	1,467	2,567	1,467	2,567
	12,175	14,460	3,162	4,897

The unsecured term loan of a subsidiary company is covered by corporate guarantees given by the Company and a minority shareholder.

One of the term loans is secured by a legal mortgage on the Company's office premises; bears interest at 5% per annum and is repayable over a period of 5 years commencing from 30 August 1993. The other term loans and overdrafts (Note 19) which are secured on a legal mortgage executed in favour of a bank on the subsidiary's properties in Sydney bear interest at 1.5% per annum above prime and are repayable in full by 5 years from the respective draw down dates.

21. Other creditors

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Deposits received	423	461	245	218
Purchase of fixed assets	240	553	-	-
Loans from minority shareholders	2,883	2,995	-	-
Purchase of subsidiary companies	9,036	-	9,036	-
Others	523	23	553	-
	13,105	4,032	9,834	218

The loans from minority shareholders of a subsidiary company are interest free (1995:6% per annum) and have no fixed terms of repayment.

22. 5% unsecured loan stock 1991/1996

In January 1991, the Company had a rights issue of \$19,200,000 nominal amount of 5% unsecured notes called "Loan Stock 1991/1996" (Loan Stock) with 19,200,000 detachable warrants carrying the right to subscribe for shares in the Company at any time from 10 January 1991 to 21 December 1995, at an exercise price of \$0.95 per share revised to \$0.76 per share as a result of a bonus issue in October 1993. The Loan Stock is redeemable at par on 10 January 1996 unless surrendered by the warrant holders towards payment of the exercise price or previously purchased and cancelled by the Company.

During the year the unsecured loan stock was fully redeemed.

23. Share capital

	Company	
	1996 \$'000	1995 \$'000
Authorised :- 200,000,000 ordinary shares of \$0.25 each	50,000	50,000
Issued and fully paid :- 108,378,523 (1995 : 87,096,874) ordinary shares of \$0.25 each	27,095	21,774

During the year the issued and paid-up capital of the Company was increased from \$21,774,218.50 to \$27,094,630.75 arising from the issue of 21,281,649 ordinary shares of par value \$0.25 each as follows:

- Allotment and issue of 21,229,649 shares pursuant to the conversion by warrant holders. The conversion price was \$0.76 per share.
- Allotment and issue of 52,000 shares pursuant to the exercise by option holders under The Hour Glass Employees' Share Option Scheme. The options were exercised at the various applicable prices.

The newly issued shares of the Company rank pari passu in all respects with the other existing issued shares.

23. Share capital (cont'd)

At 31 March 1996, there were no unexercised warrants (1995 : 21,282,250) entitling the holders to subscribe for the same number of ordinary shares in the Company at the exercise price of \$0.76 per share.

As at 31 March 1996, there were the following share options which were granted and accepted by employees under The Hour Glass Employees' Share Option Scheme to take up unissued ordinary shares in the Company.

	Date granted	No. of holders	Consideration for options \$	Option period (both dates inclusive)	Number of unissued ordinary shares of \$0.25 each	Option Exercise price per share \$
(i)	26.7.1993	13	13	26.7.94 - 25.7.98	177,500	1.07
(ii)	26.7.1994	10	10	26.7.95 - 25.7.99	155,000	1.74
(iii)	17.1.1995	47	47	17.1.96 - 16.1.00	273,000	1.27
(iv)	14.7.1995	24	24	14.7.96 - 13.7.00	123,750	1.26
(v)	16.2.1996	62	62	16.2.97 - 15.2.01	289,000	1.49

24. Share premium

	Company	
	1996 \$'000	1995 \$'000
Balance at 1 April	18,486	17,407
Share premium on exercise of warrants and options	10,877	1,079
Balance at 31 March	29,363	18,486

25. Capital reserve

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
The non-distributable capital reserve comprise :-				
Loan stock premium	-	1,344	-	1,344
Surplus arising from the revaluation of freehold premises	161	161	161	161
Capitalisation of revenue reserve of subsidiary company	100	100	-	-
	261	1,605	161	1,505

26. Operating leases

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

	Group		Company	
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
Within 1 year	5,272	5,614	2,504	2,159
Within 2 to 5 years	10,403	4,480	3,814	1,657
After 5 years	220	387	-	-
	15,895	10,481	6,318	3,816

27. Information by segment on Group's operations

By geographical locations based on countries of incorporation :-

	Singapore \$'000	Asia Pacific Region '\$000	Europe \$'000	Consolidated \$'000
1996				
Sales to external customers	358,532	73,977	1,918	434,427
Operating profit	17,593	1,676	(182)	19,087
Assets employed	118,030	35,667	33,156	186,853
1995				
Sales to external customers	346,592	61,674	1,332	409,598
Operating profit	15,606	1,785	462	17,853
Assets employed	106,906	35,026	11,709	153,641

By industry segments :-

	Watch and jewellery \$'000	Restaurant \$'000	Consolidated \$'000
1996			
Sales to external customers	427,476	6,951	434,427
Operating profit	20,863	(1,776)	19,087
Assets employed	186,267	586	186,853
1995			
Sales to external customers	401,593	8,005	409,598
Operating profit	19,505	(1,652)	17,853
Assets employed	149,787	3,854	153,641

Assets employed do not include goodwill on consolidation, fixed deposits, associated company and other investments.

28. Statutory information required by paragraph 7 of the Ninth Schedule of the Companies Act, Cap. 50

	Liabilities payable by the Company		Debts payable to the Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Not later than 2 years	48,137	56,087	20,142	33,580
Later than 2 years and not later than 5 years	367	1,467	-	-
Later than 5 years	-	-	-	-

29. Capital commitments

On 15 March 1994, the Company has entered into a Shareholders' Agreement with Mdm Khunying Phornthip Narongdej for the establishment of The Hour Glass Thailand Co. Ltd ("THG (Thai)"). Pursuant to the Shareholders' Agreement, the Company has subscribed for 245,000 shares of 100 Thai Baht each, representing 49% of the issued share capital of THG (Thai). The shares have been fully paid up to 40 Thai Baht each.

Pursuant to the Sale & Purchase Agreement on 27 May 1996, the Company has to date acquired 51% interests in Gerald Genta S.A. (GGSA) and Monte-Carlo Time S.A.M. (MCT) and the Company has agreed that it shall purchase, or procure the purchase of additional 15% interests in GGSA and MCT for amount totalling Swiss Franc 2,250,000.

30. Related party transactions

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Purchases of stocks from subsidiaries	-	-	30,821	19,969

Other transactions with related parties are disclosed in various notes to the accounts.

31. Contingent liabilities

(a) The Company has unsecured contingent liabilities in respect of guarantees given to banks, totalling \$13,681,000 (1995 : \$8,716,000), to cover banking facilities granted to subsidiary companies.

(b) In the ordinary course of its business, the Company, as the holding company, has given undertakings to continue to provide financial support to certain of its subsidiary companies.

32. Forward contracts

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
At 31 March the Group and the Company has forward contracts as follows:-				
To purchase foreign currencies	19,952	5,476	19,952	5,476

33. Cash and Cash Equivalents

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

	Group	
	1996 \$'000	1995 \$'000
Cash and bank balances	10,271	8,775
Fixed Deposits	5,001	10,253
Amounts due to bankers, unsecured	(4,529)	(4,238)
	10,743	14,790
Cash and amounts due to bankers of subsidiaries acquired	(519)	3,575
	10,224	18,365

34. Subsequent Event

Subsequent to year end, Hour Glass Lifestyle Pte Ltd and its subsidiaries intend to undergo a members' voluntary liquidation. All liquidation costs of these subsidiary companies will be borne by The Hour Glass Limited.

35. Comparative Figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Statistics on Shareholdings
as at 8 August 1996

Authorised Share Capital	:	S\$50,000,000
Issued Share Capital	:	S\$27,094,630.75
Class of Shares	:	Ordinary shares of \$0.25 each with equal voting rights

Distribution of Shareholdings

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 1,000	584	26.69	485,244	0.45
1,001 - 10,000	1,372	62.70	5,237,046	4.83
10,001 - 1,000,000	222	10.15	11,856,498	10.94
1,000,001 and above	10	0.46	90,799,735	83.78
Total	2,188	100.00	108,378,523	100.00

Substantial Shareholders

(As shown in the Register of Substantial Shareholders)

Name of Shareholder	No. of Shares	
	Direct	Deemed
TYC Investment Pte Ltd	44,031,562	-
Key Hope Investment Ltd	7,000,000	-
Swanson Pte Ltd	5,470,500	-
Dr Henry Tay Yun Chwan	995,625	56,502,062
Mdm Chan Siew Lee	239,750	56,502,062

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

Twenty Largest Shareholders

as at 8 August 1996

	Name	Shareholdings	%
1.	TYC Investment Pte Ltd	21,080,312	19.45
2.	United Overseas Bank Nominees Pte Ltd	17,450,750	16.10
3.	DBS Nominees Pte Ltd	16,737,424	15.44
4.	Overseas Union Bank Nominees Pte Ltd	11,513,125	10.62
5.	Chase Manhattan (S) Nominees Pte Ltd	6,168,250	5.69
6.	DBS Securities Singapore Pte Ltd	6,046,937	5.58
7.	Overseas-Chinese Bank Nominees Pte Ltd	5,869,750	5.42
8.	Swanson Pte Ltd	2,470,500	2.28
9.	Key Hope Investment Limited	2,000,000	1.85
10.	HSBC (Singapore) Nominees Pte Ltd	1,462,687	1.35
11.	Citibank Nominees Singapore Pte Ltd	930,000	0.86
12.	Sia Sok Hia	746,875	0.69
13.	Raffles Nominees Pte Ltd	524,000	0.48
14.	Tat Lee Bank Nominees Pte Ltd	519,250	0.48
15.	Henry Tay Yun Chwan	459,375	0.42
16.	Barclays Bank (Singapore Nominees) Pte Ltd	450,000	0.42
17.	Phillip Securities Pte Ltd	340,000	0.31
18.	Kenny Chan Swee Kheng	327,750	0.30
19.	Indosuez Singapore Nominees Pte Ltd	316,000	0.29
20.	Josephine Lee Suan Sim	251,250	0.23
		95,664,235	88.26

THE HOUR GLASS

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N O T I C E O F A N N U A L G E N E R A L M E E T I N G

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of the Company will be held at Mandarin Singapore, Room 832, 8th floor, South Wing, 333 Orchard Road, Singapore 238867, on Wednesday, 25th September 1996 at 2pm for the following purposes:

As Ordinary Business

1. To receive the Directors' Report, Auditors' Report and Accounts for the year ended 31 March 1996.
2. To approve the payment of a First and Final Dividend of 10% and a bonus dividend of 2.5% less 26% Singapore Income Tax for the year ended 31 March 1996.
3. To re-elect Dr Henry Tay Yun Chwan, the Director retiring under the provisions of Article 99 of the Company's Articles of Association.
4. To re-elect Mr Sydney Michael Hwang, the Director retiring under the provisions of Article 99 of the Company's Articles of Association.
5. To consider and, if thought fit, to pass the following resolution:
"That pursuant to Section 153(6) of the Companies Act, Cap.50, Mr Owen Phillimore Howell-Price be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting."
6. To approve Directors' fees for non-executive Directors.
7. To appoint Auditors and to authorise the Directors to fix their remuneration.
8. To transact any other ordinary business of the Company.

As Special Business

9. 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, approval be and is hereby given to the Directors to issue shares in the Company at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being."

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

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

BY ORDER OF THE BOARD



Francisca Y.S. Wong
Company Secretary
5 September 1996

Notes:

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead.

A proxy need not be a member of the Company.

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

PROXY FORM - ANNUAL GENERAL MEETING

I/We, _____ (Name)
of _____ (Address)

being a member/ members of THE HOUR GLASS LIMITED hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/ or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on 25 September 1996, 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 Accounts				
2.	Declaration of a First and Final Dividend and a Bonus Dividend				
3.	Re-election of Dr Henry Tay Yun Chwan				
4.	Re-election of Mr Sydney Michael Hwang				
5.	Re-appointment of Mr Owen Phillimore Howell-Price				
6.	Approval of Directors' Fees for non-executive Directors				
7.	Appointment of Auditors				
8.	Any other ordinary business				
	SPECIAL BUSINESS:				
9.	Approval of the Ordinary Resolution pursuant to Section 161 of the Companies Act, Cap. 50				
10.	Authority to issue shares under The Hour Glass Employees' Share Option Scheme				

- * Please indicate your vote "For" or "Against" with a 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 1996.

Total No. of Shares Held	
-----------------------------	--

Signature(s) of Member(s) / Common Seal
IMPORTANT : PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, 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 either 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 letter or power of attorney 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 a Proxy Form 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 Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form 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.

