

ANNUAL REPORT 2004

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" Asia's Leading Retailer Of Specialist Watches "



TEMPUS

The Great Watchscapade

25-29 August 2004 1030hrs - 2000hrs, Raffles Ballroom, Raffles City Convention Centre, Swissôtel The Stamford Singapore

The Hour Glass celebrates a historical milestone of 25 years with the launch of TEMPUS - The Great Watchscapade.

A first of its kind, TEMPUS brings to Asia an astounding collection of some 35 world-renowned brands and celebrated independent watchmakers.

Revere the beauty and passion behind the creation of masterpieces, and be delighted with a series of hands-on workshops, seminars and 'live' demonstrations by specialist artisans.

TEMPUS

The Great Watchscapade



A

D

25th Anniversary



COMMEMORATIVE EDITIONS

Time

World Time

ULYSSE NARDIN

A world premiere, this GMT Dual Time produced in 50 examples in stainless steel boast a unique dial and movement execution for The Hour Glass as well as a seconds counter at 6 o'clock. The Hour Glass has commisioned five leading houses in the field of Haute Horlogerie- namely Breguet, Cartier, Jaeger Le-Coultre, Patek Philippe and Ulysee Nardin to each create unique, limited edition timpieces in celebration of our 25 years in the industry.

PATEK PHILIPPE

In this special edition of 25 pieces, for the first time ever, 'Singapore'- features as one of the cities in the Ref. 5110 Platinium World Time watch, to telling local time as well as the world's 24 time zones at a single glance. This is one timekeeper certain to go down in Patek Philippe's history books.



GMT Dual Time



BREGUET

The Hour Glass is the first retail partner in Breguet's 229-year history to be honoured with a 25-piece commemorative edition. This pink gold model with a unique 18carat gold, slate grey guilloché dial provides the wearer with a view of the finely decorated movement through its sapphire crystal case back.

CARTIER

This is the first time Cartier has produced an exclusive edition for an Asian retail partner. Available in white gold and pink gold and limited only to 25 pieces, this commemorative Tortue watch features a power reserve indicator, an aperture date coupled with a unique dial execution comprising of distinctive Arabic numerals at 2 and 5 o'clock.





Master 8 Days

CAL 87

With an individually serial-numbered dial and a movement execution specially constructed for The Hour Glass, this top rated Master 8 Days timepiece features a big date, night and day indicator and a power reserve relocated to the movement back bridge. Only 28 pieces in pink gold and 88 pieces in stainless steel will be produced.



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

CORPORATE DIRECTORY



BOARD OF DIRECTORS

DR HENRY TAY YUN CHWAN Executive Chairman

Dr Henry Tay, the Executive Chairman of the Company, is responsible for charting the Group's overall vision and corporate strategy and is a member of the Remuneration Committee.

Dr Tay graduated with a MBBS (Honours) from Monash University, Melbourne and prior to joining The Hour Glass in 1979, was both a Medical Practitioner and Managing Partner of Lee Chay & Co., one Singapore's first watch retail companies. From 1986 to 2001, Dr Tay was Chairman of the Burberry business in the Asia Pacific region. He was also a Board Member of the Singapore Tourism Board as well as the Patron of the Singapore Kennel Club. Dr Tay continues to serve as an independent director on Singapore Exchange-listed UOB Kay Hian Holdings Ltd and is both the Honorary President of the Hong Kong–Singapore Business Association and Vice-Chairman of the Community Chest.

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

Dato' Dr Jannie Tay was previously the Managing Director of The Hour Glass until 31 March 2004 where upon she was appointed Vice Chairman (Executive), continuing to play an active role in the development of the Company.

In recognition of her outstanding professional achievements, Dato' Dr Jannie Tay was recently 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. Dato' Dr Jannie Tay also holds appointments as the President of the Singapore Retailers Association and Asean Business Forum. Chairman of the Commonwealth Business Women Leaders Network, the first female Executive Board Member of the Commonwealth Business Council and the Founder and current President of the Woman's Business Connection. Having previously served on the Women's Leadership Board of the John F. Kennedy School of Government, Harvard University and the Business Advisory Council of the United Nations Office for Project Services, she was, in 1997, named as one of the 50 leading Woman Entrepreneurs of the World. 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 Chong Music Fund and the Singapore Dance Theatre.

BOARD OF DIRECTORS & SENIOR MANAGEMENT



A. LANGE & SOHNE

With a peerless reputation marked by immaculate craftmanship and an innovative capacity to provide a significant number of complications in micro-mechanic dimensions, Lange epitomises technical mastery matched only by it's aesthetic brilliance. This magnificient execution of the Datograph in rose gold features a dial asthetic that is now the hallmark of a Lange watch. Manually wound, this was the world's first chronograph with a flyback mechanism and outsized date.



PHILIPPE DUFOUR

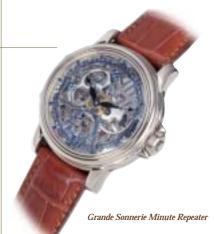
Fiercely independent and a self-admitted perfectionist, Philippe Dufour perpetuates the creative spirit of traditional Vallee de Joux watchmaking techniques through sheer fortitude.

A true revelation. For once, the complex striking mechanisms of the Grande Sonnerie Minute Repeater is presented with visible repeating work on the dial side of the movement. In an unusual casework, the hinged outer bezel swings open to reveal the repeater slide-bolts and their hand-engraved and enamelled titles, set in the caseband beneath.

DANIEL ROTH

The flair of harmonising art with technology is demonstrated in every Daniel Roth — veritable masterpieces in the purest tradition of haute horlogerie.

The Grande Sonnerie features an outstanding Westminster chime with four hammers for the small and grand strikes. This highly exclusive timepiece delights connoisseurs with a tourbillon visible only through a sapphire crystal case back, minute-repeater and double power-reserve indicators on an exquisitely engine-turned Clous de Paris guilloche dial.



DR KENNY CHAN SWEE KHENG Managing Director

Dr Kenny Chan was appointed the Managing Director of The Hour Glass on 1 April 2004. Having graduated from Monash University with a MBBS (Honours), Dr Chan has over 20 years of experience in the luxury goods industry. Prior to his tenure at The Hour Glass, he was the Managing Director of Burberry Singapore and Burberry Australia, companies that formed part of a group that were the exclusive distributors and agents of Burberry, covering a territory that stretched from Korea to New Zealand. A former Young Presidents' Organisation Chapter Chairman, Dr Chan has also served as a Council Member for the Singapore Retailers Association from 2000 to 2002.

BOARD OF DIRECTORS & SENIOR MANAGEMENT

MR TIMOTHY CHIA CHEE MING Independent Non-Executive Director

Mr Timothy Chia was appointed to the Board of Directors in October 1987 as an independent director and is a member of the Remuneration Committee and Audit Committee.

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



DB 15 Perpetual Calendar Revolving Moon Phase

ROGER DUBUIS

Reflecting the devotion to total horological perfection, Roger Dubuis timepieces set the standard for which high watchmaking is judged. The Golden Square Perpetual Calendar is a refined contemporary watch inspired, but not subject to the past.

DE BETHUNE

The finest watches produced atelier style, De Bethune timepieces boast the sophistication and refinement of the highest order in watchmaking.

Emerging from the dial of the DB 15 Perpetual Calendar Revolving Moon Phase, a sphere made of platinum and steel revolves on its own axis. Its revolutionary calibre houses a multi-patented movement entirely created and manufactured in-house - definitive of the stature of technical excellence that is unprecedented in the history of watchmaking.



The Golden Square Perpetual Calendar



VIANNEY HALTER

With unparalleled imagination and a greater respect for the achievements of horological history, Vianney Halter both delights and fascinates with his most novel creations.

Resembling nothing else known in the world of horology, the Antiqua surprises with a case made of 300 different parts, with each function displayed on a separate dial. This complicated perpetual calendar with a patented mysterious rotor is developed with the automatic movement VH198, taking imagination to another plane.

MR OWEN PHILLIMORE HOWELL-PRICE Independent Non-Executive Director

Mr Owen Phillimore Howell-Price was appointed to the Board of Directors in April 1994. Currently the Chairman of the Remuneration Committee and a member of the Audit Committee, he is an independent director of the Company.

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

MR ROBERT TAN KAH BOH Independent Non-Executive Director

Mr Robert Tan was appointed to the Board of Directors in November 1999. Currently the Chairman of the Audit Committee and a member of the Remuneration Committee, he is an independent director of the Company.

Mr Tan was with Price Waterhouse (now known as PricewaterhouseCoopers), an international public accounting firm, for 28 years 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.

SENIOR MANAGEMENT

DR HENRY TAY YUN CHWAN Executive Chairman (Please see Page 7 of Annual Report)

MDM CHAN SIEW LEE (DATO' DR JANNIE TAY) Vice Chairman (Executive) (Please see Page 7 of Annual Report)

DR KENNY CHAN SWEE KHENG

Managing Director (Please see Page 9 of Annual Report)

BOARD OF DIRECTORS & SENIOR MANAGEMENT

FINANCIAL HIGHLIGHTS

THE HOUR GLASS GROUP

(In Singapore dollars)	2004 \$'000	2003 \$'000	Change %
1 Turnover	320,279	256,115	25.1
2 Profit After Taxation	6,315	2,693	134.5
3 Earnings Per Share	5.62 cts	2.35 cts	139.1
4 Net Tangible Asset Backing Per Share	118.64 cts	111.26 cts	6.6
5 Bank Term Loans	18,700	15,939	17.3
6 Cash At Bank	13,231	10,707	23.6

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to report that the Group recorded a net profit of \$6.1 million for the year ended 31 March 2004, an increase of 139% over the previous year. This result was achieved despite extremely challenging market conditions, particularly in the first half of the year, amid the dampening effect of the Sars outbreak and the war in Iraq. Because of the spectre of threats of terrorism, the trading environment remained difficult in the second half but initiatives taken to expand the businesses bore fruit with higher revenues contributing to strong operating profits in the second half.

Overall, Group turnover reached \$320.2 million for the year, representing a growth of 25.1%.

The Group balance sheet continues to be strong with Shareholders' funds rising by \$8.1 million to reach a record \$129.1 million. This translates into net asset value per share of \$1.18 as at 31 March 2004.

DIVIDEND

The total dividend paid for the prior financial year ended 31 March 2003 was 0.625 cents per share.

In view of the satisfying results above, and to reward shareholders for their patience and loyalty, in this 25th Anniversary year of the Company, the Board has recommended a final dividend of 1.25 cents per share, and a bonus dividend of 6.25 cents per share, giving a total of 7.50 cents per share.

OPERATIONS REVIEW

South East Asia and Australia

Turnover growth of 26.0% for the region was broad based, in all the countries that the Group operates. The total turnover of \$270.9 million include contributions from the new boutique in Gaysorn Plaza, Bangkok and the distribution of Montblanc products in Australia.

The Company benefited from a one-off goodwill income of \$2.7 million, being compensation from one of the suppliers for excluding its distributorship in certain countries.

CHAIRMAN'S STATEMENT



Octo Bi-Retro

GERALD GENTA

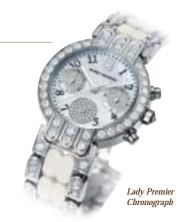
Inventive, unconventional and revolutionary, Gerald Genta has continued to provoke the traditional world of exclusive watchmaking over the past 30 years.

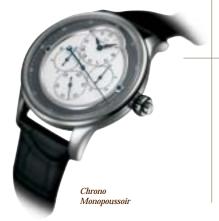
Dedicated to the art of grand complications, the Octo Collection combines an obsession with design and an extremely sophisticated dual retrograde movement. Available only in precious metal, the Octo Bi-Retro is presented in a red and black or ivory and black dial to create another coveted symbol of luxury.

HARRY WINSTON

A fitting partner to time, the Harry Winston hallmark is one of dazzling technical virtuosity demonstrated through classically pure yet eternally modern interpretations.

Destined for the demanding woman, the Lady Premier Chronograph is an unorthodox blend of precious materials — diamonds, gold, motherof-pearl and caoutchouc — harmonising in a fluid, cosmopolitan elegance.





JAQUET DROZ

Distinguished by aesthetic refinement, every Jaquet Droz is the embodiment of meticulous attention to detail and exquisite craftsmanship. With a resolutely poetic touch accomplished through sheer horological mastery.

North East Asia

Turnover in the region grew by an encouraging 18.1% to \$49.2 million. The Hong Kong market benefited from the easing of travel restrictions for residents of the People's Republic of China, while our boutique in Tokyo continues to grow in its second year of operations, further entrenching itself in the Japanese fine watch retail market.

PEOPLE DEVELOPMENT

At The Hour Glass, we believe in bringing out the best in our people. Over the years, the Company and its team have received many accolades in recognition of its service and contribution to the Community. During this financial year, two members of The Hour Glass have been awarded The Excellent Service Award 2003 conferred by SPRING Singapore – a national award that recognizes individuals who have delivered outstanding service.

The Hour Glass also spearheaded the development of 6 skills standards for the Clock and Watch industry, under the National Skills Recognition System. This is a national framework for establishing work performance standards, identifying job competencies and certifying skills acquisition.

OTHER DEVELOPMENTS

On 18 May 2004, The Hour Glass announced a restructuring of its Jewellery retail unit under Mondial. This involves the sale of all Mondial trademarks and transfer of the retail outlet at Ngee Ann City Shopping Centre. When completed, the transaction will realize an exceptional one-time capital gain of approximately \$2.9 million after expenses.

The Australian subsidiary plans to open its second Montblanc boutique in Melbourne in July 2004.

To commemorate its 25th Anniversary celebration in 2004, The Hour Glass is proud to stage TEMPUS, a five-day exhibition cum conference from 25th to 29th August 2004. This event is modeled on the presentation style of the annual watch fairs held in Basel and Geneva, Switzerland.

In addition, the venerable Houses of Breguet, Cartier, Jaeger-LeCoultre, Patek Philippe and Ulysses Nardin have created unique commemorative pieces in limited edition for The Hour Glass.

CHAIRMAN'S STATEMENT

MONTBLANC

Blending classic values with innovative ideas, Montblanc furthers its established values of tradition, fine craftsmanship and an appreciation of beauty and culture into eternal timepieces.

The Sport Lady Jewels is a fascinating combination of a tough stainless steel case and the sparkling aura of diamonds, in black and white options to lend a sporty and fashionable touch to any woman's ensemble.





HUBLOT

Inspired by a ship's porthole and born out of the desire to realise a timepiece different from any other made before, a Hublot sparkles in its elegant, understated style.

Encrusted with protuberant natural rubber cabochons, the innovative bezel of the new Subaquaneus assures a better grip of its patented "Turnlock" system — both in and out of water. One feature that takes the plunge: water resistance up to an amazing 200 ATM.



SINN

Highly functional and technologically demanding, Sinn's exceptional instrument-like timepieces feature a unique indestructible quality with new technology, new materials and new patents.

With extraordinary surface hardness achieved through patented tegiment® technology, the Sinn Model 756 Black (hard-coated) is beautifully unobtrusive, subtle and reserved in its matte black, entirely scratch-proof case.

FUTURE PROSPECTS

Although the general economic outlook and growth projections for the Asia Pacific region are positive, this optimism is overshadowed with threats of terrorism, currency volatility, oil price increases, and uncertain interest rates.

The challenge ahead is to remain competitive and relevant by strengthening our presence in the market place through expansion in existing and new markets, continual development of long-term key partner relationships and alliances, and being the definitive retailer and educator of specialist watches in the region.

I am confident that the Group's strong fundamentals will enable it to ride out the uncertainties and to remain profitable in the coming year.

ACKNOWLEDGEMENT

That the Group has performed well in a difficult year was only made possible by the efforts and contributions of many. On behalf of the Board of Directors, I would like to thank our management and front line teams for their hard work and dedication. Our gratitude is also extended to our customers, business associates, brand partners and shareholders for their continuing support.

I would like to take this opportunity to thank my fellow Board members for their guidance and wise counsel, and to welcome Dr Kenny Chan as a new member of the Board. Dr Chan takes over the helm from Dato' Dr Jannie Tay as Managing Director with effect from 1 April 2004. Dato' Dr Jannie Tay continues to serve on the Board as Vice Chairman (Executive). Their combined retailing and marketing expertise shall serve the Group well in the years to come.

Henry Tay Yun Chwan Executive Chairman 10th June 2004

CHAIRMAN'S STATEMENT

This statement describes the corporate governance practices and activities of the Company for the financial year ended 31 March 2004.

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

BOARD OF DIRECTORS Principle 1: The Board's conduct of its affairs

The Board is entrusted with the overall management of the business affairs of Company, and sets the overall strategy and policies on the Group's business direction. It reviews significant investment and divestment proposals, funding decisions, financial performance and key operational initiatives, and oversees the implementation of appropriate systems to manage the Group's business risks. Other functions include considering and approving nominations and renominations 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.

CORPORATE GOVERNANCE



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

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

Principle 2: Board Composition and Balance

During the financial year, the Board had five members, consisting of three independent non-executive directors, and two executive directors. On 1 April 2004, the sixth member was appointed to the Board, and currently serves as an executive director.

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

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

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

Principle 3: Chairman and Chief Executive Officer

Dr Henry Tay Yun Chwan and his spouse, Mdm Chan Siew Lee (Dato' Dr Jannie Tay), the founders of The Hour Glass, continued as Executive Chairman and Managing Director of the Company during the year. They take an active role in management and overseeing of the Group's operations, providing a division of executive responsibility and authority in the Company. They are also regarded as controlling shareholders of the Company, having a collective interest in approximately 60.8% of the Company's issued shares. On 1 April 2004, Mdm Chan Siew Lee was appointed Vice Chairman of the Company, an executive position. Dr Kenny Chan Swee Kheng, who joined the Board on 1 April 2004, took over as Managing Director. He was previously the Group Chief Operating Officer.

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

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

Principle 4: Board membership

Based on the present 6-member Board size, of which half 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 renominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members.

In line with the recommendation of the Code, the Company's Articles of Association was 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 reelection by shareholders at annual general meetings of the Company.

Principle 5: Board performance

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

The criteria for appointment of a new Board member will be underscored by the need to shape the Board in line with the mediumterm needs of the Company and its strategic goals and business direction for the Group.

The factors taken into consideration for the re-nomination of the directors for the ensuing year included the directors' attendance and participation at Board meetings and Board committee meetings in the financial year under review, the Board and management having benefited from an open and healthy exchange of views and ideas. More importantly however, the renewal of a director's Board membership recognises the value of that individual to the Board and the Company, and his or her continued contribution to the on-going needs of the Company and its business. A director's calibre, experience, stature and skills as well as his or her ability to contribute to the proper governance and stewardship of the Company and its operations are important qualities, albeit not capable of precise valuation or measurement, nor need such contributions necessarily be confined to the boardroom. Contributions by a director can take many forms, including providing objective perspectives of issues, facilitating business opportunities and strategic relationships, and accessibility to management outside of a formal environment of Board

CORPORATE GOVERNANCE



and/or Board committee meetings. The matrix of Board members' participation and attendance record at meetings of the Board and the specialty Board committees during the financial year is provided at the end of this statement. This also reflects a Board member's additional responsibilities and special focus on the respective Board committees of the Company.

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

Principle 6: Access to information

Non-executive directors have access to the executive directors, management and the company secretary, and vice versa. In general, board papers are sent to all directors at least five days in advance of the Board meeting. Senior managers who have prepared the papers, or who can provide additional insight in the matters to be discussed, are normally invited to present the paper or attend during the Board meeting. The company secretary attends Board meetings to take minutes.

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

REMUNERATION MATTERS Principle 7: Procedures for developing remuneration policies Principle 8: Level and mix of remuneration Principle 9: Disclosure of remuneration

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

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

The RC's terms of reference do not include the annual review and recommendation of the fees for nonexecutive 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 key executives who are not directors of the Company should be disclosed annually in a remuneration report. The Company believes that the disclosure of remuneration of the individual executives may be disadvantageous to the Group's interests, given the highly competitive industry conditions and the sensitivity and confidentiality of staff remuneration matters. For the financial year under review, except for the two executive directors (being the Executive Chairman and Managing Director) and the Group Chief Operating Officer (who is a sibling of the Managing Director and brother-in-law of the Executive Chairman), no employee who is an immediate family member (as that term is defined in the Listing Manual of the SGX-ST) of a director received 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 35 to the accounts, at page 70 of the Annual Report.

CORPORATE GOVERNANCE



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

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

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

During the financial year, the AC met 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 Executive Chairman on administrative matters. The AC reviews the internal audit reports and activities on a half-yearly basis. The AC also reviews and approves the annual internal audit plan. The AC is of the view that the internal audit department is adequately resourced to perform its functions and have, to the best of its ability, maintained its independence from the activities that it audits.

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

COMMUNICATING WITH SHAREHOLDERS Principle 14 : Communication with shareholders Principle 15 : Encouraging greater shareholder participation

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

All shareholders of the Company are sent a copy 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. 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.

CORPORATE GOVERNANCE



Remuneration matters Financial Year ended 31 March 2004

(I) Breakdown of remuneration in percentage terms

			1	Other	
Directors	Salary	Bonus	Fees	benefits	Total
			10 /	1	
Henry Tay Yun Chwan	95.3%			4.7%	100%
Chan Siew Lee	45.6%	51.5%		2.9%	100%
Owen Phillimore-Howell Price	-	-	100%	2	100%
Robert Tan Kah Boh	-	-	100%	-	100%
Timothy Chia Chee Ming	-	-	100%		100%

(II) Ranges of gross remuneration received

No. of Directors in remuneration bands	2004	2003
\$750,000 to \$1,000,000	-	- Sauce
\$500,000 to below \$750,000	1	1
\$250,000 to below \$500,000	1	1
Below \$250,000	3	3
Total	5	5

Note:

None of the directors participated in the Company's Employees' Share Option Scheme ("ESOS"). No options were granted under the Company's Share Option Scheme 2000, which succeeded the ESOS, and which was formally terminated on 14 May 2004.

Directors' attendance at Board and committee meetings Financial Year ended 31 March 2004

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

Note:

Dr Kenny Chan Swee Kheng was appointed a Director and Managing Director on 1 April 2004.

ADDITIONAL INFORMATION

Ethical standards and business conduct

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

Dealing in Securities

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

Interested Person Transactions

Transactions with the Company's interested persons (as that term is defined in the Listing Manual of the SGX-ST) are subject to review and approval by the Board comprising those directors who do not have an interest in the transaction. Where required by the relevant listing rules of the SGX-ST, the AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interests of the Company and shareholders, before making its recommendation to the Board for endorsement. The Company's disclosure in accordance with Rule 907 of the Listing Manual of the SGX-ST in respect of interested person transactions for the financial year ended 31 March 2004 is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions	Aggregate value all interested person transactions conducted under shareholders'
Name of interested person	conducted under shareholders' mandate pursuant to Rule 920)	mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Amstay Pte Ltd (associate of Dr Henry Tay Yun Chwan and Mdm Chan Siew Lee)	\$108,750*	Not applicable - the Company does not have a shareholders' mandate pursuant to Rule 920

* Gross rental in respect of 29-month lease of office premises at 12th floor, Tong Building, Singapore, commencing August 2003, leased from Amstay Pte Ltd.

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REPORT OF THE DIRECTORS

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 (the "Group") for the financial year ended 31 March 2004 and balance sheet of the Company as at 31 March 2004.

DIRECTORS

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

Dr Henry Tay Yun Chwan Mdm Chan Siew Lee Dr Kenny Chan Swee Kheng Mr Timothy Chia Chee Ming Mr Owen Phillimore Howell-Price Mr Robert Tan Kah Boh (Executive Chairman) (Vice Chairman {Executive}) (Appointed as Director and Managing Director on 1.4.2004)

Arrangements to enable directors to acquire shares and debentures

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.

Directors' interests in shares and debentures

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

	Shareholdings registered in the name of or beneficially held by directors		he name of or beneficially the directors a		he name of or beneficially the directors are deeme	
Name of director	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year		
	Ordinary shares of \$0.25 each					
Henry Tay Yun Chwan	5,140,625	8,111,625	56,502,062	56,502,062		
Chan Siew Lee	1,170,750	1,543,437	56,502,062	56,502,062		
Timothy Chia Chee Ming	61,875	61,875	-	-		
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 2004.

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

No other Director of the Company who held office at the end of the financial year had an interest in any shares or debentures of the Company and its subsidiary companies.

Directors' contractual benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive benefits by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except those disclosed in Notes 4 and 36 to the financial statements.

Audit Committee

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

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

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

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

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

Share capital

During the year, employees exercised their options under The Hour Glass Employees' Share Option Scheme and subscribed for 64,000 ordinary shares of \$0.25 each.

No subsidiary company issued any shares during the financial year.

Share options - The Company

(I) The Hour Glass Employees' Share Option Scheme

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

Dr Henry Tay Yun Chwan Mdm Chan Siew Lee Mr Timothy Chia Chee Ming

	Date granted	Option period (both dates inclusive)	Option exercise price per share	Balance 1.4.2003	Options cancelled	Options exercised	Balance 31.3.2004
			\$				
(i)	15.1.1999	15.1.2000 - 14.1.2004	0.38	136,000	(72,000)	(64,000)	-
(ii)	19.7.1999	19.7.2000 - 18.7.2004	0.80	249,000	(20,000)	-	229,000
(iii)	24.1.2000	24.1.2001 - 23.1.2005	0.52	447,000	(53,000)	-	394,000
				832,000	(145,000)	(64,000)	623,000

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

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

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

(II) The Hour Glass Share Option Scheme 2000

(a) On 28 September 2000, a new share option scheme, The Hour Glass Share Option Scheme 2000 ("Scheme") was adopted to succeed the ESOS. The Scheme, which was approved at an Extraordinary General Meeting held on 28 September 2000, will continue in operation, at the discretion of the committee administering the Scheme, for a maximum duration of 10 years from that date. The size of the Scheme is limited to 15% of the issued ordinary share capital of the Company for the time being.

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

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

- (ii) Subject to the rules of the Scheme, an option shall immediately lapse upon the participant ceasing to be employed by, or as the case may be, ceasing to be a non-executive director of, the Company or its subsidiary companies for whatever reason.
- (iii) Options may be granted under the Scheme at any time while it is in force. Upon acceptance of the grant of an option, the grantee must pay to the Company a consideration of \$1.00 for the grant. Options may be granted with exercise prices that are set:
 - at the market price of the shares at the time of grant;
 - at the market price of the shares at the time of grant, but which may be adjusted (at the end of an incentive period) by a discount of up to 20% of the market price; or
 - at a discount (up-front) to the market price of the shares at the time of grant, such discount not to exceed 20% of that market price.
- (iv) An option in respect of which the exercise price is set at the market price of the shares at the time of grant may not be exercised before the 1st anniversary of its date of grant. An option in respect of which the exercise price incorporates a discount feature (whether up-front or deferred discount) may not be exercised before the 2nd anniversary of its date of grant. Options that are granted may also be subject to vesting schedules.
- (v) The participant may exercise the option by notice in writing accompanied by a remittance for the aggregate exercise price (subject to adjustments as provided under the Scheme).
- (vi) Participants of the Scheme are not restricted from participating in other share option or share incentive schemes, whether implemented by the Company or its subsidiary companies or otherwise.
- (c) The Scheme is administered by the Remuneration Committee.
- (d) Subsequent to year end, the Remuneration Committee decided to terminate the Scheme, with effect from 14 May 2004.
- (e) No options were granted pursuant to the Scheme since its adoption.

Share options - Subsidiary companies

- (a) No options to take up unissued shares of subsidiary companies have been granted during the financial year.
- (b) No shares of subsidiary companies have been issued during the financial year by virtue of the exercise of options to take up unissued shares.
- (c) As at the end of the financial year, there were no unissued shares of the subsidiary companies under option.

Other information required by the Singapore Exchange Securities Trading Limited

Except as disclosed in Note 36 to the financial statements, there are no other material contracts or loans to which the Company or any related company is a party and which involve Directors' or controlling shareholders' interests subsisted at, or have been entered into since the end of the previous financial year.

Auditors

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

On behalf of the Board,

Henry Tay Yun Chwan Executive Chairman

Kenny Chan Swee Kheng Managing Director

Singapore 28 May 2004

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, consolidated statement 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 Company and of the Group as at 31 March 2004 and of the results of the business, changes in equity and cash flows of the Group for the year then ended, 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,

Henry Tay Yun Chwan Executive Chairman

Kenny Chan Swee Kheng Managing Director

Singapore 28 May 2004

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 (the "Group") set out on pages 37 to 72 for the year ended 31 March 2004. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act (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 2004 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG Certified Public Accountants

Singapore 28 May 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

(In Singapore dollars)	Note	2004 \$'000	2003 \$'000
Revenue	3	320,279	256,115
Costs and expenses			
Costs of goods sold		275,763	215,276
Salaries and employees benefits	28	17,275	15,216
Depreciation of investment properties and property,			
plant and equipment		3,079	3,122
Rental		6,279	6,222
Selling, distribution and promotion		7,537	5,911
Other operating expenses		4,151	4,995
Total costs and expenses		314,084	250,742
Operating profit	4	6,195	5,373
Investment and interest income	5	676	785
Interest expense	6	(667)	(326)
Provision for impairment in carrying			
amount of leasehold premise		-	(1,500)
Exceptional item – goodwill compensation	7	2,700	-
Profit before taxation and minority interests		8,904	4,332
Taxation	8	(2,589)	(1,639)
Profit after taxation		6,315	2,693
Minority interests, net of taxation		(203)	(133)
Net profit for the year		6,112	2,560
Basic earnings per share (cents)	10	5.62	2.35
Diluted earnings per share (cents)	10	5.62	2.35

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS AS AT 31 MARCH 2004

		(Group	Co	mpany
	Note	2004	2003	2004	2003
(In Singapore dollars)		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	11	18,013	17,729	11,178	11,074
Investment properties	12	7,837	7,620	920	947
Goodwill	13	-	97	-	-
Subsidiary companies	14	-	-	21,996	24,121
Other investments	15	285	251	285	251
Long term receivable	16	7,768	5,405	7,768	5,405
Deferred tax assets	17	351	296	-	-
_		34,254	31,398	42,147	41,798
Current assets					
Stocks	18	114,728	115,143	50,866	50,758
Trade debtors	19	10,416	5,490	2,630	1,417
Other debtors	20	3,786	4,569	963	1,268
Amounts due from subsidiary					
companies	21	-	-	16,311	25,409
Fixed deposits with banks		1,712	2,690	1,062	2,155
Cash and bank balances		11,955	8,816	4,507	3,953
		142,597	136,708	76,339	84,960
Less : Current liabilities					
Bank overdrafts		436	799	-	_
Bank term loans	22	18,700	15,485	_	6,297
Trade creditors		20,186	22,078	7,662	12,352
Other creditors	23	1,322	1,840	534	676
Amounts due to subsidiary	21	-	-	12,279	16,445
Hire purchase creditors	24	20	21	-	-
Provision for taxation		3,455	2,897	2,735	2,400
		44,119	43,120	23,210	38,170
Net current assets		98,478	93,588	53,129	46,790
Less : Non-current liabilities					
Doub town loons	0.0		454		
Bank term loans	22 24	- 17	454	—	-
Hire purchase creditors Deferred tax liabilities	24 25	17 127	38 173	185	154
Deferred tax habilities	20	127	175	105	154
		(144)	(665)	(185)	(154)
		132,588	124,321	95,091	88,434
Equity					
Share capital	26	27,207	27,191	27,207	27,191
Reserves	27	101,907	93,822	67,884	61,243
		129,114	121,013	95,091	88,434
Minority interests		3,474	3,308	-	
		132,588	124,321	95,091	88,434
		,	124,321		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2004

(In Singapore dollars)	Note	2004 \$'000	2003 \$'000
Ordinary shares			
Balance at beginning of year		27,191	27,175
Issuance of ordinary shares		16	16
Balance at end of year		27,207	27,191
Share premium			
Balance at beginning of year		29,503	29,491
Premium on ordinary shares issued during the year		8	12
Balance at end of year		29,511	29,503
Capital reserve			
Balance at beginning of year		100	261
Surplus on revaluation of freehold premise			
realised upon disposal		-	(161)
Balance at end of year		100	100
Foreign currency translation reserve			
Balance at beginning of year		5,196	4,521
Unrealised foreign currency translation			
adjustment for the year		2,495	675
Balance at end of year		7,691	5,196
Revenue reserve			
Balance at beginning of year		59,023	57,362
Surplus on revaluation of freehold premise			
realised upon disposal		-	161
Net profit for the year		6,112	2,560
Dividends on ordinary shares less tax	9	(530)	(1,060)
Balance at end of year		64,605	59,023
Total equity		129,114	121,013

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2004

	2004	2003
(In Singapore dollars)	\$'000	\$'000
Cash flows from operating activities :		
Profit before income tax	8,904	4,332
Adjustments for :		
Interest expenses	667	326
Interest income	(31)	(58)
Depreciation of properties, plant and equipment	2,925	2,978
Depreciation of investment properties	154	144
Provision for impairment in carrying amount of leasehold premise	-	1,500
Amortisation of other investment	15	54
Amortisation of goodwill	97	100
Loss/(gain) on disposals of properties, plant and equipment	28	(175)
Foreign currency translation adjustment	1,689	581
Provision for impairment in carrying amount of other investments	11	13
Operating profit before working capital	14,459	9,795
Decrease/(increase) in stocks	415	(14,442)
(Increase)/decrease in debtors	(6,331)	1,694
Decrease in creditors	(2,410)	(1,250)
Cash generated from/(applied in) operations	6,133	(4,203)
Income taxes paid	(2,307)	(2,891)
Interest expense paid	(667)	(326)
Interest income received	31	58
Net cash provided by/(used in) operating activities	3,190	(7,362)
Cash flows from investing activities :		
Additional investment in subsidiary companies	_	(1,048)
Additional investment in quoted shares	(60)	_
Proceeds from sale of properties, plant and equipment	347	567
Purchase of properties, plant and equipment (note 34(b))	(3,045)	(2,378)
Net cash used in investing activities	(2,758)	(2,859)
Cash flows from financing activities :		
Proceeds from issue of shares	24	28
Repayment of hire purchase creditors	(22)	(3)
Net increase in bank loans	2,761	12,462
Dividends paid to shareholders	(530)	(1,060)
Dividends paid to minority shareholders of subsidiary companies	(26)	(36)
Net cash provided by financing activities	2,207	11,391
Net increase in cash and cash equivalents	2,639	1,170
Effects of exchange rate changes	(115)	(125)
Cash and cash equivalents at beginning of year (note 34(a))	10,707	9,662
Cash and cash equivalents at end of year (note 34(a))	13,231	10,707

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004

1. Corporate information

The consolidated financial statements of The Hour Glass Limited ("the Company") and its subsidiary companies ("the Group") and balance sheet of the Company for the financial year ended 31 March 2004 were authorised for issue in accordance with a resolution of the Directors passed on 28 May 2004.

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

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

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

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

The Group and Company employed 252 and 125 (2003 : 237 and 124) employees as at 31 March 2004, respectively.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act. In previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS did not result in any significant change in accounting policies.

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

The financial statements have been prepared on a historical cost convention.

The financial statements are presented in Singapore Dollars (\$).

(b) Basis of consolidation

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

When subsidiary companies are acquired, any excess of the consideration over the net assets at the date of acquisition is included in goodwill on consolidation and are written-off on a straight line basis over a ten-year period.

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

(c) **Revenue recognition**

Revenue 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 at the Company level are accounted for at cost less impairment losses.

(e) Investments

Investments held on a long term basis are accounted for at cost less impairment losses.

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

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. The cost of a property, plant and equipment comprises its purchase price, financing charges and any directly attributable costs of bringing the property, plant and equipment to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

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

(g) Investment properties

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

(h) Stocks

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

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

(i) Trade and other debtors

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

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

(j) Trade and other creditors

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

Amounts due to subsidiary companies are carried at cost.

(k) Provisions

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

(l) Deferred taxation

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

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

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

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

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

(m) Leased assets

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

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

(n) Foreign currencies

Transactions arising in foreign currencies during the year are converted into respective measurement currencies at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities are converted into measurement currency at year-end exchange rates. Upon disposal of the foreign subsidiary companies, the cumulative amount of the exchange differences which have been deferred are taken to the profit and loss account in the same period in which the gain or loss on disposal is recognised. Other exchange differences are dealt with in the profit and loss account.

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

(o) Impairment of assets

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

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

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

(p) Depreciation

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

(p) Depreciation (cont'd)

Property, plant and equipment :		
Freehold and leasehold premises	-	50 years
Furniture and equipment	-	2 to 10 years
Motor vehicles	-	5 to 6 years
Investment properties :		
Freehold and leasehold premises	-	50 years

No depreciation is provided on freehold land.

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

(q) Employee benefits

Employee leave entitlement

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

Defined contribution plans

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

Share options

The Company has in place The Hour Glass Share Option Scheme 2000 ("Scheme") for the granting of options to eligible employees to subscribe for shares in the Company. There are no charges to the profit and loss account upon the grant or exercise of the options. The exercise price is equivalent to the market value of the shares or at a discount of up to 20% of the market value of the shares at the time of grant. This Scheme was terminated with effect from 14 May 2004.

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

(r) Cash and cash equivalents

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

3. Revenue

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

4. **Operating profit**

		oup
	2004	2003
	\$'000	\$'000
Operating profit is stated after charging/(crediting) :		
Depreciation of property, plant and equipment	2,925	2,978
Depreciation of investment properties	154	144
Amortisation of goodwill	97	100
Amortisation of other investment	15	54
Provision for impairment in carrying		
amount of quoted investments	11	13
Loss/(gain) on disposal of property, plant and equipment	28	(175
Directors' fees	140	140
Directors' emoluments :		
- Directors of the Company		
 salaries, bonuses and other related costs 	1,154	938
 central provident funds 	18	18
- Other directors of subsidiary companies		
 salaries, bonuses and other related costs 	806	732
 state provident funds 	11	32
Key executives' remuneration	740	584
Auditors' remuneration :		
- Auditors of the Company		
• current year	93	112
 overprovision in prior year 	(11)	(1
- Other auditors		
• current year	89	119
 (over)/underprovision in prior year 	(6)	26
Non audit fees paid to auditors	86	88
Non audit fees paid to other auditors	76	48
Provision for doubtful debts	103	36
Doubtful debts recovered	(13)	(49
Foreign exchange gain, net	(463)	(107
Investment and interest income		
Interest income from banks	31	58
Rental income from external parties	645	727

785

5.

6. Interest expense

	Group	
	2004	2003
	\$'000	\$'000
Interest on bank term loans	610	238
Interest on bank overdrafts	57	88
	667	326

7. Exceptional item - goodwill compensation

The Company has exclusive distribution agreements in respect of a principal in the Asia Pacific region.

During the year, the exclusive distributorship rights were revised to exclude certain territories countries in the Asia Pacific region. As a goodwill compensation for removing these countries from the originally defined territories, the principal agreed to pay the Company, an amount of CHF2 million (\$2.7 million). The Company received CHF 250,000 (\$337,000) during the year, with the balance amount of CHF1.75 million (\$2,363,000) being recorded as a net receivable as at 31 March 2004 [Note 16(b)].

8. Taxation

	Group	
	2004	2003
	\$'000	\$'000
Provision for taxation in respect of results for the year :		
Current taxation	1,970	1,732
Deferred taxation	(21)	(58)
(Over)/under provision in respect of previous years :		
Current taxation	640	11
Deferred taxation	-	(46)
	2,589	1,639

8. Taxation (cont'd)

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

	Group	
	2004	2003
	\$'000	\$'000
Profit before taxation for the year	8,904	4,332
Taxation on profit before taxation for the year at 20%		
(2003 : 22%)	1,781	953
Adjustments :		
Permanent differences/expenses not deductible for		
tax purposes	894	698
Additional tax on income of subsidiary companies in		
countries whose tax rate is higher than the		105
Singapore statutory tax rate	45	125
Deferred tax assets not recognised	56	59
Unabsorbed losses utilised	(116)	(71)
Non-taxable income	(616)	(59)
Tax incentive	(11)	(88)
Change in statutory tax rate	(19)	(23)
Under/(over) provision in respect of previous years	640	(35)
Others	(65)	80
Current financial year's taxation charge	2,589	1,639

As at 31 March 2004, certain subsidiary companies have unabsorbed tax losses of approximately \$1,380,000 (2003 : \$1,340,000) available for set-off against future taxable profits subject to the regulations and agreements by the relevant tax authorities.

9. Dividends

	Group													
	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2003
	\$'000	\$'000												
First and final dividend of 0.625 cents per share														
(2003 : 1.25 cents per share) less tax of 20% (2003 : 22%)	530	1,060												

The Directors propose that a first and final dividend of 1.25 cents per share less tax of 20% amounting to \$1,088,290 and a bonus dividend of 6.25 cents per share less tax of 20% amounting to \$5,441,451 be paid for the financial year ended 31 March 2004.

The dividend will be recorded as a liability on the balance sheet of the Company and Group upon approval by the shareholders of the Company at the next Annual General Meeting of the Company.

10. Earnings per share

	Group	
	2004	2003
	\$'000	\$'000
Earnings for the year	6,112	2,560
	.000	'000 '
Number of shares		
Weighted average number of ordinary shares		
for calculation of basic earnings per share	108,784	108,744
Dilution adjustments for share options	-	18
Adjusted weighted average number of shares		
for calculation of diluted earnings per share	108,784	108,762
	Cents	Cents
Earnings per share		
- Basic	5.62	2.35
- Diluted	5.62	2.35

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 2003	15,133	3,045	17,877	892	36,947
Additions	-	-	2,153	892	3,045
Disposals/write-offs	-	-	(1,637)	(521)	(2,158)
Foreign currency translation adjustment	498	(127)	510	(3)	878
At 31 March 2004	15,631	2,918	18,903	1,260	38,712
Accumulated depreciation					
At 1 April 2003	3,279	1,870	13,763	306	19,218
Charge for the year	310	26	2,422	167	2,925
Disposals/write-offs	-	-	(1,611)	(172)	(1,783)
Foreign currency translation adjustment	103	(78)	314	-	339
At 31 March 2004	3,692	1,818	14,888	301	20,699
Charge for 2003	304	61	2,475	138	2,978
Net book value					
At 31 March 2004	11,939	1,100	4,015	959	18,013
At 31 March 2003	11,854	1,175	4,114	586	17,729

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	3,205
	Malaysia	
	116 square metres office unit at	
	Suite 12-2, 12 th Floor, Wisma UOAII	
	21 Jalan Pinang, 50450 Kuala Lumpur	193
		15,631
(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)	2,918

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

	Freehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Company				
Cost				
At 1 April 2003	12,233	10,639	565	23,437
Additions	-	929	892	1,821
Disposals/write-offs	-	(1,308)	(521)	(1,829)
At 31 March 2004	12,233	10,260	936	23,429
Accumulated depreciation				
At 1 April 2003	2,730	9,470	163	12,363
Charge for the year	245	1,006	102	1,353
Disposals/write-offs	-	(1,293)	(172)	(1,465)
At 31 March 2004	2,975	9,183	93	12,251
Charge for 2003	249	1,242	85	1,576
Net book value				
At 31 March 2004	9,258	1,077	843	11,178
At 31 March 2003	9,503	1,169	402	11,074

A subsidiary company's freehold premises with net book value of approximately \$2,505,000 (2003 : \$2,163,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

As at 31 March 2004, net book value of the Group's freehold premises mortgaged to secure banking facilities granted to the Company approximates \$nil (2003 : \$9,503,000).

12. Investment properties

	Leasehold premises S'000	Freehold land \$'000	Freehold building and premises S'000	Total S'000
Group	¢ 000	¢ 000	0000	000
Cost				
At 1 April 2003	1,329	1,610	6,029	8,968
Foreign currency translation adjustment	-	-	455	455
At 31 March 2004	1,329	1,610	6,484	9,423
Accumulated depreciation				
At 1 April 2003	382	-	966	1,348
Charge for the year	27	-	127	154
Foreign currency translation adjustment	-	-	84	84
At 31 March 2004	409	_	1,177	1,586
Charge for 2003	26	-	118	144
Net book value				
At 31 March 2004	920	1,610	5,307	7,837
At 31 March 2003	947	1,610	5,063	7,620

	Leasehold premises \$'000
Company	
Cost	
At 1 April 2003 and 31 March 2004	1,329
Accumulated depreciation	
At 1 April 2003	382
Charge for the year	27
At 31 March 2004	409
Charge for 2003	26
Net book value	
At 31 March 2004	920
At 31 March 2003	947

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12. Investment properties (cont'd)

The investment properties of the Group as at 31 March 2004 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 Premas International Limited as at 2 December 2003 is \$1,900,000.
- (b) 1,350 square metres (freehold) shop/office unit and lettable space at 252 Collins Street, Melbourne, Australia amounting to \$2,868,000. The estimated market value of the property stated at directors' valuation based on professional valuation by Fitzroys Pty Ltd as at 11 December 2003 is approximately \$5,364,000 (A\$4,285,000).
- (c) 223.8 square metres (freehold) shophouse at 2 Trengganu Street, Singapore amounting to \$5,226,000. The estimated market value of the property stated at directors' valuation based on professional valuation by Premas International Limited as at 2 December 2003 is approximately \$4,650,000.

A subsidiary company's investment property with a net book value of \$2,296,000 (2003 : \$1,981,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

As at 31 March 2004, net book value of the Group's investment properties mortgaged to secure banking facilities granted to the Company amounts to \$nil (2003 : \$5,639,000).

13. Goodwill

	Group	
	2004	2003
	\$'000	\$'000
Goodwill arising from acquisition of shares		
in subsidiary companies		
Balance at 1 April	1,394	1,394
Liquidation of subsidiary companies	(24)	-
Balance at 31 March	1,370	1,394
Amortisation :		
Balance at 1 April	1,297	1,197
Provided during the year	97	100
Liquidation of subsidiary companies	(24)	-
Balance at 31 March	1,370	1,297
Goodwill, net of amortisation	_	97

14. Subsidiary companies

Company		
2004	2003	
\$'000	\$'000	
24,942	27,461	
(2,946)	(3,340)	
21,996	24,121	
3,340	3,141	
769	499	
(1,163)	(300)	
2,946	3,340	
	2004 \$'000 24,942 (2,946) 21,996 3,340 769 (1,163)	

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

	Cost to	Company
Name of subsidiary company	2004	2003
	\$'000	\$'000
Dynasty Watch Pte Ltd	500	500
Lakewind Impex Pte Ltd	1,486	1,486
Astoria Trading Pte Ltd	305	305
Multiple Properties Pte Ltd @	-	1,356
Mondial Jewellers Pte Ltd	990	990
The Hour Glass Sdn Bhd	430	430
The Hour Glass (HK) Ltd	175	175
The Hour Glass (Australia) Pty Ltd	4,646	4,646
Bertolucci (S) Pte Ltd	839	839
Gubelin Watch Company Ltd	10,261	10,261
Pagoda Chinatown Pte Ltd	2	2
Monte Carlo Time S.A.M. @	-	1,163
The Hour Glass Japan Ltd	3,630	3,630
The Hour Glass USA, Inc	1,678	1,678
Time Master Enterprises Limited	*	*
	24,942	27,461

* Denotes amount less than \$1,000.

@ The financial statements of Multiple Properties Pte Ltd and Monte Carlo S.A.M. were not included in the financial statements of the Group as liquidation was completed during the year.

14. Subsidiary companies (cont'd)

Other details of the subsidiary companies are :

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Auditors
		2004	2003	
		%	%	

Held by the Company

Retailing and distribution of watches, jewellery and related products

Dynasty Watch Pte Ltd Lakewind Impex Pte Ltd Mondial Jewellers Pte Ltd Bertolucci (S) Pte Ltd The Hour Glass Sdn Bhd The Hour Glass (HK) Ltd	Singapore Singapore Singapore Singapore Malaysia Hong Kong	100 100 60 100 95 100	100 100 60 100 95 100	Ernst & Young, Singapore ▲ Ernst & Young, Singapore ▲ Ernst & Young, Malaysia Ernst & Young, Hong Kong
Gubelin Watch Company Ltd The Hour Glass (Australia) Pty Ltd	Hong Kong Australia	100 100	100 100	Ernst & Young, Hong Kong Ernst & Young, Australia
The Hour Glass Japan Ltd Investment in properties	Japan	100	100	+
Pagoda Chinatown Pte Ltd Time Master Enterprises Limited	Singapore Hong Kong	100 100	100 100	Ernst & Young, Singapore Ernst & Young, Hong Kong
Dormant companies				
Astoria Trading Pte Ltd Monte Carlo Time S.A.M. Multiple Properties Pte Ltd The Hour Glass USA, Inc	Singapore Monaco Singapore USA	100 - - 100	100 66 100 100	▲ # +

Held by subsidiary companies :

Retailing and distribution of watches and related products

The Watch Gallery Pty Ltd	Australia	100	100	Ernst & Young, Australia
The Hour Glass (Thailand)	Thailand	49	49	Ernst & Young, Thailand
Co Ltd ★				

14. Subsidiary companies (cont'd)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Auditors
		2004 2003		
		%	%	
Distribution of jewellery and relat	ted products			
Jewels by Mondial Sdn Bhd	Malaysia	60	60	Ernst & Young, Malaysia
Investment holding				
The Hour Glass Holding (Thailand) Co Ltd ★	Thailand	49	49	Ernst & Young, Thailand
Dormant companies				
The Hour Glass Dharmala Limited	Hong Kong	60	60	▲

▲ Not audited as company is under voluntary liquidation.

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

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

The liquidation was completed during the year.

15. Other investments

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Quoted shares, at cost	619	559	610	550
Less : Impairment loss	(560)	(549)	(551)	(540)
	59	10	59	10
Club memberships, at cost	350	350	350	350
Less : Amounts amortised	(124)	(109)	(124)	(109)
	226	241	226	241
	285	251	285	251
Market value of quoted shares	59	10	59	10

15. Other investments (cont'd)

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Analysis of impairment loss :				
Balance at 1 April	549	536	540	535
Charged to profit and loss account	11	13	11	5
Balance at 31 March	560	549	551	540
Analysis of amortisation of club membership cost :				
Balance at 1 April	109	94	109	94
Charged to profit and loss account	15	54	15	54
Written off against cost of club				
membership	-	(39)	-	(39)
Balance at 31 March	124	109	124	109

16. Long-term receivable

		Group and Company	
		2004	2003
		\$'000	\$'000
Receivable pursuant to the disposal of			
subsidiary companies	(a)	5,405	5,405
Goodwill compensation	(b)	2,363	-
		7,768	5,405

- (a) This relates to the proceeds of CHF 4.5 million receivable from Bvlgari in 2007 for the sale of the Swiss subsidiary companies. The Company entered into a foreign currency forward contract to hedge the foreign currency risk arising from this receivable. Consequently, the amount was translated into Singapore dollar at the exchange rate of the foreign currency forward contract.
- (b) This relates to the amount receivable from a principal for the goodwill compensation as detailed in Note 7.

17. Deferred tax assets

	Group	
	2004	2003
	\$'000	\$'000
Balance at 1 April	296	264
Provided during the financial year	-	32
Foreign currency translation adjustment	55	-
Balance at 31 March	351	296
Deferred tax assets arises as a result of :		
Excess of tax written down value over		
net book value of fixed assets	247	208
Provisions	104	88
	351	296

18. Stocks

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Finished goods				
- at cost	75,053	78,503	36,675	34,905
- at net realisable value	39,675	36,640	14,191	15,853
Total finished goods at lower of cost				
and net realisable value	114,728	115,143	50,866	50,758

19. Trade debtors

Trade debtors are stated after deducting allowance for doubtful debts of	676	1,388	_	765
Analysis of allowance for doubtful debts :				
Balance at 1 April	1,388	1,437	765	746
Doubtful debts recovered	(13)	(49)	-	_
Charged to profit and loss account	103	36	-	19
Bad debts written-off	(775)	(9)	(765)	-
Foreign currency translation adjustment	(27)	(27)	-	-
Balance at 31 March	676	1,388	_	765

20. Other debtors

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Rental and other deposits	2,033	1,963	310	232
Recoverables and sundry debtors	1,173	1,029	493	415
Prepayment	547	1,435	130	524
Staff loans	33	142	30	97
	3,786	4,569	963	1,268
Other debtors are stated after deducting allowance for doubtful debts of	735	767	_	-
Analysis of allowance for doubtful debts :				
Balance at 1 April	767	799	-	-
Foreign currency translation adjustment	(32)	(32)	-	-
Balance at 31 March	735	767	_	_

21. Amounts due from/(to) subsidiary companies

	Co	mpany
	2004	2003
	\$'000	\$'000
Amounts due from subsidiary companies		
- trade	1,046	4,864
- non-trade	19,425	26,834
Provision for non-recoverability of debts	(4,160)	(6,289)
	16,311	25,409
Amounts due to subsidiary companies		
- trade	(9,032)	(8,240)
- non-trade	(3,247)	(8,205)
	(12,279)	(16,445)

The balances with subsidiary companies are unsecured and interest free except for balances with three subsidiary companies, whose outstanding balances bear interest at rates ranging from 2% to 4.20% (2003 : 2% to 3.75%) per annum. All balances have no fixed repayment terms.

22. Bank term loans

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Repayable within 12 months :				
Unsecured loan	14,318	14,473	-	6,297
Secured loan	4,382	1,012	-	-
	18,700	15,485	_	6,297
Repayable after 12 months :				
Secured loan	-	454	_	-
	18,700	15,939	-	6,297

The Company's short term loan bears interest between 1.76% to 2.3% (2003 : 1.5% to 2.14%) per annum.

The unsecured term loans of certain subsidiary companies are covered by corporate guarantees given by the Company and minority shareholders. Interest is charged at rates ranging from 2.46% to 4.65% (2003 : 2.34% to 2.81%) per annum.

The term loan of a subsidiary company is secured by a legal mortgage executed in favour of a bank on the subsidiary's properties in Melbourne and Sydney. Interest is charged at 6.8% (2003 : 6.3%) per annum.

23. Other creditors

Deposits received	688	834	407	549
Purchase of properties, plant				
and equipment	-	211	_	-
Amount due to a minority shareholder				
of a subsidiary company	127	127	127	127
Amount owing to directors	24	24	_	-
Others	483	644	_	-
	1,322	1,840	534	676

24. Hire purchase creditors

	Gre	Group	
	2004	2003	
	\$'000	\$'000	
Repayable within one year	20	21	
Repayable after one year	17	38	
	37	59	

The discount rates implicit in the hire purchase is charged at 3.9% (2003 : 3.9%) per annum.

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

	Minimum payments 2004 S'000	Present value of payments 2004 S'000	Minimum payments 2003 S'000	Present value of payments 2003 S'000
Within one year After one year but not more	22	20	23	21
than five years	18	17	43	38
Total minimum lease payments Less : Amounts representing	40	37	66	59
finance charges	(3)	_	(7)	_
Present value of minimum lease payments	37	37	59	59

25. Deferred tax liabilities

	Group		Company							
	2004 2003		2004	004 2003 2004 200	2003 2004 2 [.]	004 2003 2004	2004 2003 2004	004 2003 2004 20	2004 2003 2004	2003
	\$'000	\$'000	\$'000	\$'000						
Balance at 1 April	173	245	154	186						
(Writeback)/provided during the year	(46)	(72)	31	(32)						
Balance at 31 March	127	173	185	154						

25. Deferred tax liabilities (cont'd)

	Group		Cor	npany
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities arises as a result of :				
Net book value in excess of tax				
written down value	143	101	143	101
Unremitted dividend income from a				
foreign subsidiary company	243	267	243	267
Provisions	(259)	(195)	(201)	(214)
	127	173	185	154

26. Share capital

	Group and Company	
	2004	2003
	\$'000	\$'000
Authorised :		
200,000,000 ordinary shares of \$0.25 each	50,000	50,000
Issued and fully paid :		
Balance at beginning of year :		
108,765,023 (2003 : 108,702,023) ordinary shares		
of \$0.25 each	27,191	27,175
Issued during the year :		
64,000 (2003 : 63,000) ordinary shares of \$0.25 each	16	16
Balance at end of year :		
108,829,023 (2003 : 108,765,023) ordinary shares		
of \$0.25 each	27,207	27,191

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 without restriction.

27. Reserves

	Group		Co	mpany
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Share premium	29,511	29,503	29,511	29,503
Revenue reserve	64,605	59,023	38,373	31,740
Foreign currency translation reserve	7,691	5,196	_	_
Capital reserve	100	100	-	-
Total reserves	101,907	93,822	67,884	61,243
Made up of :				
Distributable reserves	72,396	64,219	38,373	31,740
Non-distributable reserves	29,511	29,603	29,511	29,503
	101,907	93,822	67,884	61,243

28. Employee benefits

FJ	G	Group	
	2004	2003	
Number of employees at 31 March	252	237	
	\$'000	\$'000	
Salaries and employees benefits (including executive directors) :			
- salaries, bonuses and other costs	15,814	13,833	
- state provident fund	1,461	1,383	
	17,275	15,216	

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

The Scheme grants non-transferable options to selected employees.

Under the Scheme:

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

28. Employee benefits (cont'd)

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

The Scheme is administered by the Remuneration Committee.

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

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

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

Subsequent to year end, the Remuneration Committee decided to terminate the Scheme, with effect from 14 May 2004. The Scheme had originally been intended to succeed ESOS as a long-term incentive plan. However, no options have been granted under the Scheme since its adoption at an Extraordinary General Meeting on 28 September 2000.

28. Employee benefits (cont'd)

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

	Group		
	2004	2003	
Outstanding at 1 April	832,000	1,253,000	
Cancelled	(145,000)	(358,000)	
Exercised	(64,000)	(63,000)	
Outstanding at 31 March	623,000	832,000	
Exercisable at 31 March	623,000	832,000	

No share options were granted during the financial year.

Terms of share options outstanding under the ESOS as at 31 March 2004 :

Exercise period	Exercise price \$	Number outstanding	Number exercisable
19.07.2000 - 18.07.2004	0.80	229,000	229,000
24.01.2001 - 23.01.2005	0.52	394,000	394,000
		623,000	623,000

29. Operating leases

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

	Gi	Group		npany
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Within 1 year	6,312	5,489	2,797	2,129
Within 2 to 5 years	3,855	6,060	2,496	2,374
	10,167	11,549	5,293	4,503

30. Segment information

Primary reporting format - business segment

The Group comprises of only one business segment which is the retailing and distribution of watches and jewellery. All relevant information regarding the business segment has been disclosed elsewhere in the financial statements.

30 Segment information (cont'd)

Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the year ended 31 March 2004 and 2003 and certain asset information regarding geographical segments as at 31 March 2004 and 2003. Turnover is based on the country of incorporation. Capital expenditure is based on the location of those assets. Inter-segment pricing is on an arm's length basis.

2004	South East Asia and Australia \$'000	North East Asia \$'000	Total \$'000	Eliminations \$'000	Total \$'000
Segment revenue :					
Sales to external customers	270,983	49,296	320,279	-	320,279
Inter-segment sales	(80)	569	489	(489)	-
Total revenue	270,903	49,865	320,768	(489)	320,279
Other geographical informati	on :				
Segment assets Assets of subisidiary company whose operations	149,265	27,573	176,838	(70)	176,768
were discontinued					83
					176,851
Capital expenditure for the year	ar 3,012	33	3,045	-	3,045
2003					
Segment revenue :					
Sales to external customers	214,117	41,998	256,115	-	256,115
Inter-segment sales	899	202	1,101	(1,101)	-
Total revenue	215,016	42,200	257,216	(1,101)	256,115
Other geographical informati	on :				
Segment assets	138,568	29,569	168,137	(129)	168,008
Assets of subisidiary company whose operations were discontinued					98
were ubcontinueu					
					168,106
Capital expenditure for the year	ar 1,739	701	2,440	-	2,440

31. Contingent liabilities

- (a) The Company has unsecured contingent liabilities in respect of guarantees given to banks, totalling \$5,417,013 (2003 : \$5,624,000) to cover banking facilities granted to subsidiary companies. As at 31 March 2004, \$2,800,000 (2003 : \$2,835,000) of the credit facilities were utilised by the subsidiary companies.
- (b) In the ordinary course of its business, the Company, as the holding company, has given undertakings to continue to provide financial support to certain subsidiary companies.

32. Capital commitments

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

	Group	
	2004	2003
S	6'000	\$'000
Authorised but not contracted for	884	-

33. Foreign currencies forward contracts

At 31 March 2004 the Group and the Company has outstanding foreign currencies forward contracts of \$5,507,977 (2003 : \$6,543,000) and \$5,505,977 (2003 : \$6,045,000) respectively.

34. Cash and cash equivalents

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

	Group	
	2004	2003
	\$'000	\$'000
Cash and bank balances	11,955	8,816
Fixed deposits with banks	1,712	2,690
Bank overdrafts	(436)	(799)
	13,231	10,707

34. Cash and cash equivalents (cont'd)

(b) Analysis of capital expenditure cash flow :

	G	Group	
	2004	2003	
	\$'000	\$'000	
Addition of fixed assets	3,045	2,440	
Adjustment for fixed assets acquired under			
hire purchase	-	(62)	
Cash invested in fixed assets	3,045	2,378	

35. Financial risk management objectives and policies

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

Interest rate risk

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

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

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

Foreign currency risk

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

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

Liquidity risk

The Group's exposure to liquidity risk is minimal. As at 31 March 2004, the Group has available cash and cash equivalents totalling to approximately \$13.2 million (31 March 2003 : \$10.7 million) to finance its operations.

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

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

Credit risk

The Company and the Group's maximum exposure to credit risk in the event that the counter-parties fail to perform their obligations as of 31 March 2004 in relation of each class of recognised financial assets is the carrying amount of these assets as indicated in the balance sheet.

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

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

Fair values

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

	Total carrying amount		Aggregate net fair value	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Quoted equity shares	59	10	59	10
Long term receivables	7,768	5,405	7,606	5,405
Derivative financial instruments				
Foreign currency contracts	*	*	(3)	9

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

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

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

36. Significant related party transactions

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

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

	Сог	Company	
	2004	2003	
	\$'000	\$'000	
Office rental	204	254	
Purchase of motor vehicle	-	96	

37. Subsequent event

On 18 May 2004, the Group announced a restructuring of its jewellery retail unit under Mondial. This involved the sale of all of Mondial's trademarks and take over of the retail outlet at Ngee Ann City Shopping Centre realising an exceptional one time capital gain of approximately \$2.9 million after expenses. The Group's share of the net capital gain approximates \$1.74 million. The transaction is scheduled to be completed by end June 2004.

38. Comparative figures

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

In prior years, "selling, distribution and promotion" expenses were not separately disclosed in the profit and loss account. In the current financial year, "selling, distribution and promotion" expenses of \$7,537,000 (2003 : \$5,911,000) are reclassified from "other operating" expenses. The reclassification is to better reflect the expenses of the Company.

STATISTICS OF SHAREHOLDINGS AS AT 10 JUNE 2004

Authorised Share Capital	:	S\$50,000,000
Issued Share Capital	:	S\$27,207,255.75
Class of Shares	:	Ordinary shares of \$0.25 each with equal voting rights

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	171	6.84	69,596	0.06
1,000 - 10,000	2,013	80.52	7,597,931	6.98
10,001 - 1,000,000	306	12.24	14,702,384	13.51
1,000,001 and above	10	0.40	86,459,112	79.45
Total	2,500	100.00	108,829,023	100.00

PUBLIC FLOAT

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public. The Company has complied with this requirement. As at 10 June 2004, approximately 38.6% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

SUBSTANTIAL SHAREHOLDERS

(AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name	No. of Shares			
	Direct	Deemed		
TYC Investment Pte Ltd	44,031,562	-		
Key Hope Investment Limited	7,000,000	-		
Swanson Pte Ltd	5,470,500	-		
Dr Henry Tay Yun Chwan	8,111,625	56,502,062		
Mdm Chan Siew Lee	1,543,437	56,502,062		

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

No.	Name	No. of Shares	%
1	United Overseas Bank Nominees Pte Ltd	26,258,500	24.13
2	TYC Investment Pte Ltd	24,031,562	22.08
3	DBS Nominees Pte Ltd	20,680,550	19.00
4	Oversea-Chinese Bank Nominees Pte Ltd	3,662,500	3.37
5	DBS Vickers Securities (S) Pte Ltd	3,031,250	2.79
6	Swanson Pte Ltd	2,470,500	2.27
7	Key Hope Investment Limited	2,000,000	1.84
8	Phillip Securities Pte Ltd	1,636,750	1.50
9	Teo Cheng Tuan Donald	1,369,000	1.26
10	Citibank Nominees S'pore Pte Ltd	1,318,500	1.21
11	UOB Kay Hian Pte Ltd	874,562	0.80
12	HSBC (Singapore) Nominees Pte Ltd	564,000	0.52
13	Chan Siew Lee	532,687	0.49
14	Chia Kum Ho	500,000	0.46
15	Tay Yun Chwan Henry	459,375	0.42
16	Ong Yek Siang	391,000	0.36
17	Sia Sok Hia	366,875	0.34
18	G K Goh Stockbrokers Pte Ltd	334,891	0.31
19	Chan Kenny Swee Kheng	327,750	0.30
20	Singapore Fruits Importers & Exporters Exchange Pte Ltd	300,000	0.28
	Total :	91,110,252	83.73

TWENTY LARGEST SHAREHOLDERS AS AT 10 JUNE 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of the Company will be held at Meritus Mandarin Singapore, Room 831, 8th Floor, South Tower, 333 Orchard Road, Singapore 238867, on Thursday, 22 July 2004 at 2:30 pm for the following purposes:

AS ORDINARY BUSINESS

- 1. To receive the Directors' Report, Auditors' Report and Financial Statements for the year ended 31 March 2004.
- To approve the payment of a First and Final Dividend of 5% (or 1.25 cents per share) and a Bonus Dividend of 25% (or 6.25 cents per share), less 20% Singapore Income Tax, for the year ended 31 March 2004.
- 3. To re-elect Dr Henry Tay Yun Chwan, a Director retiring by rotation under Article 99 of the Company's Articles of Association.
- 4. To re-elect Mr Timothy Chia Chee Ming, a Director retiring by rotation under Article 99 of the Company's Articles of Association.

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

- 5. To re-elect Dr Kenny Chan Swee Kheng, a Director retiring under Article 103 of the Company's Articles of Association.
- 6. To re-appoint Mr Owen Phillimore Howell-Price as 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.

- 7. To approve Directors' fees for non-executive Directors of \$140,000 for the financial year ended 31 March 2004. (2003: \$140,000)
- 8. To appoint Auditors and to authorise the Directors to fix their remuneration.

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

 the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company; (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, notwithstanding the provisions of Article 48(2) of the Articles of Association of the Company, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options 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."

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 issue such shares as may be required to be issued pursuant to the exercise of options under The Hour Glass Employees' Share Option Scheme (the "ESOS") provided always that the aggregate number of shares to be issued pursuant to the ESOS does not exceed 5% of the issued share capital of the Company for the time being."

BY ORDER OF THE BOARD

Christine Chan Company Secretary 5 July 2004

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.
- 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 9 This Ordinary Resolution is to empower the Directors to issue shares, from the date of this Annual General Meeting up to the date of the next Annual General Meeting, not exceeding in total 50% of the issued share capital of the Company, of which not more than 20% may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the Company's issued share capital at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options 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 10 This Ordinary Resolution is to empower the Directors to issue shares on the exercise of options granted under The Hour Glass Employees' Share Option Scheme. This scheme came to an end in April 2000. However, options that were granted prior to its cessation continue to be exercisable in accordance with the terms of the scheme. The scheme was limited to 5% of the issued share capital of the Company.

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.
- 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. 2.

I/We,	 (Name)
of	(Address)

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

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS [%]

and/or (delete as appropriate)

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS [%]

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 22 July 2004, 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	
		AGAINST*	NUMBER OF VOTES FOR**	NUMBER OF VOTES AGAINST**
ORDINARY BUSINESS:				
Adoption of Reports and Financial Statements				
Declaration of Dividends				
Re-election of Dr Henry Tay Yun Chwan				
Re-election of Mr Timothy Chia Chee Ming				
Re-election of Dr Kenny Chan Swee Kheng				
Re-appointment of Mr Owen Phillimore Howell-Price				
Approval of Directors' Fees for non-executive Directors				
Appointment of Auditors				
SPECIAL BUSINESS: Approval of general share issue mandate				
Authority to issue shares under The Hour Glass Employees' Share Option Scheme				
	Adoption of Reports and Financial Statements Declaration of Dividends Re-election of Dr Henry Tay Yun Chwan Re-election of Mr Timothy Chia Chee Ming Re-election of Dr Kenny Chan Swee Kheng Re-appointment of Mr Owen Phillimore Howell-Price Approval of Directors' Fees for non-executive Directors Appointment of Auditors SPECIAL BUSINESS: Approval of general share issue mandate Authority to issue shares under The Hour Glass	RESOLUTIONS Show of FOR* ORDINARY BUSINESS: Adoption of Reports and Financial Statements Declaration of Dividends Image: Comparison of Com	RESOLUTIONS SHOW OF HANDS FOR* AGAINST* ORDINARY BUSINESS: Adoption of Reports and Financial Statements Image: Constraint of Constraint o	SHOW OF HANDS EVENT OF FOR* AGAINST* NUMBER OF VOTES FOR** ORDINARY BUSINESS: Adoption of Reports and Financial Statements AGAINST* NUMBER OF VOTES FOR** Declaration of Dividends Image: Statements Image: State

**

If you wish to exercise all your votes "For" or "Against", please tick (\checkmark) within the box provided. If you wish to exercise all your votes "For" or "Against", please tick (\checkmark) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ______ day of _____ 2004.

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

TOTAL NO. OF SHARES HELD

IMPORTANT : PLEASE READ NOTES OVERLEAF

Fold Flip

3rd Fold

Affix Postage Stamp

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

2nd Fold

1st Fold

Notes:

- 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.
- Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
- 3. A proxy need not be a member of the Company.
- 4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares entered against his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
- 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.

OPERATIONS DIRECTORY

THE HOUR GLASS BOUTIQUES

SINGAPORE

Takashimaya Shopping Centre 391 Orchard Road #01-02 Singapore 238872 Tel : (65) 6734 2420 / 6734 2421 Fax: (65) 6734 6269 Email: nac@thehourglass.com **Key Personnel:** Thomas Chua . Dave Tan

Scotts Shopping Centre 6 Scotts Road #01-11 Singapore 228209 Tel : (65) 6235 7198/6235 6527 Fax: (65) 6734 6319 Email: scotts@thehourglass.com **Key Personnel:** Andrew Siaw . James Lee

Raffles Hotel Arcade 328 North Bridge Road #01-13/14 Singapore 188719 Tel : (65) 6334 3241/6334 1169 Fax: (65) 6337 3997 Email: rh@thehourglass.com **Key Personnel:** Diana Neo . Desmond Ng

Millenia Walk 9 Raffles Boulevard #01-27 Singapore 039596 Tel : (65) 6339 4870 / 6339 3294 Fax: (65) 6339 9034 Email: mw@thehourglass.com **Key Personnel:** Alan Teo . Nancy Ong

Lucky Plaza 304 Orchard Road #01-36A Singapore 238863 Tel : (65) 6733 1262/6733 1543 Fax: (65) 6738 3622 Email: lp@thehourglass.com **Key Personnel:** Thomas Chua . Victor Ong

Peninsula Plaza 111 North Bridge Road #01-01/02 Singapore 179098 Tel : (65) 6337 8309/6338 5663 Fax: (65) 6337 3356 Email: pp@thehourglass.com **Key Personnel:** Steven Lim . Norman Tong

MALAYSIA

Suria KLCC, Kuala Lumpur City Centre Lot G25B Ground Floor 50088 Kuala Lumpur Tel : (60) 3-2164 6388/2164 7388 Fax: (60) 3-2164 2388 Email: klcc@thehourglass.com **Key Personnel:** Yon Shee Guan . Leong Jia Cheen

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Lot G302, Ground Floor 1 Utama Shopping Centre Lebuh Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel : (60) 3-7727 6690 Fax: (60) 3-7727 6669 Email: utama@thehourglass.com **Key Personnel:** Michael Lee . Joanna Tan

AUSTRALIA

GOLD COAST Surfers Paradise Shop 3-4 Le Boulevard Elkhorn Avenue Queensland 4217 Tel : (61) 7-5592 3104 Fax: (61) 7-5592 0486 Email: goldc@thehourglass.com **Key Personnel:** Chen Choong Hian . Tommy Yong

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JAPAN

8-5-12 1st Floor Daini-Uriwashi Building Ginza Chuo-ku Tokyo Japan 1040061 Tel : (81) 3-5537 7888 Fax: (81) 3-5537 1181 Email: ginza@thehourglass.com **Key Personnel:** Atsushi Momoi . Hiroshi Koshiura

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Montblanc 175-177 Collins Street Melbourne Victoria 3000 Tel : (61) 3-9663 5077 Fax: (61) 3-9663 0277 Email: montblanc.mel@thehourglass.com **Key Personnel:** Craig Cochrane

THE HOUR GLASS DISTRIBUTION DIVISION

SINGAPORE

THE HOUR GLASS LIMITED 302 Orchard Road #11-01 Tong Building Singapore 238862 Tel : (65) 6787 2288 Fax: (65) 6235 3697 **Key Personnel:** Lim Hock Thiam

HONG KONG

THE HOUR GLASS (HK) LIMITED 1416 Star House 3 Salisbury Road Tsim Sha Tsui, Kowloon Tel : (852) 2375 8280 Fax: (852) 2375 8285 Email: hkhg@thehourglass.com **Key Personnel:** Adam Chang . Steven Lo

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MONTBLANC Suite 703, Level 7 70 Castlereagh Street Sydney NSW 2000 Tel : (61) 2-9238 0908 Fax: (61) 2-9238 0928 Email: montblanc.ws@thehourglass.com **Key Personnel:** Heng Kheok Nam . Alma Stanonik

AFTER SALES SERVICE

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GLAJZ - THG PTE LTD

(FORMALLY KNOWN AS MONDIAL JEWELLERS PTE LTD)

SINGAPORE

391 Orchard Road #15-10 Ngee Ann City Tower B Singapore 238874 Tel: (65) 6734 2033 Fax: (65) 6737 5138 Email: info@glajz.com **Key Personnel**: John Glajz . Yasuko Tanitsubo

THE HOUR GLASS CORPORATE OFFICES

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