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"Asia's Leading Retailer Of Specialist Watches"



ROLEX

The Rolex Prince was born of a team effort to innovate and create; a bringing together of Rolex's world-class designers and movement, case and dial specialists. At the same time a precise mechanical instrument and a lesson in aesthetics. It reflects the art of watchmaking at its best as much as design in its purest sense.

It paves the way for a new generation of watches that embody the technical perfection and know-how so intrinsic to Rolex.

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

CORPORATE DIRECTORY

REGISTERED OFFICE 302 Orchard Road #11-01 Tong Building

Singapore 238862

Telephone: (65) 6787 2288 Facsimile: (65) 6732 8683

E-mail address: info@thehourglass.com

REGISTRAR Lim Associates (Pte) Ltd,

10 Collyer Quay #19-08 Ocean Building

Singapore 049315

Telephone: (65) 6536 5355

AUDIT COMMITTEE Mr Robert Tan Kah Boh (Chairman)

Mr Owen Phillimore Howell-Price

Mr Timothy Chia Chee Ming

REMUNERATION Mr Owen Phillimore Howell-Price (Chairman)

COMMITTEE 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 DBS Bank Ltd

The Hongkong and Shanghai Banking

Corporation Limited
Oversea - Chinese Banking
Corporation Limited
United Overseas Bank Ltd

SOLICITORS Allen & Gledhill

Rodyk & Davidson



BOARD OF DIRECTORS

DR HENRY TAY YUN CHWAN Executive Chairman

Dr Henry Tay, the Executive Chairman of the Company, is responsible for charting the Group's overall vision and corporate strategy. He is also 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 of Singapore's first watch retail companies. From 1986 to 2001, Dr Tay was chairman of a group of companies with businesses in the distribution and retail of luxury fashion apparel and accessories in the Asian Pacific Region. He was a Board Member of the Singapore Tourism Board and the Patron of the Singapore Kennel Club. He served as a Committee Member in Community Chest since 1992 and was appointed as Vice-Chairman of the Community Chest from 1994 to 2004. Dr Tay continues to serve as an independent director on Singapore Exchange-listed UOB Kay Hian Holdings Ltd and is the Honorary President of the Hong Kong-Singapore Business Association.

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

Dato' Dr Jannie Tay, the Managing Director of The Hour Glass since 1979, was appointed Vice Chairman (Executive) from April 2004 and continues to play an active role in the development of the Company.

In recognition of her outstanding professional achievements, Dato' Dr Jannie Tay was 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. She was appointed a member of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in 2004. UNESCAP's mandate is to foster cooperation between its members in order to promote economic and social development in the Asia Pacific region. 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



BREGUET

Delight in the most sophisticated expression of time with a Breguet – am immaculate symbiosis of craft and technology.

"La Tradition Breguet" is an exceptional piece which unites ultra-modernism and tradition. The visual balance, orchestrated by the symmetry of the bridges, is expertly highlighted by refined decorations. The bridges and baseplate are shot-blasted using a finishing technique demanding a rare skill that leaves no room for error in evenness and consistency.

VIANNEY HALTER

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

A time only watch, it displays the hours, the minutes and the seconds on one dial. More interesting is that it is equipped with an automatic movement VH100, bearing Vianney's trademark mysterious automatic winding rotor, and features a power reserve of 40 hours.



A. LANGE & SOHNE

This exceptional timepiece displays the local time at any given place in the world while faithfully keeping track of home time as well. Crafted with consummate perfection, it is a worthy global ambassador for the values behind the watchmaking artistry of A. Lange & Söhne.

An ideal timepiece for individuals who travel frequently or who communicates with people in the multiple time zones.



DR KENNY CHAN SWEE KHENG Managing Director

Dr Kenny Chan was appointed the Managing Director of The Hour Glass on 1 April 2004, having served as Group Chief Operating Officer since July 2002. A graduate of Monash University with a MBBS (Honours), Dr Chan has over 20 years of experience in the luxury goods industry. Prior to his 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 Singapore Chapter Chairman, Dr Chan had also served as a Council Member for the Singapore Retailers Association from 2000 to 2002.

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 Chairman and Founder of Gracefield Holdings Ltd and its Group of Companies. Prior to his appointment as Chairman of Gracefield Holdings Ltd, he was 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. His board directorship includes Meritz Securities Co. Ltd, Magnecomp Precision Technology Public Co. Ltd, United Motor Works (Siam) Public Co. Ltd, Banyan Tree Holdings Pte Ltd and serves as a Trustee of Singapore Management University. Mr Chia was a previous director of Singapore Power Limited and was previously Chairman of PowerGas Ltd, a major subsidiary of Singapore Power Ltd.

Mr Chia is a management graduate from the Fairleigh Dickinson University, USA.

BOARD OF DIRECTORS & SENIOR MANAGEMENT

Simplicity

PATEK PHILIPPE

With a peerless reputation marked by flawless craftmanship, and an innovative capacity to provide a significant number of complications in micro mechanic dimensions, Patek Philippe is the epitome of contemporary haute horlogerie matched only by its venerable heritage.

Patek's minute repeaters are legendary. This model with a beautiful platinum case is powered by the calibre R27 PS. Its enamel dial features an hour-circle with Roman numerals and leaf hands.



PHILIPPE DUFOUR

Pure and solid, the beauty of Simplicity is immediately apparent. A simple, straightforward timepiece with incredibly detailed finishing reminiscent of its famous predecessors, this work by Master Watchmaker Philippe Dufour is considered by aficionados the world over as the finest time only watch ever.

It is of particular interest that its beautiful movement is decorated with traditional Geneva waves whilst its solid and reliable conception will ensure its longevity. And as the Simplicity is handed down from generation to generation, Philippe Dufour's tradition of fine watch making will continue.



H. MOSER & CIE

The Perpetual 1 by Moser is a masterful creation. Not only is it a masterpiece of fine craftsmanship attaining its full stature in its patented "Double Pull Crown" mechanism that ensures a reliable setting of the crown to the correct position, its true innovation comes from the replaceable escapement technology that ensures your watch will never spend more than a week in service.

A brand that is about to hit the stratosphere, Moser is certainly a name to watch out for.

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 Jardine 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 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 5 of Annual Report)

MDM CHAN SIEW LEE (DATO' DR JANNIE TAY)

Vice Chairman (Executive) (Please see Page 5 of Annual Report)

DR KENNY CHAN SWEE KHENG

Managing Director (Please see Page 7 of Annual Report) BOARD OF DIRECTORS & SENIOR MANAGEMENT

FINANCIAL HIGHLIGHTS

THE HOUR GLASS GROUP

(In SGD)	2005 \$'000	2004 \$'000	2003 \$'000
Turnover	335,133	320,279	256,115
Profit after taxation	10,102	6,315	2,693
Net profit attributable to equity holders of the Company	8,701	6,112	2,560
Cash and cash equivalents	15,084	13,231	10,707
Bank term loans	15,553	18,700	15,939
Net tangible asset per share	120.09 cts	118.64 cts	111.26 cts
Earnings per share	7.99 cts	5.62 cts	2.35 cts

Dear Shareholders.

On behalf of the Board of Directors, I am delighted to report that the Group recorded a net profit of \$8.7million for the financial year ended 31 March 2005, an increase of 42% over the prior year whilst revenue grew at a moderate pace of 5% to \$335.1million.

The Group's balance sheet continues to remain strong with shareholders' funds at \$130.7million. This translates into a net asset value per share of \$1.20 as at 31 March 2005. We have maintained a conservative debt to equity ratio of 0.13 and concurrently, also strove to ensure that our trade creditors were maintained at a reasonable level and that inventory did not outpace the growth in sales.

In view of our improving performance and to reward our shareholders, the Board is pleased to recommend a first and final dividend of 1.25 cents per share and a bonus dividend of 3.125 cents per share, giving a total of 4.375 cents per share.

Overview

The recovery of the regional economies was dampened in the first half of the financial year by higher interest rates and increasing oil prices. The modest stabilisation of these factors coupled with the year end festive seasons lifted sentiment in the third quarter whilst the last quarter experienced a slowdown in regional tourism as a result of an unexpected fall-out from the Tsunami disaster.

Despite a challenging macro environment, operating profit in the second half of the financial year reached \$7.0millon, more than double that of the \$3.2millon earned in the first half. We were able to grow earnings faster than sales simply by doing the basics well. These included a more selective expansionary policy, a concentrated merchandising and marketing strategy that enhanced our gross profit margins whilst ensuring that all our business units worked hard to contain costs.

There are a few reasons for our strong set of second half results. The first being that our core marketing campaign of educating watch consumers started to pay dividends. We were able further entrenched ourselves in the specialist watch market by introducing The Hour Glass' own brand of "Edutainment" in the form of Tempus - The Great Watchscapade. Tempus was hailed by both industry partners and watch pundits as Asia's most veritable watch adventure. In the 5 days of exhibition, workshops and forums, Tempus managed to attract some 50,000 visitors from around the world with some coming from as far afield as Alaska. Undeniably, it was Asia's most successful watch exposition to date.

The second is that while our discerning customers learn to appreciate the beauty and intricacies of complicated watch movements, our sales

CHAIRMAN'S STATEMENT

ULYSSE NARDIN

The Royal Blue, Ulysse Nardin's latest creation is a mysterious tourbillon of incomparable elegance, combining aesthetics with the art of mechanical watchmaking. A flying tourbillon with synthetic sapphire bridges and plates so that one can see through the movement was constructed on the principles of James Pellaton, La Locle's famous watchmaker.

The limited Edition, Royal Blue Tourbillon is in platinum and the interior of the bezel is set with diamonds. Blue sapphires are used as hour and minute markers.



DE BETHUNE

The finest watches produced atelier style;
De Bethune timepieces boast the sophistication
and refinement of the highest order in watch
making. The DB S model is fitted with an
in-house calibre, which is entirely designed and
manufactured in-house.

It features a 30mm movement with a double barrel, self-adjusting, 8-day power reserve. A platinum and blued steel sphere emerging from a second dial and turning on its axis represents the original indication of the moon phase.



HARRY WINSTON

Harry Winston's new Excenter Tourbillon is designed in collaboration with the highly talented English master watchmaker Peter Speake-Marin.

Characteristic of traditional English horology, the tourbillon bridges are beautifully shaped and polished and instead of the usual red jewels, this watch uses blue sapphires set into white gold chatons, each held in place with blued screws.

The ruthenium bridges, diamond jewel for the tourbillon, the decorative Geneva stripes of the movement used as a dial and all the details above, together create a technically unique and visually fascinating creation.



consultants are continually being trained to understand and respond to their needs on a wider level than merely offering competitive pricing; hence our improving margins.

Lastly, our jewellery subsidiary, Glajz-THG Pte Ltd also reported an increase in operating profit and its sale of the "Mondial" trademark and retail outlet gave rise to an exceptional gain of \$2.8millon.

Prospects

Over the course of the 25 years, The Hour Glass has sold over \$6.0 billion worth of luxury timepieces and during this time, the industry has gone through profound changes. The Group has evolved to become a more professionally run business and one that will continue to upgrade. What remains constant however, are the relationships that have been forged with key brand partners such as Rolex and Patek Philippe. These relationships, intangible as they seem, form the bedrock of our long term growth initiatives.

We have identified that as part of our future growth, we need to make further concerted effort to work more collaboratively with our brand partners and especially those who have a desire to expand their business in line with The Hour Glass' retail development efforts in the Asia Pacific region. This includes constantly researching and reviewing our merchandise mix and product offerings to meet the consumer's ever changing demands. Selective retail expansion will be explored in prime retail locations and we also expect to grow our Montblanc business in Australia.

We believe that multiple initiatives by governments in the region to promote tourism, such as the Disneyland Theme Park in Hong Kong, the Integrated Resorts in Singapore and the corresponding increase in regional tourism augurs well for the retail sector in the coming years.

Our modus operandi remains the same, and that is to drive productivity, operational efficiency and inventory management which are critical drivers for retail organisations such as ours, there being little room for error.

Financially, our Group continues to remain very strong. Capital allocation is a critical management decision and in order to keep our stores vibrant and relevant, a prudent level of capital expenditure is required every year in store renewals. We will also continue to divest the Group's non-core assets in a judicious manner and will endeavour to scout for opportunities where we can invest our funds to secure higher rates of return.

CHAIRMAN'S STATEMENT



GERALD GENTA

Gerald Genta's subtle alchemy of talent and audacity has surprised and fascinated watch enthusiasts all over the world for almost fifty years. The latest Arena Chrono Quattro Retro is all the rage. The watch utilizes four different retrograde functions on the dial, and is combined with a jumping hour.

The semi transparent dial features the jumping hour window, the retrograde minutes and date, together with the retrograde chronograph functions for the hours and minutes. Presenting a new impulse of contemporary design combining sportive and fashionable elements, this watch is meant for those who appreciate the extraordinary.

URWERK

A revolutionary timepiece, the new UR-103.03 offers a glimpse into the future and represents a further development of the UR-103 both mechanically and visually. The top of the case has been opened up, much in the same way the roof of an observatory opens to give the astronomer's telescope a full view of the stars.

The precision adjustment function allows the user to fine tune the watch's regulation forward or backwards a maximum of 30 seconds within a 24-hour period. Certainly a brand with a great deal going for it, the 103.03 is a defining piece of work in the art of contemporary watchmaking.



DANIEL ROTH

Daniel Roth has given us an unprecedented design in the universe of traditional watches. This Ellipsocurvex Papillon is yet another astonishing addition to the Papillon Collection. The Papillon mechanism is fitted with a powerful DR115 calibre, an extra flat self-winding manufactured movement just 2.98mm high and with a power reserve of 45 hours.

The jumping hours on the disc is positioned at 12 o'clock. The very essence of the Papillon mechanism can be captured through the small seconds aperture, where the hidden face of the retractable ballet minute hands movements can be admired.



Based on the overall positive outlook, the Group looks to improving its performance in the current financial year.

Acknowledgement

On behalf of the Board of Directors, I would like to thank our management and staff for their hard work and dedication. Our gratitude is extended to our customers, brand partners, business associates and shareholders for their support over the past 25 years. I would also like to take this opportunity to thank my fellow Board Members for their invaluable advice and guidance.

CHAIRMAN'S STATEMENT

Henry Tay Yun Chwan Executive Chairman 12 July 2005



JAQUET DROZ

The Quantieme Perpetuel by Jaquet Droz is a horological masterpiece testifying to the know-how of its watchmakers and to their close cooperation with the designers and dialmakers. The play of the blued steel hands is particularly representative of the acute sense of the melding of Haute Horlogerie and poetry.

The serpentine hands are reserved for the Calendar functions – months, day, date –with a double retrograde day and date indication mechanism, while the Lancine-type hands are dedicated to the Time functions.

ROGER DUBUIS

Roger Dubuis - perfectionism in its highest order. Dubuis' creations are timepieces of today, inspired by, but not subject to, the past, and which projects itself into a future that belongs to everyone.

The EasyDiver is a gentleman's ultimate sports watch. Equipped with a manual winding movement, it also features an open back case exposing the intricacies of the in-house calibre. It is produced in a limited edition of 888 pieces, this model is water resistant to 300 meters.



Hommage La Chaux-de-Fonds 1738 Quantieme Perpetuel



HUBLOT

Hublot embraces the principal of Fusion in the usage of diverse materials to create watches that sparkle in its elegance and understated style. "Big Bang" is the quintessential key to the new Hublot Fashion concept. A "Big Bang" of grandiose proportions conceals Hublot's timeless sportiness and elegance so worthy of admiration.

With a 44.5mm case, the angles are sharper and the play of superimposed layers around the lugs rests on the brand's 4 mainstays: Swiss Watch making Tradition, the Visionary Art of Watchmaking, the Fusion of materials and state of the art technology and Aesthetic innovation.

CARL F. BUCHERER

Carl F. Bucherer timepieces combine the best in watchmaking craftsmanship with fine jewellery making skills and sophisticated watch complications. The Patravi Tonneaugraph combines three useful complications, chronograph, big date and a unique power reserve display - all set in a tonneau-shaped watchcase.

A harmony of traditional and modern designs with sophisticated mechanical functions bursting with strength and pride.





MONTBLANC

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

Produced according to the high standards of traditional horology and uncompromising finishing at Montblanc Montre SA in Le Locle, Switzerland. This chronometer integrates a GMT function giving the possibility to the travellers of regulating a second time zone.

SINN

Highly functional and technologically demanding, Sinn's exceptional timepieces feature a unique indestructible quality incorporating new technology, new materials and new patents. Sinn's limited edition model 142 in titanium was created to commemorate the 20th anniversary of their first Space Chronograph watch worn on a mission to the German space lab mission D1.

This model features an updated aesthetic with a massive, pure titanium case and an improved bracelet integration system plus a special engraving on the screwed back as well as the image of the D1 mission signed at a prominent position on the watch dial.



This statement describes the corporate governance practices and activities of the Company for the financial year ended 31 March 2005.

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.

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 six members, consisting of three independent non-executive directors, and three executive directors.

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

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

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

Principle 3: Chairman and Chief Executive Officer

Dr Henry Tay Yun Chwan and his spouse, Mdm Chan Siew Lee (Dr Jannie Tay) are the founders of The Hour Glass. Dr Henry Tay continued as Executive Chairman during the year while Dr Jannie Tay was appointed as Vice Chairman (Executive) of the Company on 1 April 2004. They are regarded as controlling shareholders of the Company, having a collective interest in approximately 61.2% of the Company's issued shares. 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. All the three Executive Directors take an active role in management and overseeing of the Group's operations, providing a division of executive responsibility and authority in the Company.

The Company believes that it has effective independent non-executive directors to provide balance within the workings of the Board and oversight for minority shareholders' interests. At the operational level, the close working relationship of the senior management team, which includes the Executive Chairman, Vice Chairman (Executive) 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 Managing Director 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 medium-term needs of the Company and its strategic goals and business direction for the Group.

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

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

The Company adopts an overall remuneration policy for staff comprising of a fixed component in the form of a base salary. The variable component is in the form of a bonus that is linked to the Company's and the individual's performance. The Company's executive directors are under service contracts. Their contract renewals and any revisions are subject to the review and approval of the RC. The Company does not presently operate an employee share option scheme.

The Code recommends that the remuneration of the Company's top five key executives who are not directors of the Company should be disclosed annually in a remuneration report. The Company

CORPORATE GOVERNANCE



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 three executive directors (being the Executive Chairman, Vice Chairman and Managing Director who is a sibling of the Vice Chairman 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 bu 9dgeting 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 69 of the Annual Report.

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

The activities of the AC include reviewing with the external auditors their (i) annual audit plan, findings, and recommendations to management as well as management's response; (ii) evaluation of the system of internal accounting controls; and (iii) audit report. The AC also reviews the assistance given by management to the external auditors, the scope and results of the internal audit procedures, the balance sheet and profit and loss accounts of the Company and Group as well as the half-year and full-year results prior to their submission to the Board, and (where applicable) interested person transactions. The AC also recommends the appointment or reappointment 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 meets the external auditors, and with the internal auditors, without the presence of management, at least annually.

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

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

Principle 13: Internal audit

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

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

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

The Company communicates information to shareholders and the investing community through announcements that are released to the SGX-ST via SGXNET. Such announcements include the half-year and full-year results, material transactions, and other

developments relating to the Group requiring disclosure under the corporate disclosure policy of the SGX-ST. The Company is not presently subject to mandatory quarterly reporting.

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

The Company's main forum for dialogue with shareholders takes place at its AGM, whereat members of the Board, senior management and the external auditors are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask questions regarding the Company. 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 2005

(I) Breakdown of remuneration in percentage terms

Salary	Bonus	Fees	Other benefits	Total
94.2%		-),	5.8%	100%
95.2%	1		4.8%	100%
51.7%	46.4%	J.,	1.9%	100%
-	787	100%		100%
-	. 39	100%		100%
-	-	100%		100%
	94.2%	94.2% -	94.2%	Salary Bonus Fees benefits 94.2% - - 5.8% 95.2% - - 4.8% 51.7% 46.4% - 1.9% - - 100% - - - 100% -

(II) Ranges of gross remuneration received

No. of Directors in remuneration bands	2005	2004
\$750,000 to \$1,000,000	-	
\$500,000 to below \$750,000	1	1
\$250,000 to below \$500,000	2	1
Below \$250,000	3	3
Total	6	5

Note:

- 1. Dr Kenny Chan Swee Kheng was appointed a Director and Managing Director on 1 April 2004.
- 2. 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 2005

Board composition and committees	Board of Directors		Audit Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Henry Tay Yun Chwan	3	3	-	-	5	5
Chan Siew Lee	3	3	-	-	-	-
Kenny Chan Swee Kheng	3	3	-	-	-	-
Owen Phillimore-Howell Price	3	2	2	1	5	5
Robert Tan Kah Boh	3	3	2	2	5	5
Timothy Chia Chee Ming	3	3	2	2	5	5

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

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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 2005 and balance sheet of the Company as at 31 March 2005.

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

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 Singapore Companies Act, Cap. 50, an interest in shares of the Company and its related corporations as stated below:

Shareholdings registered in

	the name of o	or beneficially directors	the directors are deemed to have an interest		
Name of director	At the beginning of the year/ Date of appointment	At the end of the year	At the beginning of the year/ Date of appointment	At the end of the year	
	Ordinary shares of \$0.25 each				
Henry Tay Yun Chwan	8,111,625	8,570,562	56,502,062	56,502,062	
Chan Siew Lee	1,543,437	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	_	_	
Kenny Chan Swee Kheng	427,250	427,250	70,000	70,000	

There was no change in any of the abovementioned Directors' interests between the end of the financial year and 21 April 2005.

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

Shareholdings in which

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 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:
 - 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 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.
- (d) The ESOS is administered by a committee of Directors comprising:

Dr Henry Tay Yun Chwan Mdm Chan Siew Lee Mr Timothy Chia Chee Ming (e) During the financial year, employees exercised their options under The Hour Glass Employees' Share Option Scheme and subscribed for 13,000 ordinary shares of \$0.25 each.

	Date granted	Option period (both dates inclusive)	Option exercise price per share §	Balance 1.4.2004	Options cancelled	Options exercised	Balance 31.3.2005
(i)	19.7.1999	19.7.2000 - 18.7.2004	0.80	229,000	(229,000)	-	_
(ii)	24.1.2000	24.1.2001 - 23.1.2005	0.52	394,000	(381,000)	(13,000)	-
				623,000	(610,000)	(13,000)	-

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

At the end of the financial year, there were no unissued ordinary shares of the Company under options granted pursuant to the ESOS as the remaining unexercised options expired on 23 January 2005.

(II) The Hour Glass Share Option Scheme 2000

On 28 September 2000, a new share option scheme, The Hour Glass Share Option Scheme 2000 ("Scheme") was adopted to succeed the ESOS. No options were granted pursuant to the Scheme since its adoption. The Scheme was terminated with effect from 14 May 2004.

Share options - Subsidiary companies

- (i) No options to take up unissued shares of subsidiary companies have been granted during the financial year.
- (ii) No shares of subsidiary companies have been issued during the financial year by virtue of the exercise of options to take up unissued shares.
- (iii) 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 reappointment.

On behalf of the Board,

Henry Tay Yun Chwan

Executive Chairman

Kenny Chan Swee Kheng

Managing Director

Singapore 27 May 2005

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 2005 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 27 May 2005

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 36 to 74 for the year ended 31 March 2005. 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 Singapore Companies Act, Cap. 50 (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 2005 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 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 & YOUNGCertified Public Accountants

Singapore 27 May 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 \$'000	2004 \$'000
Revenue	3	335,133	320,279
Cost of goods sold		285,081	275,763
Gross profit		50,052	44,516
Salaries and employees benefits Depreciation of investment properties and property, plant and equipment Selling, distribution and promotion expenses Rental expenses	28	17,703 2,798 7,208 6,383	17,275 3,079 7,537 6,279
Foreign exchange loss/(gain), net Other operating expenses		34 5,678	(463) 4,614
Total costs and expenses		39,804	38,321
Operating profit Investment and interest income Interest expense Exceptional items	4 5 6 7	10,248 749 (824) 2,735	6,195 676 (667) 2,700
Profit before taxation and minority interests Taxation	8	12,908 (2,806)	8,904 (2,589)
Profit after taxation		10,102	6,315
Attributable to:			
Equity holders of the Company Minority Interests		8,701 1,401	6,112 203
		10,102	6,315
Basic earnings per share (cents)	10	7.99	5.62
Diluted earnings per share (cents)	10	7.99	5.62

BALANCE SHEETS AS AT 31 MARCH 2005

		Group		Coi	Company	
	Note	2005	2004	2005	2004	
		\$'000	\$'000	\$'000	\$'000	
Non-current assets						
Property, plant and equipment	11	16,623	18,013	10,580	11,178	
Investment properties	12	7,731	7.837	892	920	
Subsidiary companies	13	-	-	19,366	21,996	
Other investments	14	57	285	57	285	
Long term receivable	15	7,075	7,423	7,075	7,423	
Deferred tax assets	16	705	429	, _	_	
		32,191	33,987	37,970	41,802	
Current assets						
Stocks	17	115,914	114,728	50,464	50,866	
Trade debtors	18	9,968	10,416	1,977	2,630	
Other debtors	19	5,342	4,131	1,854	1,308	
Amounts due from subsidiary	10	0,012	2,202	1,001	1,000	
companies	20	_	_	13,863	16,311	
Other asset	21	200	_	-	-	
Fixed deposits with banks		2,801	1,712	2.188	1,062	
Cash and bank balances		14,178	11,955	7,786	4,507	
		148,403	142,942	78,132	76,684	
Less : Current liabilities			, ,		,	
Bank overdrafts, unsecured		1,895	436			
Bank term loans	22	15,553	18,700	567	_	
Trade creditors	22	21,440	20,186	11,717	7,662	
Other creditors	23	1,642	1,322	766	534	
Amounts due to subsidiary companies		1,042	1,322	295	12,279	
Hire purchase creditors	24	16	20	293	12,275	
Provision for taxation	24	4,394	3,455	3,216	2,735	
		44,940	44,119	16,561	23,210	
Net current assets		103,463	98,823	61,571	53,474	
Less : Non-current liabilities						
Hire purchase creditors	24		17			
Deferred tax liabilities	25	185	205	185	185	
Deferred tax nabilities	23	(185)	(222)	(185)	(185)	
		107 400	100 700	00.050	05.001	
		135,469	132,588	99,356	95,091	
Equity						
Share capital	26	27,210	27,207	27,210	27,207	
Reserves	27	103,493	101,907	72,146	67,884	
		130,703	129,114	99,356	95,091	
Minority interests		4,766	3,474			
		135,469	132,588	99,356	95,091	
				egral part of the finan		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005

Attributable to equity holders of the Company Foreign

				currency				
(Ordinary shares \$'000	Share premium \$'000	Capital reserve \$'000	translation reserve \$'000	Revenue reserve \$'000	Total \$'000	Minority interest \$'000	Total equity \$'000
Balance as at								
1 April 2003	27,191	29,503	100	5,196	59,023	121,013	3,308	124,321
Unrealised foreign								
currency translation								
adjustment		_	-	2,495	-	2,495	(11)	2,484
Net income								
recognised directly							,	
in equity	-	_	-	2,495	-	2,495	(11)	2,484
Net profit for the year	-	-	-	-	6,112	6,112	203	6,315
Total recognised								
income and expense				0.40#			400	
for the year	_	_	_	2,495	6,112	8,607	192	8,799
Payment of dividend								
by a subsidiary							(0.0)	(0.0)
company	-	_	-	_	-	_	(26)	(26)
Dividends on ordinary					(500)	(500)		(500)
shares less tax	_	_	-	_	(530)	(530)	_	(530)
Issuance of ordinary	4.0					0.4		0.4
shares for cash	16	8	_	_	_	24	_	24
Delever								
Balance as at 31 March 2004	27,207	29,511	100	7,691	64,605	129,114	3,474	132,588
Transfer upon	21,201	29,311	100	7,091	04,003	129,114	3,474	132,300
liquidation of a								
subsidiary company			(100)		100			
Unrealised foreign	_	_	(100)	_	100	_	_	
currency translation								
adjustment				(163)		(163)	(5)	(168)
Net income recognised				(103)		(103)	(3)	(100)
directly in equity	_	_	(100)	(163)	100	(163)	(5)	(168)
Foreign currency			(100)	(103)	100	(100)	(3)	(100)
translation adjustment								
realised	_	_	_	(425)	_	(425)	_	(425)
Net profit for the year	_	_	_	(120)	8,701	8,701	1,401	10,102
Total recognised					0,701	0,701	1,401	10,102
income and expense								
for the year	_	_	(100)	(588)	8,801	8,113	1,396	9,509
Payment of dividend			(100)	(000)	0,001	0,110	1,000	0,000
by a subsidiary								
company	_	_	_	_	_	_	(104)	(104)
Dividends on ordinary							(101)	(101)
shares less tax	_	_	_	_	(6,531)	(6,531)	_	(6,531)
Issuance of ordinary					(0,001)	(0,331)		(0,331)
shares for cash	3	4				7	_	7
Shares for Cash	3	4	_	_	_	,	_	,
Balance as at								
31 March 2005	27,210	29,515		7,103	66 875	130,703	4,766	135,469
or march wood	ωι,ω10	20,010		7,100	00,070	100,700	1,700	100,100

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2005

	2005 \$'000	2004 \$'000
Cash flows from operating activities :		
Profit before taxation and exceptional items	10,173	6,204
Adjustments for :		
Interest expenses	824	667
Interest income	(82)	(31)
Depreciation of properties, plant and equipment and investment properties	2,798	3,079
Amortisation of other investments	1	15
Amortisation of goodwill	-	97
(Gain)/loss on disposals of properties, plant and equipment	(28)	28
Foreign currency translation adjustment	(364)	1,689
Provision for impairment loss in other investments	227	11
Operating profit before working capital	13,549	11,759
(Increase)/decrease in stocks	(1,186)	415
Increase in debtors	(763)	(1,613)
Decrease/(increase) in long-term receivables	348	(2,018)
Increase/(decrease) in creditors	1,096	(2,410)
Cash generated from operations	13,044	6,133
Income taxes paid	(2,175)	(2,307)
Interest expense paid	(824)	(667)
Interest income received	82	31
Net cash provided by operating activities	10,127	3,190
Cash flows from investing activities:		
Additional investment in shares	(200)	(60)
Proceeds from sale of properties, plant and equipment	47	347
Purchase of properties, plant and equipment	(1,261)	(3,045)
Proceeds from sale of Mondial trademarks and retail outlet	2,788	-
Net cash provided by/(used in) investing activities	1,374	(2,758)
Cash flows from financing activities :		
Proceeds from issue of shares	7	24
Repayment of hire purchase creditors	(21)	(22)
Net (decrease)/increase in bank loans	(3,147)	2,761
Dividends paid to shareholders	(6,531)	(530)
Dividends paid to minority shareholders of subsidiary companies	(104)	(26)
Net cash (used in)/provided by financing activities	(9,796)	2,207
Net increase in cash and cash equivalents	1,705	2,639
Effects of exchange rate changes	148	(115)
Cash and cash equivalents at beginning of year	13,231	10,707
Cash and cash equivalents at end of year (note 34)	15,084	13,231

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2005

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 2005 were authorised for issue in accordance with a resolution of the Directors passed on 27 May 2005.

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 248 and 122 (2004 : 252 and 125) employees as at 31 March 2005, 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 Singapore Companies Act, Cap. 50.

The Group adopted early application of the following revisions to existing FRSs which are only mandatory for financial year beginning on or after 1 January 2005:

- (i) FRS 1 (revised 2004) Presentation of Financial Statements
- (ii) FRS 8 (revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors
- (iii) FRS 27 (revised 2004) Consolidated and Separate Financial Statements

The adoption of the above FRSs did not result in changes to the Group's accounting policies.

The FRSs applicable to the Group which have been issued and not yet effective, are listed below:

- (i) FRS 2 (revised 2004) Inventories
- (ii) FRS 16 (revised 2004) Property, Plant and Equipment
- (iii) FRS 17 (revised 2004) Leases
- (iv) FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates
- (v) FRS 24 (revised 2004) Related Party Disclosures
- (vi) FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation

(a) Basis of preparation (cont'd)

(vii) FRS 39 (revised 2004) - Financial Instruments: Recognition and Measurement

(viii) FRS 105 - Non-current Assets Held for Sale and Discontinued Operations

These FRSs which are applicable for annual periods beginning on or after 1 January 2005 have not been early adopted by the Group in the financial year ended 31 March 2005.

The Group intends to apply the above FRSs for the financial year ending 31 March 2006. The application of these FRSs will not have a material impact on the Group's financial statements.

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

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

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

(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.

(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 slow-moving stocks.

(i) Trade and other debtors

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

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

(j) Trade and other creditors

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

Amounts due to subsidiary companies are carried at cost.

(k) Provisions

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

(l) Deferred taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not 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 accounts. Depreciation on the relevant assets is charged to the profit and loss accounts.

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

(n) Foreign currencies

Transactions arising in foreign currencies during the year are converted 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.

(n) Foreign currencies (cont'd)

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:-

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. The Scheme was adopted to succeed The Hour Glass Employees' Share Option Scheme ("ESOS") which came to the end of its 10-year operating duration in April 2000. 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. The Scheme was terminated with effect from 14 May 2004. As at 31 March 2005, all remaining unexercised options granted under the ESOS had expired on 23 January 2005.

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

(r) Cash and cash equivalents

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

3. Revenue

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

4. Operating profit

		Group
	2005	2004
	\$'000	\$'000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	2,643	2,925
Depreciation of investment properties	155	154
Amortisation of goodwill	-	97
Amortisation of other investments	1	15
Provision for impairment in carrying amount of other investments	227	11
(Gain)/loss on disposals of properties, plant and equipment	(28)	28
Directors' fees	140	140
Directors' emoluments :		
- Directors of the Company		
 salaries, bonuses and other related costs 	1,225	1,154
 central provident funds 	20	18
Key executives' remuneration (excluding directors of the Company)	1,914	2,198
Auditors' remuneration :		
- Auditors of the Company		
current year	101	93
 overprovision in prior year 	_	(11)
- Other auditors		
current year	102	89
 under/(over)provision in prior year 	1	(6)
Non audit fees paid to auditors	44	86
Non audit fees paid to other auditors	35	76
Provision for doubtful debts	69	103
Provision for retirement gratuity	1,325	_
Doubtful debts recovered	(59)	(13)
Investment and interest income		
		Group
	2005	2004
	\$'000	\$'000
Interest income from banks	82	31
Rental income from external parties	667	645
	749	676

5.

6. Interest expense

	Gı	oup
	2005	2004
	\$'000	\$'000
Interest on bank term loans	794	610
Interest on bank overdrafts	30	57
	824	667

7. Exceptional items

		Group	
		2005	2004
		\$'000	\$'000
Net gain on sale of Mondial trademarks and retail outlet	(a)	2,788	_
Provision related to a discontinued operation in past year		(478)	_
Net proceeds on liquidation of an overseas subsidiary		425	_
Goodwill compensation	(b)	-	2,700
		2,735	2,700

- (a) Relates to a one-time net capital gain arising from a partly-owned subsidiary company's sale of all Mondial trademarks and its retail outlet.
- (b) Goodwill compensation for giving up distribution rights in certain territories/countries in the Asia Pacific region.

8. Taxation

	Group	
	2005	2004
	\$'000	\$'000
Provision for taxation in respect of results for the year :		
Current taxation	3,247	1,970
Deferred taxation	(150)	(21)
(Over)/under provision in respect of previous years:		
Current taxation	(161)	640
Deferred taxation	(130)	-
	2,806	2,589

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	
	2005	2004
	\$'000	\$'000
Profit before taxation for the year	12,908	8,904
Taxation on profit before taxation for the year at 20% (2004 : 20%) Adjustments : $\frac{1}{2000}$	2,582	1,781
Permanent differences/expenses not deductible for tax purposes Additional tax on income of subsidiary companies in countries	631	894
whose tax rate is higher than the Singapore statutory tax rate	183	45
Deferred tax assets not recognised	219	56
Unabsorbed losses utilised	(2)	(116)
Non-taxable income	(550)	(616)
Tax incentive	(40)	(11)
Change in statutory tax rate	-	(19)
(Over)/under provision in respect of previous years	(291)	640
Others	74	(65)
Current financial year's taxation charge	2,806	2,589

As at 31 March 2005, certain subsidiary companies have unabsorbed tax losses of approximately \$1,255,000 (2004: \$1,380,000) available for set-off against future taxable profits subject to the regulations and agreements by the relevant tax authorities.

9. Dividends

	G	roup
	2005	2004
	\$'000	\$'000
- First and final dividend of 1.25 cents per share less tax of 20%		
(2004 : 0.625 cents per share less tax of 20%)	1,089	530
- Bonus dividend of 6.25 cents per share less tax of 20%		
(2004 : nil)	5,442	_
	6,531	530
		·

9. Dividends (cont'd)

The Directors propose that a first and final dividend of 1.25 cents per share less tax of 20% amounting to \$1,088,420 and a bonus dividend of 3.125 cents per share less tax of 20% amounting to \$2,721,050 be paid for the financial year ended 31 March 2005.

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		
	2005	2004	
	\$'000	\$'000	
Earnings for the year	8,701	6,112	
•	'000	,000	
Number of shares			
Weighted average number of ordinary shares for calculation of basic earnings per share	108,840	108,784	
Dilution adjustments for share options	_	-	
Adjusted weighted average number of shares for calculation of diluted earnings per share	108,840	108,784	
	Cents	Cents	
Earnings per share - Basic	7.99	5.62	
Dust		0.02	
- Diluted	7.99	5.62	

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 2004	15,631	2,918	18,903	1,260	38,712
Additions	_	-	1,261	_	1,261
Disposals/write-offs	_	_	(2,581)	-	(2,581)
Foreign currency translation adjustment	68	(85)	(11)	-	(28)
At 31 March 2005	15,699	2,833	17,572	1,260	37,364
Accumulated depreciation					
At 1 April 2004	3,692	1,818	14,888	301	20,699
Charge for the year	312	26	2,095	210	2,643
Disposals/write-offs	_	_	(2,562)	_	(2,562)
Foreign currency					
translation adjustment	17	(54)	(2)	_	(39)
At 31 March 2005	4,021	1,790	14,419	511	20,741
Charge for 2004	310	26	2,422	167	2,925
Net book value					
At 31 March 2005	11,678	1,043	3,153	749	16,623
At 31 March 2004	11,939	1,100	4,015	959	18,013

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

Property, plant and equipment (cont d)	Cost \$'000
Group	
(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	3,277
Malaysia	
116 square metres office unit at	
Suite 12-2, 12th Floor, Wisma UOAII	
21 Jalan Pinang, 50450 Kuala Lumpur	189
	15,699
(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)	2,833

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

	Freehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Company				
Cost				
At 1 April 2004	12,233	10,260	936	23,429
Additions	-	331	_	331
Disposals/write-offs	_	(2,010)	_	(2,010)
At 31 March 2005	12,233	8,581	936	21,750
Accumulated depreciation				
At 1 April 2004	2,975	9,183	93	12,251
Charge for the year	245	534	145	924
Disposals/write-offs	-	(2,005)	_	(2,005)
At 31 March 2005	3,220	7,712	238	11,170
Charge for 2004	245	1,006	102	1,353
No. 1 1				
Net book value	0.046	0.00	000	40 500
At 31 March 2005	9,013	869	698	10,580
At 31 March 2004	9,258	1,077	843	11,178

A subsidiary company's freehold premises with net book value of approximately \$2,497,000 (2004: \$2,505,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

12. Investment properties

			Freehold	
	Leasehold	Freehold	building and	
	premises	land	premises	Total
	\$'000	\$'000	\$'000	\$'000
Group				
Cost				
At 1 April 2004	1,329	1,610	6,484	9,423
Foreign currency translation adjustment	-	-	65	65
At 31 March 2005	1,329	1,610	6,549	9,488
Accumulated depreciation				
At 1 April 2004	409	_	1,177	1,586
Charge for the year	28	_	127	155
Foreign currency translation adjustment	-	_	16	16
At 31 March 2005	437	-	1,320	1,757
Charge for 2004	27	-	127	154
Net book value				
At 31 March 2005	892	1,610	5,229	7,731
At 31 March 2004	920	1,610	5,307	7,837

Company	Leasehold premises \$'000
Cost	
At 1 April 2004 and 31 March 2005	1,329
Accumulated depreciation	
At 1 April 2004	409
Charge for the year	28
At 31 March 2005	437
Charge for 2004	27
Net book value	
At 31 March 2005	892
At 31 March 2004	920

12. Investment properties (cont'd)

The investment properties of the Group as at 31 March 2005 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 \$2,933,000. The estimated market value of the property stated at directors' valuation based on professional valuation by LandMark White Pty Ltd as at 18 February 2005 is approximately \$7,809,000 (A\$6,100,000).
- (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 \$2,287,000 (2004: \$2,296,000) is charged to secure the bank borrowings of that subsidiary company (Note 22).

13. Subsidiary companies

	Company	
	2005	2004
	\$'000	\$'000
Unquoted shares, at cost	20,634	24,942
Impairment loss in value of investment	(1,268)	(2,946)
	19,366	21,996
Analysis of impairment loss in value of investment :		
Balance at 1 April	2,946	3,340
Provided during the year	_	769
Written off against cost of investment	(1,678)	(1,163)
Balance at 31 March	1,268	2,946

13. Subsidiary companies (cont'd)

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

	Cost to Company		
Name of subsidiary company	2005 200		
	\$'000	\$'000	
Dynasty Watch Pte Ltd	500	500	
Glajz-THG Pte Ltd	990	990	
(formerly known as Mondial Jewellers Pte Ltd)			
The Hour Glass Sdn Bhd	430	430	
The Hour Glass (HK) Ltd	175	175	
The Hour Glass (Australia) Pty Ltd	4,646	4,646	
Gubelin Watch Company Ltd	10,261	10,261	
Pagoda Chinatown Pte Ltd	2	2	
The Hour Glass Japan Ltd	3,630	3,630	
Time Master Enterprises Limited	*	*	
Lakewind Impex Pte Ltd @	_	1,486	
Astoria Trading Pte Ltd @	_	305	
Bertolucci (S) Pte Ltd @	_	839	
The Hour Glass USA, Inc #	-	1,678	
	20,634	24,942	

- @ The financial statements of Lakewind Impex Pte Ltd, Astoria Trading Pte Ltd and Bertolucci (S) Pte Ltd were not included in the financial statements of the Group as the companies are under voluntary liquidation.
- # The financial statements of The Hour Glass USA, Inc were not included in the financial statements of the Group as liquidation was completed during the year.

^{*} Denotes amount less than \$1,000

13. Subsidiary companies (cont'd)

Other details of the subsidiary companies are :

	tage of held by	
s the Gr	•	Auditors
2005 %	2004 %	
and related product	ts.	
re 100	100	Ernst & Young, Singapore
ere 60	60	Ernst & Young, Singapore
a 95	95	Ernst & Young, Malaysia
ong 100	100	Ernst & Young, Hong Kong
ong 100	100	Ernst & Young, Hong Kong
ia 100	100	Ernst & Young, Australia
		•
100	100	+
re 100	100	Ernst & Young, Singapore
ong 100	100	Ernst & Young, Hong Kong
re 100	100	A
re 100	100	A
re 100	100	A
-	100	#
ed products		
d 49	49	Ernst & Young, Thailand
	re 100 re 100 re 100 -	re 100 100 re 100 100 re 100 100 - 100

13. Subsidiary companies (cont'd)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Auditors
		2005 %	2004 %	
Distribution of jewellery and relace Efferverscent Sdn Bhd (formerly known as Jewels by Mondial Sdn Bhd)	ted products 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	#

- ▲ 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

14. Other investments

	Group		Con	pany
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Quoted shares, at cost	619	619	610	610
Less: Impairment loss	(574)	(560)	(565)	(551)
	45	59	45	59
Club memberships, at cost	350	350	350	350
Less: Amounts amortised	(125)	(124)	(125)	(124)
Impairment loss	(213)	-	(213)	_
	12	226	12	226
	57	285	57	285
Market value of quoted shares	45	62	41	59
Analysis of impairment loss :				
Balance at 1 April	560	549	551	540
Charged to profit and loss account	227	11	227	11
Balance at 31 March	787	560	778	551
Analysis of amortisation :				
Balance at 1 April	124	109	124	109
Charged to profit and loss account	1	15	1	15
Balance at 31 March	125	124	125	124

15. Long-term receivable

		Group and Company	
		2005	2004
		\$'000	\$'000
Receivable pursuant to the disposal of subsidiary companies	(a)	5,405	5,405
Goodwill compensation	(b)	2,015	2,363
		7,420	7,768
Less: Current portion of goodwill compensation (Note 19)		(345)	(345)
		7,075	7,423

- (a) This relates to the proceeds of \$5.4 million (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 goodwill compensation of \$2.7 million receivable (CHF 2 million) from a principal for giving up distribution rights in certain territories/countries in the Asia Pacific Region. The Company will receive \$345,000 (CHF 250,000) per year from 2004.

16. Deferred tax assets

2004 \$'000
\$'000
296
78
_
55
429
264
165
429

17. Stocks

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Finished goods				
- at cost	77,962	75,053	36,333	36,675
- at net realisable value	37,952	39,675	14,131	14,191
Total finished goods at lower of				
cost and net realisable value	115,914	114,728	50,464	50,866

18. Trade debtors

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Trade debtors are stated after				
deducting allowance for				
doubtful debts of	122	676	69	-
Analysis of allowance for				
doubtful debts :				
Balance at 1 April	676	1,388	_	765
Doubtful debts recovered	(59)	(13)	_	_
Charge to profit and loss account	69	103	69	_
Bad debts written-off	(561)	(775)	_	(765)
Foreign currency translation				
adjustment	(3)	(27)	-	-
Balance at 31 March	122	676	69	

19. Other debtors

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Rental and other deposits	2,522	2,033	301	310
Recoverables and sundry debtors	1,728	1,173	1,005	493
Prepayment	689	547	162	130
Staff loans	58	33	41	30
Current portion of goodwill				
compensation (Note 15)	345	345	345	345
	5,342	4,131	1,854	1,308

19. Other debtors (cont'd)

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Other debtors are stated after				
deducting allowance for				
doubtful debts of	620	735	-	
Analysis of allowance for				
doubtful debts :				
Balance at 1 April	735	767	_	_
Bad debts written off	(97)	_	_	_
Foreign currency translation				
adjustment	(18)	(32)	-	-
Balance at 31 March	620	735	-	-

20. Amounts due from/(to) subsidiary companies

	Company		
	2005	2004	
	\$'000	\$'000	
Amounts due from subsidiary companies			
- trade	2,806	1,046	
- non-trade	11,806	19,425	
Provision for non-recoverability of debts	(749)	(4,160)	
	13,863	16,311	
Amounts due to subsidiary companies			
- trade	(318)	(9,032)	
- non-trade	23	(3,247)	
	(295)	(12,279)	

The balances with subsidiary companies are unsecured and interest free except for balances with two (2004: three) subsidiary companies, whose outstanding balances bear interest at rates ranging from 1.5% to 2.0% (2004: 2% to 4.2%) per annum. All balances have no fixed repayment terms.

21. Other asset

	Group		
	2005 20		
	\$'000	\$'000	
Unquoted shares, at cost	200	-	

This relates to short-term investment in a company held by a partly-owned subsidiary company with a view to dispose within the next 12 months.

22. Bank term loans

	Gı	Group		npany
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Unsecured loan	11,073	14,318	567	_
Secured loan	4,480	4,382	_	=
	15,553	18,700	567	-

The Company's unsecured short term loan bears interest between 1.94% to 2.67% (2004:1.76% to 2.3%) 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 1.56% to 5.63% (2004: 1.56% to 4.65%) 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 from 6.74% to 7.47% (2004: 6.8%) per annum.

23. Other creditors

	Group			Company
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Deposits received Amount due to a minority	1,499	688	766	407
shareholder of a subsidiary company	-	127	_	127
Amount owing to directors	-	24	_	-
Others	143	483	-	-
	1,642	1,322	766	534

24. Hire purchase creditors

	Gre	Group		
	2005	2004		
	\$'000	\$'000		
Repayable within one year	16	20		
Repayable after one year		17		
	16	37		

The discount rates implicit in the hire purchase is charged at 3.9% (2004 : 3.9%) per annum.

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

	Minimum payments 2005 \$'000	Present value of payments 2005 \$'000	Minimum payments 2004 \$'000	Present value of payments 2004 \$'000
Within one year	18	16	22	20
After one year but not more than five years	-	-	18	17
Total minimum lease payments Less : Amounts representing	18	16	40	37
finance charges	(2)	-	(3)	-
Present value of minimum				
lease payments	16	16	37	37

25. Deferred tax liabilities

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Balance at 1 April (Write-back)/provided during	205	173	185	154
the year	(20)	32	-	31
Balance at 31 March	185	205	185	185
Deferred tax liabilities arises as a result of :				
Net book value in excess of				
tax written down value	143	143	143	143
Unremitted dividend income from a				
foreign subsidiary company	243	243	243	243
Provisions	(201)	(181)	(201)	(201)
	185	205	185	185

26. Share capital

	Group and Company	
	2005	2004
	\$'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 :		
108,829,023 (2004: 108,765,023) ordinary shares of \$0.25 each	27,207	27,191
Issued during the year :		
13,000 (2004 : 64,000) ordinary shares of \$0.25 each	3	16
Balance at end of year:		
108,842,023 (2004 : 108,829,023) ordinary shares of \$0.25 each	27,210	27,207

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.

27. Reserves

	Group		Cor	npany
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Share premium	29,515	29,511	29,515	29,511
Revenue reserve	66,875	64,605	42,631	38,373
Foreign currency translation reserve	7,103	7,691	_	_
Capital reserve	-	100	-	-
Total reserves	103,493	101,907	72,146	67,884
Made up of :				
Distributable reserves	73,978	72,396	42,631	38,373
Non-distributable reserves	29,515	29,511	29,515	29,511
	103,493	101,907	72,146	67,884

The share premium amount may be applied only for the purpose specified in the Singapore Companies Act, Cap. 50.

28. Salaries and employees benefits

	(Group
	2005	2004
Number of employees at 31 March	248	252
Salaries and employees benefits (including executive directors) :	\$'000	\$'000
- salaries, bonuses and other costs	16,474	15,814
- state provident fund	1,229	1,461
	17,703	17,275

28. Salaries and employees benefits (cont'd)

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

	Group		
	2005	2004	
Outstanding at 1 April	623,000	832,000	
Cancelled	(610,000)	(145,000)	
Exercised	(13,000)	(64,000)	
Outstanding at 31 March	-	623,000	
Exercisable at 31 March	_	623,000	

No share options were granted during the financial year.

As at 31 March 2005, there are no unexercised options granted under the ESOS as the remaining options had expired on 23 January 2005.

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:

	G	Group		Company		
	2005	2004	2005	2004		
	\$'000	\$'000	\$'000	\$'000		
Within 1 year	4,624	6,312	1,987	2,797		
Within 2 to 5 years	3,731	3,855	534	2,496		
	8,355	10,167	2,521	5,293		

30. Segment information

Primary reporting format - business segment

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

30. Segment information (cont'd)

Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the year ended 31 March 2005 and 2004 and certain asset information regarding geographical segments as at 31 March 2005 and 2004. 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.

2005	South East Asia and Australia \$'000	North East Asia \$'000	Total \$'000	Corporate and Other Eliminations \$'000	Group \$'000
Segment revenue :					
Sales to external customers	276,667	58,466	335,133	-	335,133
Intersegment sales	445	421	866	(866)	-
Total revenue	277,112	58,887	335,999	(866)	335,133
Other geographical informatio	n :				
Segment assets	152,810	27,895	180,705	(111)	180,594
Assets of subsidiary companies discontinued					-
					180,594
Capital expenditure for the year	nr 1,253	8	1,261	-	1,261
2004					
Segment revenue :					
Sales to external customers	270,983	49,296	320,279	_	320,279
Intersegment sales	(80)	569	489	(489)	-
Total revenue	270,903	49,865	320,768	(489)	320,279
Other geographical information	on:				
Segment assets	149,343	27,573	176,916	(70)	176,846
Assets of subsidiary companies discontinued					83
					176 020
					176,929
Capital expenditure for the year	ar 3,012	33	3,045	_	3,045

31. Contingent liabilities

		Cor	mpany
		2005	2004
		\$'000	\$'000
(a)	Unsecured corporate guarantees given to banks in favour of banking facilities granted to subsidiary companies	25,735	26,037
	As at 31 March 2005, \$11,463,000 (2004: \$14,723,000) of the credit facilities were utilised by the subsidiary companies.		
(b)	Unsecured bank guarantees in lieu of rental deposits	770	1,157

(c) 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

	Gr	Group	
	2005	2004	
	\$'000	\$'000	
Capital expenditure contracted but not provided			
for in the financial statements	871	884	

33. Foreign currencies forward contracts

At 31 March 2005 the Group and the Company has outstanding foreign currencies forward contracts of \$6,955,028 (2004 : \$5,507,977).

34. Cash and cash equivalents

 $Cash \ and \ cash \ equivalents \ included \ in \ the \ consolidated \ cash flow \ statement \ comprise \ the \ following \ balance \ sheet \ amounts:$

	Gr	Group	
	2005	2004	
	\$'000	\$'000	
Cash and bank balances	14,178	11,955	
Fixed deposits with banks	2,801	1,712	
Bank overdrafts, unsecured	(1,895)	(436)	
	15,084	13,231	

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 also disclosed in Note 22.

Effective interest rates

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

		Effective		Within	1 to 5
	Note	interest rate	Total	1 year	years
		%	\$'000	\$'000	\$'000
Group					
2005					
Financial assets					
Cash and cash equivalents	34	0.48	16,979	16,979	-
Financial liabilities					
Secured loans					
- AUD floating rate	22	6.74 to 7.47	(4,480)	(4,480)	-
Unsecured loans					
- THB floating rate	22	3.80 to 5.63	(3,096)	(3,096)	-
- MYR floating rate	22	4.50 to 4.55	(5,180)	(5,180)	-
- SGD floating rate	22	1.56 to 2.67	(2,797)	(2,797)	-
			(15,553)	(15,553)	_
Obligations under hire purchase	24	3.90	(16)	(16)	
obligations under thre purchase	21	0.00	(10)	(10)	
Bank overdrafts - unsecured	34	4.75 to 7.95	(1,895)	(1,895)	_

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

	Note	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000
Group					
2004					
Financial assets	0.4	0.00	10.007	10.007	
Cash and cash equivalents	34	0.23	13,667	13,667	_
Financial liabilities Secured loans					
- AUD floating rate	22	6.80	(4,382)	(4,382)	_
Unsecured loans					
- THB floating rate	22	4.15 to 4.38	(2,567)	(2,567)	-
- MYR floating rate	22	4.45 to 4.65	(5,283)	(5,283)	-
- SGD floating rate	22	1.56 to 2.72	(6,468)	(6,468)	_
			(18,700)	(18,700)	_
Obligations under hire purchase	24	3.90	(37)	(20)	(17)
Bank overdrafts - unsecured	34	6.00 to 7.70	(436)	(436)	_
		Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000
Company 2005					
Financial assets					
Cash and cash equivalents		0.22	9,974	9,974	-
Financial liabilities Unsecured loans					
- THB floating rate		3.80	(567)	(567)	_
2004 Financial assets Cash and cash equivalents		0.09	5,569	5,569	-

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

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 2005, the Group has available cash and cash equivalents totalling to approximately \$15.1 million (31 March 2004: \$13.2 million) to finance its operations.

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

Credit risk

The Company and the Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of 31 March 2005 in relation of each class of recognised financial assets is the carrying amount of these assets as indicated in the balance sheet.

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

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

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

Fair values

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

	То	tal	Aggı	regate
	carrying amount		net fair value	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Quoted equity shares	45	59	45	59
Long term receivables	7,420	7,768	7,145	7,324
Derivative financial instruments				
Foreign currency contracts	*	*	(2)	(3)

 $^{^{}st}$ No balance sheet carrying amounts are shown as these are commitments as at year end.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value :

Quoted equity shares

The fair values of quoted shares are estimated based on quoted market prices for these investments.

Long term receivables

The fair value of long term receivables is determined by discounting the relevant cash flow using current interest rates for similar instruments at balance sheet date.

Derivatives

The fair value of the foreign exchange forward contracts is estimated based on the difference between the prevailing exchange rate at the balance sheet date and the contracted forward rates, multiplied by the notional amount.

Club membership

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.

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

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

36. Significant related party transactions

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

	Group	
	2005	2004
	\$'000	\$'000
Office rental paid to director-related company	181	204
Purchase of goods by directors of the Company	454	82
Purchase of goods by a director of a subsidiary company	65	25
Consultancy fees paid to director-related company	10	_

37. Subsequent events

- (a) Subsequent to the financial year end, The Watch Gallery Pty Ltd was placed under members' voluntary liquidation in Australia. The liquidation process is scheduled to be completed in the financial year ending 31 March 2006.
- (b) The liquidation process for Lakewind Impex Pte Ltd, Astoria Trading Pte Ltd and Bertolucci (S) Pte Ltd are scheduled to be completed by end of the financial year ending 31 March 2006.

38. Comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. As a result, certain line items have been amended on the face of the profit and loss account, balance sheets and the related notes to the financial statements.

The items reclassified were as follows:

	Previously		After
	reported	Reclassification	reclassification
	\$'000	\$'000	\$'000
Group			
Profit and loss account			
Foreign exchange gain	-	(463)	(463)
Other operating expenses	4,151	463	4,614

38. Comparative figures (cont'd)

Group	Previously reported \$'000	Reclassification \$'000	After reclassification \$'000
Balance sheet			
Long term receivables	7,768	(345)	7,423
Other debtors	3,786	345	4,131
Deferred tax assets	351	78	429
Deferred tax liabilities	127	78	205
Net current assets	98,478	345	98,823
Company			
Balance sheet			
Long term receivables	7,768	(345)	7,423
Other debtors	963	345	1,308
Net current assets	53,129	345	53,474

STATISTICS OF SHAREHOLDINGS AS AT 15 JUNE 2005

Authorised Share Capital : \$\$50,000,000.00 Issued Share Capital : \$\$27,210,505.75

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	167	6.72	67,834	0.06
1,000 - 10,000	2,000	80.52	7,710,806	7.08
10,001 - 1,000,000	307	12.36	14,179,721	13.03
1,000,001 and above	10	0.40	86,883,662	79.83
Total	2,484	100.00	108,842,023	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 15 June 2005, approximately 38.1% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

SUBSTANTIAL SHAREHOLDERS

(AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

	No.	No. of Shares			
Name	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	8,570,562	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.

TWENTY LARGEST SHAREHOLDERS AS AT 15 JUNE 2005

No.	Name	No. of Shares	%
1	TYC Investment Pte Ltd	38,031,562	34.94
2	United Overseas Bank Nominees Pte Ltd	26,648,300	24.48
3	DBS Nominees Pte Ltd	6,460,050	5.94
4	DBS Vickers Securities (S) Pte Ltd	3,031,250	2.78
5	OCBC Nominees Singapore Pte Ltd	2,595,000	2.38
6	Swanson Pte Ltd	2,470,500	2.27
7	Phillip Securities Pte Ltd	2,294,000	2.11
8	Key Hope Investment Limited	2,000,000	1.84
9	Teo Cheng Tuan Donald	1,836,000	1.69
10	Citibank Nominees S'pore Pte Ltd	1,517,000	1.39
11	Oversea-Chinese Bank Nominees Pte Ltd	887,000	0.81
12	Tan Sheau Yen Helen	627,000	0.58
13	Ong Yek Siang	545,000	0.50
14	Tay Yun Chwan Henry	515,312	0.47
15	Chia Kum Ho	500,000	0.46
16	G K Goh Stockbrokers Pte Ltd	403,468	0.37
17	Chan Kenny Swee Kheng	327,750	0.30
18	Singapore Fruits Importers & Exporters Exchange Pte Ltd	300,000	0.28
19	Goh Geok Ling	282,000	0.26
20	Jen Shek Chuen	275,000	0.25
	Total :	91,546,192	84.10

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 26th 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, 28 July 2005 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

- To receive the Directors' Report, Auditors' Report and Financial Statements for the financial year ended 31 March 2005.
- 2. To approve the payment of a First and Final Dividend of 5% (or 1.25 cents per share) and a Bonus Dividend of 12.5% (or 3.125 cents per share), less 20% Singapore Income Tax, for the financial year ended 31 March 2005.
- 3. To re-elect Mdm Chan Siew Lee (Dr Jannie Tay), a Director retiring by rotation under Article 99 of the Company's Articles of Association.
- 4. To re-elect Mr Robert Tan Kah Boh @ Tan Kah Boo, a Director retiring by rotation under Article 99 of the Company's Articles of Association.
 - Mr Robert Tan Kah Boh @ Tan Kah Boo, the chairman of the Company's Audit Committee, is an independent Director.
- 5. To re-appoint Mr Owen Phillimore Howell-Price as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.
 - Mr Owen Phillimore Howell-Price, a member of the Company's Audit Committee, is an independent Director.
- 6. To approve Directors' fees for non-executive Directors of \$140,000 for the financial year ended 31 March 2005. (2004: \$140,000)
- 7. To appoint Auditors and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

- 8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:
 - "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:
 - (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company;

(ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, notwithstanding the provisions of Article 48(2) of the Articles of Association of the Company, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options 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."

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

"That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of \$0.25 each fully paid in the capital of the Company (Shares) not exceeding in aggregate the Prescribed Limit (as hereafter defined) at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) (each a Market Purchase) on the Singapore Exchange Securities Trading Limited (SGX-ST); and/or
 - (ii) off-market purchase(s) (each an Off-Market Purchase) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

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

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

"Prescribed Limit" means the number of issued Shares representing 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Share; and
- (ii) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Share;

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

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

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

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

BY ORDER OF THE BOARD

Christine Chan Company Secretary

12 July 2005 Singapore

Notes:

- 1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- 2. The instrument appointing a proxy must be lodged at the registered office of the Company at 302 Orchard Road, #11-01 Tong Building, Singapore 238862 not less than 48 hours before the time fixed for the Annual General Meeting.

Additional information on items of special business

- Item 8 This Ordinary Resolution is to empower the Directors to issue shares, from the date of this Annual General Meeting up to the date of the next Annual General Meeting, not exceeding in total 50% of the issued share capital of the Company, of which not more than 20% may be issued other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the Company's issued share capital at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options 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 9 This Ordinary Resolution is to renew effective until the next Annual General Meeting, the Share Purchase Mandate for the Company to make purchases or acquisitions of its issued ordinary shares. The Company intends to use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance purchases or acquisitions of its shares. For illustrative purposes only, the financial effects of an assumed purchase or acquisition by the Company, of 10% of its issued ordinary share capital as at 15 June 2005, at a purchase price equivalent to the Maximum Price for a share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited accounts of the Group and the Company for the financial year ended 31 March 2005, and certain other assumptions, are set out in the Company's letter to shareholders dated 12 July 2005 accompanying the Annual Report 2005.

PROXY FORM ANNUAL GENERAL MEETING

THE HOUR GLASS LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

IN			

- 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.

of	n member/members of THE F		eby appoint:				(Name) (Address)
	NAME	ADDRESS		NRIC/PA	SSPORT NO.		ROPORTION OF AREHOLDINGS [%]
						5117	INDITION TO THE PROPERTY OF TH
and/an/da	lete as appropriate)						
and/or (de	NAME	ADDRESS		NRIC/PA	SSPORT NO.		ROPORTION OF
						SHA	AREHOLDINGS [%]
28 July Meetin	our proxy/proxies to attend and 2005, and at any adjournment th g as indicated hereunder. If no s on, as he/they will on any other	ereof. I/We direct my/our properties direction as to voting is	xy/proxies to v	vote for or aga	inst the resoluti	ons t	o be proposed at the
NO.	RESOLUTIONS			SED ON A F HANDS		TO BE USED IN THE EVENT OF A POLL	
NO.	RESOLUTIONS		FOR*	AGAINST*	NUMBER OF VO	TES	NUMBER OF VOTES AGAINST**
1	ORDINARY BUSINESS: Adoption of Reports and Fir	nancial Statements					
2	Declaration of Dividends						
3	Re-election of Mdm Chan S	iew Lee (Dr Jannie Tay)					
4	Re-election of Mr Robert Tar	n Kah Boh @ Tan Kah Boo					
5	Re-appointment of Mr Owe	n Phillimore Howell-Price					
6	Approval of Directors' Fees	for Non-Executive Directors					
7	Appointment of Auditors						
8	SPECIAL BUSINESS: Approval of General Share	ssue Mandate					
9	Renewal of Share Purchase	Mandate					
	ou wish to exercise all your votes "For" ou wish to exercise all your votes "For" o			natively, please in	dicate the number o	f vote:	s as appropriate.
Da	ted this da	ay of	2005.				

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

TOTAL NO. OF SHARES HELD

3rd Fold

Affix Postage Stamp

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

2nd	Fol	ld

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.
- 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 Annual Gereral 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

Key Personnel: Thomas Chua . Dave Tan

Key Personnel: Andrew Siaw . James Lee

Key Personnel: Diana Neo . Desmond Ng

Key Personnel: Alan Teo . Nancy Ong

Key Personnel: Thomas Chua . Victor Ong

Key Personnel: Steven Lim . Norman Tong

MALAYSIA

Key Personnel: Gary Chow

Key Personnel: Yon Shee Guan

Lebuh Bandar Utama Fax: (60) 3-7727 6669

Key Personnel: Kong Wai Hong

Key Personnel: Bebe Choy

142 King Street Sydney NSW 2000 Key Personnel: Kelly Phua

HONG KONG

Key Personnel: Chung Wai Yang

Ginza Chuo-ku Tokyo Key Personnel: Atsushi Momoi

THAILAND

Key Personnel: Kanitta Saisuk

Key Personnel: Toby Dames

Key Personnel: Dexter Chan

8 Whiteman Street, Southbank Melbourne Victoria 3000 Tel: (61) 3-9645 5322 Fax: (61) 3-9645 5822

Key Personnel: Dexter Chan

Key Personnel: Jennifer Thomas

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

AUSTRALIA

MONTBLANC

Suite 703. Level 7

70 Castlereagh Stree

T-1 . ((1) 2 0220 0000

Tel : (61) 2-9238 0908

Fax: (61) 2-9238 0928

Email: montblanc.ws@thehourglass.com

Key Personnel: Jennifer Thomas . Alma Stanonik

AFTER SALES SERVICE

SINGAPORE

THE HOUR GLASS LIMITED

302 Orchard Road

#11-01 Tong Building

Singapore 238862

Tel: (65) 6730 1283

Fax: (65) 6732 8683

Email: wcc@thehourglass.com

Key Personnel: Alex Lee . Ben Foong

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

KEY PERSONNEL

SINGAPORE THE HOUR GLASS LIMITED 302 Orchard Road #11-01 Tong Building
Singapore 238862
Tel: (65) 6787 2288
Fax: (65) 6732 8683
Email: info@thehourglass.com

Dr Henry Tay Dato' Dr Jannie Tay Dr Kenny Chan Lawrence Yeo

AUSTRALIA
THE HOUR GLASS (AUSTRALIA) PTY LTD
Culinan House Level 1
70 Castlereagh Street
Sydney NSW 2000
Tel: (61) 2-9232 7775
Fax: (61) 2-9221 4516

Albert Tan

HONG KONG GUBELIN WATCH CO LIMITED Shop G9-G10 Hyatt Regency Hotel 55 Nathan Road 55 Nathan Rodu Tsim Sha Tsui, Kowloon Tel : (852) 2369 9122/2367 4040 Fax: (852) 2369 9166 Email: tst@thehourglass.com

1416 Star House 3 Salisbury Road Tsim Sha Tsui, Kowloon Tel: (852) 2375 8280 Fax: (852) 2375 8285 Email: hkhg@thehourglass.com

THE HOUR GLASS JAPAN LIMITED 8-5-12 1st Floor Daini-Uriwashi Building Ginza Chuo-ku Tokyo Ginza Chido-ki Tokyo Japan 1040061 Tel : (81) 3-5537 7888 Fax: (81) 3-5537 1181 Email: ginza@thehourglass.com

MALAYSIA

MALAYSIA
THE HOUR GLASS SDN BHD
Suite 12-2 12th Floor
Wisma UOA II
21 Jalan Pinang
50450 Kuala Lumpur
Tel: (60) 3-2161 3228
Fax: (60) 3-2163 7133

Lawrence Yeo Yon Shee Guan Daniel Khoo

THAILAND

THE HOUR GLASS (THAILAND) CO LTD 2nd Floor Unit 2F-03 Gaysorn 999 Ploenchit Road Pathumwan
Bangkok 10330
Tel: (66) 2-656 1212
Fax: (66) 2-656 1213
Email: thbkk@thehourglass.com

