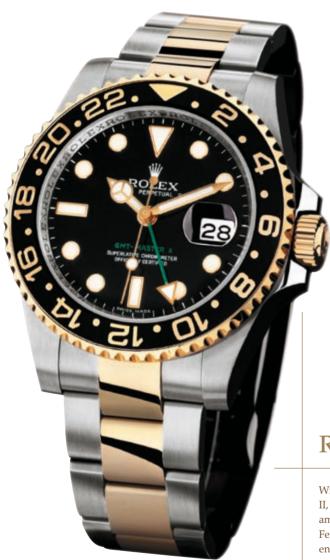


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Oyster Perpetual GMT Master II

ROLEX

With the new Oyster Perpetual GMT Master II, Rolex reaches new heights with its seamless amalgamation of energy and elegance. Featuring an entirely redesigned case with an enlarged winding crown, this classic has undergone a small makeover: it comes with a black ceramic rotating bezel with gold numerals and a black dial with the 24-hour hand in a salient green. The distinctive Rolesor Oyster bracelet is also updated - it now comes with a new security clasp and rapid extension link.

Another new development featured in this timepiece is the new Rolex-patented hairspring, the Parachrom Bleu, named for its characteristic dark blue colour. As the hairspring is made of non-ferrous materials, it is completely insensitive to magnetic fields, and less sensitive to temperature variations, making it one of the most accurate mechanical watches today.

EXECUTIVE CHAIRMAN Dr Henry Tay Yun Chwan

VICE CHAIRMAN (EXECUTIVE) Mdm Chan Siew Lee (Dato' Dr Jannie Tay)

Dr Kenny Chan Swee Kheng MANAGING DIRECTOR

EXECUTIVE DIRECTOR Mr Michael Tay Wee Jin

INDEPENDENT DIRECTORS Mr Timothy Chia Chee Ming

Mr Owen Phillimore Howell-Price

Mr Robert Tan Kah Boh

COMPANY SECRETARY Ms Christine Chan Meng Yook

302 Orchard Road #11-01 Tong Building REGISTERED OFFICE

Singapore 238862

CORPORATE

DIRECTORY

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

Website address: www.thehourglass.com E-mail address: info@thehourglass.com Co. Registration No.: 197901972D

SHARE 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 COMMITTEE Mr Owen Phillimore Howell-Price (Chairman)

> Mr Robert Tan Kah Boh Mr Timothy Chia Chee Ming

AUDITORS Ernst & Young

> Certified Public Accountants Singapore Partner-in-charge: Mr Liew Choon Wei (With effect from financial year ended 31.03.2006)

DBS Bank Ltd PRINCIPAL BANKERS

The Hongkong and Shanghai Banking

Corporation Limited Oversea - Chinese Banking Corporation Limited

United Overseas Bank Limited

Allen & Gledhill **SOLICITORS**

Rodyk & Davidson

DR HENRY TAY YUN CHWAN EXECUTIVE CHAIRMAN

Dr Henry Tay was appointed Executive Chairman of The Hour Glass Limited in October 1987, having served as an Executive Director since 11 August 1979. From 1980 to 1987, he was the Co-Managing Director of the Company. Dr Tay was serving as a member of the Company's Remuneration Committee before he stepped down on 19 May 2006.

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

Dr Tay is an independent director and chairman of the audit committee of UOB Kay Hian Holdings Limited. He also holds directorships in several private companies with diverse interests including real estate, F&B and entertainment.

Dr Tay served as a Committee Member of the Community Chest from 1992 and was appointed Vice Chairman from 1994 to 2004. An active fundraiser for various charitable organizations, Dr Tay has received many awards including the Friends of MCDS (Ministry of Community Development and Sports) Award in 2002 and the President's Social Service Award in August 2005. Dr Tay was the Founder President of the Hong Kong - Singapore Business Association from 1994 to 2000 and is presently its Honorary President. He has also served as a board member of the Singapore Tourism Board.

MDM CHAN SIEW LEE (DATO' DR JANNIE TAY) VICE CHAIRMAN (EXECUTIVE)

Dato' Dr Jannie Tay was appointed to the Board of The Hour Glass Limited and served as its Managing Director since 11 August 1979. On 1 April 2004, she was appointed Vice Chairman (Executive) and continues to play an active role in the development of the Company.

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

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

BOARD OF DIRECTORS



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 Asian Pacific region. Having previously served on the Women's Leadership Board of the John F. Kennedy School of Government, Harvard University and the United Nations Office for Project Services, she was named as one of the 50 Leading Women Entrepreneurs of the World in 1997. A tireless worker for charitable causes and the Arts, she has raised significant sums for the Community Chest of Singapore, the Autism Resource Centre, the Canossian School for the Hearing Impaired, the Ong Teng Cheong Music Fund and the Timor-Leste Foundation.

DR KENNY CHAN SWEE KHENG MANAGING DIRECTOR

Dr Kenny Chan became a member of the Board of The Hour Glass Limited on 1 April 2004. He was the Group Chief Operating Officer of the Company since July 2002 prior to his appointment as Managing Director of the Company on 1 April 2004. A graduate of Monash University with a MBBS (Honours), Dr Chan has over 20 years of experience in the luxury goods industry. Prior to his joining The Hour Glass, he was the Managing Director of Burberry Singapore and Burberry Australia, companies that formed part of a group that was the exclusive distributor and agent of Burberry covering a territory that stretched from Korea to New Zealand. A former Young Presidents' Organisation Singapore Chapter Chairman, Dr Chan also served as a Council Member for the Singapore Retailers Association from 2000 to 2002.

MR MICHAEL TAY WEE JIN EXECUTIVE DIRECTOR

Mr Michael Tay was appointed as an Executive Director of The Hour Glass Limited on 15 August 2005, having joined the Company in January 1999 as its Business Re-Engineering Manager. Mr Tay has developed extensive watch industry experience having headed multiple facets of The Hour Glass' businesses from specialty watch manufacturing, global brand marketing and distribution to group merchandising and greenfield retail development. He is also a member of the international advisory board of Harry Winston Rare Timepieces.

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



PATEK PHILIPPE

The new Ref. 5960P is a complicated wristwatch with functions that are truly useful in everyday life. It features a totally new self-winding chronograph movement developed and manufactured by Patek Philippe and endowed with a further complication: their all time classic Annual Calendar mechanism.

With a case diameter of 40.5 millimeters, the new Ref. 5960P is among the larger Patek Philippe timepieces. It makes for a solid impression with its technical look and feel, amplified on the wrist by the weight of the platinum case.

ULYSSE NARDIN

2006 marks Ulysse Nardin's 160th anniversary and they celebrate this by unveiling their first in-house produced manufactured movement. Dubbed the Calibre 160, the movement reflects the original thinking we've come to expect from Ulysse Nardin. Perhaps best of all, the new movement incorporates the dual direct escapement first introduced in the Freak.

This escapement eliminates the need for lubrication and eliminates the sliding friction that affects traditional lever escapements. The new UN Calibre 160 is a COSC certified chronometer.



Datograph Perpetual

A.LANGE & SÖHNE

In the Datograph Perpetual, Lange combines two classic complications – the chronograph and the perpetual calendar in one landmark watch that is also enriched with many of the manufactory's most salient innovations. The complex movement of the Datograph Perpetual consists of 556 parts, most of which are meticulously finished by hand.

It enriches the range of Lange watches with significant complications and at the same reaffirms the manufacturer's long-standing tradition in crafting both perfectly simple and extremely complicated masterpieces.

MR TIMOTHY CHIA CHEE MING INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Timothy Chia was appointed to the Board of The Hour Glass Limited on 23 October 1987 as an independent Director and serves as a member of the Company's Remuneration Committee and Audit Committee.

Mr Chia is Chairman and Founder of Gracefield Holdings Ltd and its group of companies. He is also concurrently Chairman and Group CEO of Hup Soon Global Pte Ltd. Prior to his above appointments, he was 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 directorships include Banyan Tree Holdings Pte Ltd, Fraser and Neave Ltd, F.J. Benjamin Holdings Ltd, Macquarie Pacific Star Prime REIT Management Ltd and SP PowerGrid Ltd in Singapore, Meritz Securities Co. Ltd in Korea and Magnecomp Precision Technology Public Co. Ltd in Thailand. He currently serves as a Trustee of Singapore Management University.

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

MR OWEN PHILLIMORE HOWELL-PRICE INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Howell-Price is also an alternative 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

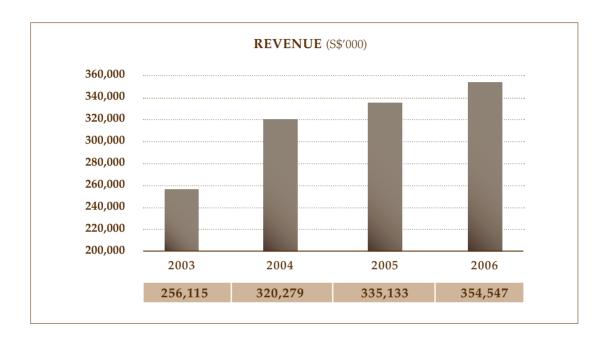
Mr Robert Tan was appointed to the Board of The Hour Glass Limited on 18 November 1999. Currently, Mr Tan serves as Chairman of the Company's Audit Committee and is also a member of its Remuneration Committee. He is an independent Director of the Company.

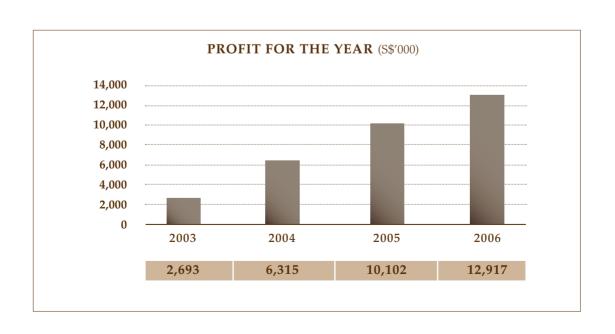
Mr Tan was with an international public accounting firm for 28 years serving as a senior partner before his retirement. Mr Tan is a member of the Institute of Certified Public Accountants in Singapore and was a Fellow of the Institute of Chartered Accountants in England and Wales.



FINANCIAL HIGHLIGHTS

THE HOUR GLASS GROUP

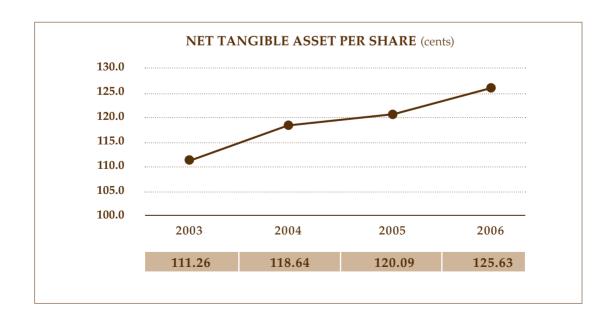




FINANCIAL HIGHLIGHTS

THE HOUR GLASS GROUP







DANIEL ROTH

The Daniel Roth Instantaneous Perpetual Calendar receives a dynamic facelift revealing even more of the revered craftsmanship the brand is recognized for. This quintessential Roth creation is entirely hand-decorated. It has a self-winding perpetual calendar movement, central hour and minute hand and three sub dials indicating the day of the week, month, date and leap years and jumping instantaneously at midnight.

Refined, consistent, highly readable and with a simplified usage, this realization of Daniel Roth perfectly demonstrates the level to which the brand has reached.

VIANNEY HALTER

Vianney Halter, the romantic dreamer of modern watchmaking, continues to surprise us with this form watch. Its curved rectangular case houses Vianney's first in-house produced automatic movement. The luxurious case comprises of 65 solid gold components and features four portholes indicating the hours and minutes, seconds and a big date.

To preserve an uninterrupted view of this new VH205 caliber through the sapphire display back, the Trio is fitted with a patented "mysterious mass" winding rotor.





URWERK

With the exclusive 103.05, Urwerk takes the concept of displaying their ingenious orbiting satellite time a step further. The Targa sapphire crystal is further enhanced with the addition of a revealing elliptical window on each side of the streamlined body casing.

The futuristic form of the case highlights the strong influence space travel and fast jets have had on Urwerk's already iconic design.

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to report that the Group has achieved a net profit of \$12.4 million for the financial year ended 31 March 2006, representing an increase of 43% over the prior year whilst revenue grew a modest 6% to \$354.5 million.

The Group's balance sheet continues to remain robust with shareholders' funds at \$136.7 million. This translates into a net asset value per share of \$1.26 as at 31 March 2006. The Group maintained a conservative debt to equity ratio of 0.11 and ensured that inventory levels are reflective of the volume of business we conduct.

In view of our improving performance and to reward our shareholders, the Board is recommending 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 financial year in 2006 saw a return to buoyant regional markets that registered optimistic economic indicators. Countries such as Hong Kong experienced a real estate rebound to pre-crisis levels, Japan showed signs that they were pulling out of their decade plus slump, and with greater political stability in neighboring Indonesia, we have observed that the propensity to spend on luxury goods improved significantly over the last year. Nonetheless, the impetus for a break-out growth was restrained due to concern over an upswing in the inflationary cycle and a resultant higher interest rate environment.

The Hour Glass continued to strengthen its position as a leading multi-brand specialist watch retailer in the Asia Pacific region, refurbishing its flagship boutique in Ngee Ann City, Singapore and opening its fourth Montblanc boutique in Brisbane during the year. Both stores contributed positively to our revenue growth when operational.

The Group achieved a stronger sales performance than the prior year with \$19.0 million more sales being recorded. This translated into an operating profit of \$14.3 million, which is 40% more than the \$10.2 million earned in the previous financial year. This growth is credited to higher revenue contributions from our overseas subsidiaries.

CHAIRMAN'S STATEMENT



BREGUET

This year the Marine Line welcomes a long awaited addition, the Tourbillon Regulator. Breguet's much-exalted brainchild has now been added to this signature collection, heir to the exclusive timepieces that Breguet had in his day designed and built for the Royal French Navy.

Positioned at 12 o'clock on the dial and driven by a hand wound mechanical movement, the tourbillon contributes its complex construction and precision to the Marine 5837's time and chronograph functions. This Marine design aptly weds the world of sport to that of Haute Horlogerie.

RICHARD MILLE

As with all Richard Mille timepieces, great attention is given to every detail. This is especially true of the new automatic RM005-FM. This enhanced design reveals both technical and stylistic features adapted from the world of Formula One races and at the same time celebrates the collaboration between Richard Mille and his favourite Ferrari F1 driver Felipe Massa.

Constructed for everyday wear, and boasting of exceptional resistance and endurance, the yellow and green reflected on the interior flanges of the titanium timepiece is a tribute to the driver's Brazilian origin.



HUBLOT

The Big Bang Tourbillon Chrono celebrates Hublot's Fusion concept by exploring the integration of brand new materials and movement design at the cutting edge of horology. This latest brainchild is the first Tourbillon Column-Wheel Chronograph with direct coupling on a flying tourbillon cage.

This amazing feat of micromechanical engineering requires 262 components to be assembled, adjusted and regulated with utmost precision thereby creating an impression of a tourbillon cage suspended in mid-air. A traditional complication with a futuristic appearance, it also houses a Gyromax balance and offers a power reserve of 5 days.



In line with our strategy to dispose of non-core assets, the Group sold its investment properties at Trengganu Street during the year giving rise to an exceptional gain of \$0.8 million.

Commentary

I often remind my management team and brand partners that we are competing in a marathon and not a sprint; with many short term objectives often ending with erratic performances and results. Our aim is to build our business on a structurally sound foundation, one that will be able to achieve a measured and sustainable rate of growth.

I often also remind my management team that there are no secrets to success. Success comes as a result of preparation, hard work and the ability to learn from failure. In this regard, I am delighted that the second generation of management leaders we have installed are working extremely diligently and cohesively as a team. They have re-engineered the organizational matrix and its processes; they have executed a broad ranging set of multi-tiered, multi-pronged market development strategies and have maintained fiscal discipline by way of cost containment and carefully preventing inventory escalation whilst always driving towards margin enhancement.

Most impressive of all is that they have produced 16 quarters of consecutive growth, quintupling our net income in the process. The board and I are confident that this team led by the Group Managing Director, Kenny Chan, has the experience and the tenacity to build on our competitive position in the market.

Finally, I would like to add that we will continue to pursue our policy of divesting the Group's non-core assets, and concurrently ensure that we seek for opportunities to maximise returns from our capital resources.

Based on the overall positive outlook, the Group expects to remain profitable in the current financial year.

CHAIRMAN'S STATEMENT



The Octo Black Spirit Tourbillon

DE BETHUNE

Since its foundation, the De Bethune manufacture has distinguished itself by its remarkable ability to create mechanical timepieces using technologies that continue to push the envelope of modern horology. The Automatic GMT is fitted with a new De Bethune caliber. All components are entirely designed and produced in-house.

The aesthetics of this watch design showcases the brand's desire to satisfy the fundamental tenets of what a basic watch should have - legibility of all the indicator displays, ergonomically styled and ability to withstand shock.



GERALD GENTA

Passionately Genta, the Octo Black Spirit is a jewellery timepiece featuring a tourbillon with retrograde hours, offering a rare combination of materials and time display.

This timepiece from the Octo collection features an in-house movement with an automatic tourbillon, a sapphire tourbillon bridge, a power reserve of 64 hours, a concentric circular graining effect and a special "black gold" color.



HARRY WINSTON

One of the themes of the Opus series has been to allow the watchmakers complete artistic freedom. This creative pairing with Greubel Forsey could not have been more appropriate: ingenuity and purism, two fundamental values shared by both partners, are the main characteristics of the Opus 6.

The enhanced Emotion 30° movement features a mechanical numerical display system featuring the hours, minutes and seconds indicators, and a double tourbillon with the one minute cage rotating inside the four minute cage, inclined at a 30° angle. These result in a mechanism that is essentially immune to any positional errors. A stunning horological choreography, the Opus 6 accomplishes pristine clarity and subtlety, embodying the ability to translate complexity into beauty.

Acknowledgement

On behalf of the Board of Directors, I would like to thank our management and staff for their dedication, drive and support. Our gratitude is extended to our customers, brand partners, business associates and shareholders for their generous support.

I would also like to take this opportunity to welcome Michael Tay, who joined the Board on 15 August 2005, and express my heartfelt appreciation to my fellow Board Members for their advice and guidance.

CHAIRMAN'S STATEMENT

Henry Tay Yun Chwan Executive Chairman 31 May 2006 The Hour Glass Limited is committed to ensuring a high standard of corporate governance within the Group to protect the interests of its shareholders and maximise long-term shareholder value. This report describes the corporate governance practices and activities of the Company for the financial year ended 31 March 2006.

The Company's corporate governance practices and activities in relation to each of the principles of the Code of Corporate Governance [issued in March 2001] ("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 re-nominations to the Board, and reviewing and endorsing the recommended framework of remuneration for the Board and key executives. The Board also assumes responsibility for corporate governance.

The Board has put in place financial authorisation limits for operating and capital budgets, procurement of goods and services, and cheque signatory arrangements. Approval sub-limits are also provided at management level to facilitate operational efficiency. Matters that are specifically reserved for the Board's decision include interested person transactions, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividend payments to shareholders, and other transactions of a material nature requiring announcement under the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Board also approves the periodic and full-year financial results for release to the SGX-ST.

The Board meets at least semi-annually. In addition to scheduled Board meetings, ad hoc meetings are convened as and when circumstances require. The Board met 3 times during the financial year. To facilitate the Board's decision-making process, the Company's Articles of Association provides for directors to participate in Board meetings by conference telephone and similar communications equipment, and for Board resolutions to be passed in writing, including by electronic means.

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

CORPORATE GOVERNANCE



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 Guidance

During the financial year, the Board had seven members, consisting of three independent non-executive directors, and four executive directors.

The Board has adopted the definition in the Code of what constitutes an independent director in its review of the independence of each director. The independent non-executive members of the Board comprise seasoned professionals with management, financial, accounting 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. Additional information on the Board members is set out below:

Name of Director	Age	Date of first appointment as director	Date of last re-election as director	Directorships / Chairmanships in other listed companies in Singapore (present & last 3 preceding years)
Dr Henry Tay Yun Chwan	62	11 Aug 1979	22 Jul 2004	UOB-Kay Hian Holdings Ltd
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	61	11 Aug 1979	28 Jul 2005	
Dr Kenny Chan Swee Kheng	53	1 Apr 2004	22 Jul 2004	
Mr Michael Tay Wee Jin	31	15 Aug 2005	- 1/1/1/2	
Mr Timothy Chia Chee Ming	56	23 Oct 1987	22 Jul 2004	FJ Benjamin Holdings Ltd Fraser and Neave Limited
Mr Owen Phillimore Howell-Price	80	11 Apr 1994	28 Jul 2005	 Jardine Cycle & Carriage Limited (alternate director) Dairy Farm International Holdings Limited
Mr Robert Tan Kah Boh	61	18 Nov 1999	28 Jul 2005	

CORPORATE



Principle 3: Chairman and Chief Executive Officer

Dr Henry Tay and his spouse, Mdm Chan Siew Lee (Dato' Dr Jannie Tay) are the founders of The Hour Glass. Dr Henry Tay and Dr Jannie Tay are regarded as controlling shareholders of the Company, having a collective interest in approximately 61.2% of the Company's issued shares. Dr Henry Tay is the Executive Chairman, and Dr Jannie Tay is the Vice Chairman (Executive). Dr Kenny Chan is the Managing Director of the Company since 1 April 2004, and Mr Michael Tay is Executive Director since 15 August 2005. These four executive directors take an active role in management and overseeing of the Group's operations, providing a division of executive responsibility and authority in the Company.

The Company believes that it has effective independent non-executive directors to provide balance within the workings of the Board and oversight for minority shareholders' interests. At the operational level, the close working relationship of the senior management team, which includes the Executive Chairman, 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

On 15 August 2005, Mr Michael Tay was appointed as an Executive Director of the Company. Mr Tay is the son of Dr Henry Tay and Dr Jannie Tay. Dr Kenny Chan, the incumbent Managing Director, is the brother of Dr Jannie Tay. Based on the present 7-member Board size, of which three of the Board members are independent non-executive directors, the formation of a committee of the board to perform the functions of a Nominating Committee, as recommended by the Code, would be superfluous. Hence, the Board has decided against the formation of a Nominating Committee. Instead, the Board performs the functions that such a committee would otherwise perform, namely, it administers nominations and re-nominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members.

In line with the recommendation of the Code, the Company's Articles of Association were amended in August 2002 to provide that all directors, including a managing director for the time being of the Company, are to submit themselves for periodic retirement and re-election by shareholders at annual general meetings of the Company.

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 ongoing needs of the Company and its business. A director's calibre, experience, stature and skills as well as his or her ability to contribute to the proper governance and stewardship of the Company and its operations are important qualities, albeit not capable of precise valuation or measurement, nor need such contributions necessarily be confined to the boardroom. Contributions by a director can take many forms, including providing objective perspectives of issues, facilitating business opportunities and strategic relationships, and accessibility to management outside of a formal environment of Board and/ or Board committee meetings. The matrix of Board members' participation and attendance record at meetings of the Board and the specialty Board committees during the financial year is provided at the end of this statement. This also reflects a Board member's additional responsibilities and special focus on the respective Board committees of the Company.

The Board is of the view that the financial indicators set out in the Code as performance criteria for the evaluation of directors' performance are more a measure of management's performance and hence less appropriate for non-executive directors and the Board's performance as a whole. Such financial indicators also may not necessarily fully measure the long-term success and value creation of the Company. The Board is of the view that its performance 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.

CORPORATE GOVERNANCE



REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

Principle 8: Level and mix of remuneration

Principle 9: Disclosure of remuneration

During the year, the Company's Remuneration Committee ("RC") comprised Mr Owen Price, Mr Robert Tan, Mr Timothy Chia and Dr Henry Tay. A majority of its members are non-executive directors and independent of management and free from any business or relationships which may materially interfere with the exercise of their independent judgement. The RC is chaired by Mr Owen Price who is an independent non-executive director. The RC met 3 times during the financial year. Dr Henry Tay stepped down from the RC on 19 May 2006.

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 executives who are not directors of the Company should be disclosed annually in a remuneration report. The Company believes that the disclosure of remuneration of the individual executives may be disadvantageous to the Group's interests, given the highly competitive industry conditions and the sensitivity and confidentiality of staff remuneration matters. For the financial year under review, except for the four executive directors, no employee who is an immediate family member (as that term is defined in the Listing Manual of the SGX-ST) of a director received annual remuneration in excess of \$150,000.

The Company has also decided not to prepare a separate remuneration report as most of the information is already included at the end of this statement.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Principle 11: Audit Committee

Principle 12: Internal controls

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets. Relevant procedures are in place to identify major business risks and evaluate potential financial effects. There are also procedures for the authorisation of capital expenditures and investments. Comprehensive budgeting systems are in place to develop annual budgets covering key aspects of the business. The annual budgets are submitted to the Board for review and actual performance is compared with budgets periodically to monitor the Group's performance. All directors are provided with half yearly management accounts.

The Company recognises that risk analysis and management is, prima facie, a function of management. The Company's approach to risk management focuses on ensuring that appropriate controls are in place to effectively manage those risks. Measures are adopted to manage such risks, and risk management policies are monitored by management, and periodically reviewed and approved by the Board. The internal audit plan is developed in conjunction with the Company's risk management objectives and policies, to confirm the operation of internal controls and to assess the effectiveness and efficiency of the control environment. In addition, the Board requires that any major proposal submitted to the Board for decision be accompanied by a comprehensive risk evaluation and, where required, management's proposed mitigation strategies. The Company's risk management policies and practices are described in note 30 to the accounts, at page 82 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, and the other members are Mr Owen Price and Mr Timothy Chia. 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 re-appointment of the external auditors, and takes into consideration the scope and results of the audit and its cost effectiveness and the independence of the external auditors.

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

During the financial year, the AC met 2 times. The AC has full access to and co-operation of the Company's management and the internal auditors and has full discretion to invite any executive director or officer to attend its meetings. The auditors, both internal and external, have unrestricted access to the AC. Reasonable resources have been made available to the AC to enable it to discharge its duties. The AC will meet the external auditors, and with the internal auditors, without the presence of management, at least annually.

The Board on the advice of the AC, is of the view that the overall internal controls and processes currently in place are adequate. Material internal control weaknesses noted during the audit, and the auditors' recommendations to address such weaknesses are reported to the AC. Management follows up and implements the external auditors' recommendations.

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.

CORPORATE GOVERNANCE



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 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.

Disclosure of Remuneration

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

Summary Compensation Tables – Financial Year ended 31 March 2006

(I) Breakdown of remuneration in percentage terms

Directors	Position	Salary*	Bonus	Fees#	Other benefits	Total
		%	%	%	%	%
Henry Tay Yun Chwan	Executive Chairman	51	38	7-	11	100
Chan Siew Lee	Vice Chairman (Executive)	50	38	-	12	100
Kenny Chan Swee Kheng	Managing Director	37	58	-	5	100
Michael Tay Wee Jin	Executive Director	52	42	-	6	100
Owen Phillimore Howell-Price	Independent Director	-	-	100	-	100
Robert Tan Kah Boh	Independent Director	-	-	100	-	100
Timothy Chia Chee Ming	Independent Director	-	-	100	-	100

^{*} includes employer's CPF contribution

(II) Ranges of gross remuneration received

No. of Directors in remuneration bands	2006	2005
\$1,000,000 to below \$1,250,000	1	-
\$750,000 to below \$1,000,000		-
\$500,000 to below \$750,000	2	1
\$250,000 to below \$500,000	-	2
Below \$250,000	4	3
Total	7	6

[#] accrued for FY2006

Directors' attendance at Board and committee meetings – Financial Year ended 31 March 2006

Board composition	Board of E	Directors	Audit Con	nmittee	Remunera	tion Committee
and committees	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Henry Tay Yun Chwan	3	3	NA	NA	3	3
Chan Siew Lee	3	3	NA	NA	NA	NA
Kenny Chan Swee Kheng	3	3	NA	NA	NA	NA
Michael Tay Wee Jin*	3	2	NA	NA	NA	NA
Owen Phillimore-Howell Price	3	3	2	2	3	3
Robert Tan Kah Boh	3	3	2	2	3	3
Timothy Chia Chee Ming	3	3	2	2	3	3

^{*} Michael Tay was appointed to the Board on 15 August 2005. NA means not applicable.

ADDITIONAL INFORMATION

Ethical standards and business conduct

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

Dealing in Securities

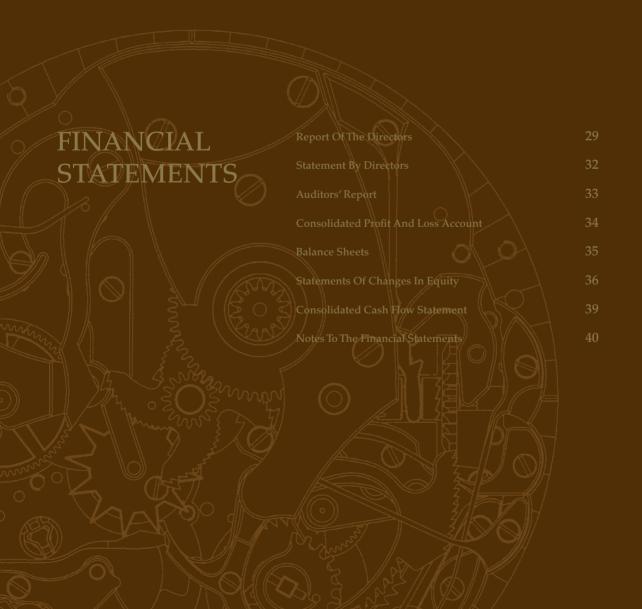
The Company has adopted an internal policy with respect to dealings in securities modelled on the SGX-ST Best Practices Guide. Directors and staff are to refrain from dealing in the securities of the Company during the periods commencing one month before and up to the date of announcement of the Company's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

Interested Person Transactions

Transactions with the Company's interested persons (as that term is defined in the Listing Manual of the SGX-ST) are subject to review and approval by the Board comprising those directors who do not have an interest in the transaction. Where required by the relevant listing rules of the SGX-ST, the AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interests of the Company and shareholders, before making its recommendation to the Board for endorsement. The Company's disclosure in accordance with Rule 907 of the Listing Manual of the SGX-ST in respect of interested person transactions for the financial year ended 31 March 2006 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transaction less than \$100,000)
Amstay Pte Ltd (associate of Dr Henry Tay Yun Chwan and Mdm Chan Siew Lee)	\$246,000*	Not applicable – the Company does not have a shareholders' mandate pursuant to Rule 920

^{*} Gross rental in respect of 2-year lease of office premises at 12th floor, Tong Building, Singapore, commencing January 2006, leased from Amstay Pte Ltd.



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 (collectively the "Group") for the financial year ended 31 March 2006 and the balance sheet and statement of changes in equity of the Company as at 31 March 2006.

DIRECTORS

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

Dr Henry Tay Yun Chwan (Executive Chairman)

Mdm Chan Siew Lee (Dato' Dr Jannie Tay) (Vice Chairman (Executive))

Dr Kenny Chan Swee Kheng (Managing Director)

Mr Michael Tay Wee Jin (appointed as Executive Director on 15.8.2005)

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 the financial year, was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

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

	Shareholdings the name of or held by di	beneficially	Shareholdings in which the directors are deemed to have an interest		
Name of director	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year	
Henry Tay Yun Chwan	8,570,562	8,570,562	56,502,062	56,502,062	
Chan Siew Lee	1,543,437	1,543,437	56,502,062	56,502,062	
Kenny Chan Swee Kheng	427,250	427,250	70,000	70,000	
Michael Tay Wee Jin	10,000	10,000	_	_	
Timothy Chia Chee Ming	61,875	61,875	-	_	
Owen Phillimore Howell-Price	100,000	100,000	_	_	

There was no change in any of the abovementioned Directors' interests between the end of the financial year and 21 April 2006.

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

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

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest

Audit Committee

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

Mr Robert Tan Kah Boh (Chairman) Mr Owen Phillimore Howell-Price

Mr Timothy Chia Chee Ming

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

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

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

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

Share options

- (i) No options to take up unissued shares in the Company or its subsidiary companies have been granted during the financial year.
- (ii) No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary companies.
- (iii) As at the end of the financial year, there were no unissued shares of the company or its subsidary companies under option.

Other information required by the Singapore Exchange Securities Trading Limited

Except as disclosed in Note 32 to the financial statements, there are no other material contracts or loans to which the Company or any related company is a party and which involve Directors' or controlling shareholders' interests subsisted at, or have been entered into since the end of the previous financial year.

Auditors

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

On behalf of the Board,

Henry Tay Yun Chwan

Executive Chairman

Kenny Chan Swee Kheng

Managing Director

Singapore

31 May 2006

STATEMENT BY DIRECTORS PURSUANT TO SECTION 201(15)

sta	nat, in the opinion of the Directors:	
(i)	the accompanying balance sheets, consolidated profit and loss account, statements of changes in ecconsolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair vic state of affairs of the Group and of the Company as at 31 March 2006 and the results, changes in equity flow of the Group and the changes in equity of the Company for the year ended on that date, and	ew of the
(ii)	at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay as and when they fall due.	its debts

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

On behalf of the Board,

Henry Tay Yun Chwan Executive Chairman

Kenny Chan Swee Kheng Managing Director

Singapore 31 May 2006

AUDITORS' REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

We have audited the accompanying financial statements of The Hour Glass Limited (the "Company") and its subsidiary companies (collectively, the "Group"), set out on pages 34 to 82 for the year ended 31 March 2006. 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 presentation of the financial statements. 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 and statement of changes in equity 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 2006 and the results, changes in equity and cash flow of the Group and the changes in equity of the Company 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 & YOUNG
Certified Public Accountants

Singapore 31 May 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 \$'000	2005 \$'000
Revenue	3	354,547	335,133
Cost of goods sold		297,740	285,081
Gross profit		56,807	50,052
Salaries and employees benefits Depreciation of property, plant and equipment and investment properties Selling and promotion expenses Rental expenses	11,12	19,711 2,482 8,744 6,567	17,703 2,798 7,208 6,383
Finance costs	4	869	824
Foreign exchange (gain)/losses		(499)	34
Investment and finance income Other operating expenses	5	(835) 5,463	(749) 5,678
Total costs and expenses		42,502	39,879
Operating profit	6	14,305	10,173
Exceptional items	7	1,276	2,735
Profit before taxation		15,581	12,908
Taxation	8	(2,664)	(2,806)
Profit for the year		12,917	10,102
Attributable to:			
Equity holders of the Company Minority Interests		12,433 484	8,701 1,401
		12,917	10,102
Earnings per share (cents) Basic and diluted	10	11.42	7.99

BALANCE SHEETS AS AT 31 MARCH 2006

			Group	Company		
	Note	2006	2005	2006	2005	
		\$'000	\$'000	\$'000	\$'000	
Non-current assets						
Property, plant and equipment	11	15,846	16,623	10,396	10,580	
Investment properties	12	2,861	7,731	866	892	
Subsidiary companies	13	_,;;;	_	19,368	19,366	
Other investments		_	45	_	45	
Intangible assets	14	11	12	11	12	
Long term receivables	15	6,721	7,075	6,721	7,075	
Deferred tax assets	16	874	705	_		
		26,313	32,191	37,362	37,970	
		20,010	02,171	07,002	37,570	
Current assets						
Stocks	17	127,473	115,914	59,367	50,464	
Trade debtors	18	8,480	9,968	3,674	1,977	
Other debtors	19	4,199	5,342	2,002	1,854	
Amounts due from subsidiary		-/	0,0 ==	_, = , = =	_,	
companies	20	_	_	9,873	13,863	
Other asset		_	200	_	_	
Fixed deposits with banks		2,599	2,801	742	2,188	
Cash and bank balances		16,472	14,178	6,036	7,786	
		159,223	148,403	81,694	78,132	
Less : Current liabilities						
Interest bearing loans and borrowings	21	15,532	17,448	_	567	
Trade creditors	22	21,675	21,440	10,544	11,717	
Other creditors	23	2,486	1,642	1,632	766	
Amounts due to subsidiary companies	20	_	_	514	295	
Hire purchase creditors		-	16	_	_	
Provision for taxation		3,827	4,394	2,870	3,216	
		43,520	44,940	15,560	16,561	
Net current assets		115,703	103,463	66,134	61,571	
Non-current liabilities						
Deferred tax liabilities	24	(185)	(185)	(185)	(185)	
Net assets		141,831	135,469	103,311	99,356	
Equity attributable to equity holders of the Company						
Share capital	25	56,725	27,210	56,725	27,210	
Share premium		-	29,515	_	29,515	
Reserves	26	80,014	73,978	46,586	42,631	
		136,739	130,703	103,311	99,356	
Minority interests		5,092	4,766	_		
Total equity		141,831	135,469	103,311	99,356	

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2006

Attributable to equity holders of the Company

	Share capital \$'000 (Note 25)	Share premium \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Miniority interests \$'000	Total equity \$'000
Group								
Balance as at 1 April 2004	27,207	29,511	100	7,691	64,605	72,396	3,474	132,588
Transfer upon liquidation of a subsidiary company	-	-	(100)	-	100	-	-	-
Unrealised foreign currency translation adjustment	-	-	-	(163)	-	(163)	(5)	(168)
Net income recognised directly in equity	-	-	(100)	(163)	100	(163)	(5)	(168)
Foreign currency translation adjustment realised	-	-	-	(425)	-	(425)	-	(425)
Profit for the year	_	-	-	-	8,701	8,701	1,401	10,102
Total recognised income and expense for the year	-	-	(100)	(588)	8,801	8,113	1,396	9,509
Payment of dividend by a subsidiary company	-	_	-	-	-	-	(104)	(104)
Dividends on ordinary shares less tax (Note	9) –	_	-	-	(6,531)	(6,531)	_	(6,531)
Issuance of ordinary shares for cash	3	4	-	-	-	_	-	7
Balance as at 31 March 2005	27,210	29,515		7,103	66,875	73,978	4,766	135,469

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2006

Attributable to equity holders of the Company

			Foreign currency				
	Share capital \$'000 (Note 25)	Share premium \$'000	translation reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Miniority interests \$'000	Total equity \$'000
Group							
Balance as at 1 April 2005 - as previously reported - effect of adopting	27,210	29,515	7,103	66,875	73,978	4,766	135,469
FRS 39 [Note 2.2(a(i))]	_	_	_	63	63	_	63
- as restated	27,210	29,515	7,103	66,938	74,041	4,766	135,532
Unrealized foreign							
Unrealised foreign currency translation adjustment	-	-	(2,651)	-	(2,651)	2	(2,649)
Net income recognised directly in equity	_	-	(2,651)	-	(2,651)	2	(2,649)
Profit for the year	-	-	-	12,433	12,433	484	12,917
Total recognised income and expense for the year	-	-	(2,651)	12,433	9,782	486	10,268
Payment of dividend by a subsidiary company	-	-	-	_	-	(160)	(160)
Dividends on ordinary shares less tax (Note 9)	-	-	_	(3,809)	(3,809)	-	(3,809)
Transfer of share premium account to share capital account	29,515	(29,515)	-	-	_	-	-
Balance as at 31 March 2006	56,725	_	4,452	75,562	80,014	5,092	141,831

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2006

	Share capital \$'000 (Note 25)	Share premium \$'000	Revenue reserve \$′000	Total equity \$'000
Company				
Balance as at 1 April 2004	27,207	29,511	38,373	95,091
Profit for the year	_	-	10,789	10,789
Dividends on ordinary shares less tax (Note 9)	-	-	(6,531)	(6,531)
Issuance of ordinary shares for cash	3	4	-	7
Balance as at 31 March 2005	27,210	29,515	42,631	99,356
Balance as at 1 April 2005 - as previously reported - effect of adopting FRS 39 [Note 2.2(a(i))]	27,210 –	29,515 -	42,631 63	99,356 63
- as restated	27,210	29,515	42,694	99,419
Profit for the year	_	_	7,701	7,701
Dividends on ordinary shares less tax (Note 9)	_	_	(3,809)	(3,809)
Transfer of share premium account to share capital account	29,515	(29,515)	-	-
Balance as at 31 March 2006	56,725	-	46,586	103,311

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	2006 \$′000	2005 \$'000
Cash flows from operating activities:		
Profit before taxation	15,581	12,908
Adjustments for:		
Interest expense	869	824
Interest income	(197)	(82)
Depreciation of properties, plant and equipment	2.492	2,798
and investment properties Loss/(gain) on disposal of plant and equipment	2,482 8	(28)
Foreign currency translation adjustment	(2,624)	(480)
Amortisation of club memberships	1	1
Provision for impairment loss in other investments		
and club memberships	1	227
Gain on disposal of other investments	(4)	- (2)
Exceptional items	(1,276)	(2,735)
Operating profit before working capital	14,841	13,433
Increase in stocks	(11,559)	(1,186)
Decrease/(increase) in debtors	2,694	(763)
Increase in creditors Proceeds from long-term receivables	1,557 317	1,096 348
1 loceeds from folig-term receivables		
Cash generated from operations	7,850	12,928
Income taxes paid	(3,396)	(2,175)
Interest expense paid	(869)	(824)
Interest income received	197	82
Net cash provided by operating activities	3,782	10,011
Cash flows from investing activities:		
Proceeds from sale of other investments	248	- (2.0.0)
Additional investment in shares	_	(200)
Proceeds from disposal of plant and equipment Purchase of properties, plant and equipment	8 (1,993)	47 (1,261)
Proceeds from disposal of investment properties	5,323	(1,201)
Proceeds from sale of Mondial trademarks and retail outlet	-	2,788
Net cash provided by investing activities	3,586	1,374
Cash flows from financing activities:		_
Proceeds from issue of shares	(1.0)	7
Repayment of hire purchase creditors Proceeds from bank terms loans	(16) 12,163	(21) 11,567
Repayment of bank terms loans	(11,714)	(14,598)
Dividends paid to shareholders	(3,809)	(6,531)
Dividend paid to minority shareholders of subsidiary company	(160)	(104)
Net cash used in financing activities	(3,536)	(9,680)
Net increase in cash and cash equivalents	3,832	1,705
Effects of exchange rate changes	155	148
Cash and cash equivalents at beginning of year	15,084	13,231
Cash and cash equivalents at end of year (Note 29)	19,071	15,084
The accommon vina accounting policies and explana	toru notes form an integral part	of the financial statemen

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2006

1. Corporate information

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

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

The principal activities of the Company and its subsidiary companies (collectively, the "Group") are those of investment holding companies, retailing and distribution of watches and jewellery, and investment in properties.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

The carrying values of recognised assets and liabilities that are designated as hedged items in a fair value hedge are adjusted to record the gain or loss on the hedged items attributable to the hedged risks.

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

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) Adoption of new FRS

On 1 April 2005, the Group and the Company adopted the following standards mandatory for annual financial periods beginning on or after 1 January 2005.

(i) FRS 39 - Financial Instruments: Recognition and Measurement

The Group and the Company had adopted FRS 39 prospectively with effect from 1 April 2005. At that date, loans and receivables within the scope of FRS 39 were measured at amortised cost using the effective interest rate method. Any differences between the carrying values and amortised costs as at 1 April 2005 were recognised in revenue reserves.

2.2 Changes in accounting policies (cont'd)

On 1 April 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method. Any difference between the carrying values and amortised costs as at 1 April 2005 were recognised in revenue reserves.

According to FRS 39, all derivative financial instruments held by the Group and the Company were recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit or loss. Fair value adjustments of derivative financial instruments, except for those designated as hedging instruments in cash flow hedges, were recognised in revenue reserves as at 1 April 2005.

Under the transitional provisions of FRS 39, the change in accounting policy on 1 April 2005 resulted in \$63,000 net credit adjustment to the Group's and the Company's revenue reserves as at 1 April 2005.

(ii) FRS 103 - Business Combinations, including amendments to FRS 38 (revised) - Intangible Assets

The adoptions of the new FRS 103 and FRS 38 (revised) have no significant impact on the comparatives or the opening balance of revenue reserves of the Group and the Company.

The useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Until 31 December 2004, intangible assets were considered to have a finite useful life with a rebuttable presumption that the useful life would not exceed twenty years from the date when the asset was available for use. In accordance with the revised FRS 38, management had reconsidered all relevant factors and continue to deem that the useful lives determined for the Group's and Company's intangible assets continue to remain appropriate.

(b) Adoption of revised FRS

The Group and the Company had adopted the following revised accounting standards on 1 April 2005 which did not result in any significant change in accounting policies:

FRS 2 (revised)	_	Inventories
FRS 10 (revised)	_	Events after the Balance Sheet Date
FRS 16 (revised)	_	Property, Plant and Equipment
FRS 17 (revised)	_	Leases
FRS 21 (revised)	-	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	_	Related Party Disclosures
FRS 32 (revised)	_	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	_	Earnings Per Share
FRS 36 (revised)	_	Impairment of Assets

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

The Group has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006 or 1 January 2007:

2.2 Changes in accounting policies (cont'd)

(i) FRS 19 (revised) - Employee Benefits

The standard requires disclosure of additional information about trends in the assets and liabilities in the defined benefits plans and the assumptions underlying the components of the defined benefits cost. The amendment to FRS 19 will result in additional disclosures being included but will have no recognition or measurement impact.

(ii) INT FRS 104 - Determining Whether an Arrangement Contains a Lease

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(iii) FRS 107 - Financial Instruments: Disclosure

This standard requires quantitative disclosures of nature and extent of risks arising from financial instruments in addition to the disclosures currently required under FRS 32. Adoption of this standard will result in additional disclosures in the financial statements.

The adoption of the pronouncements listed above is not expected to have significant impact on the financial statements in the period of initial application.

The standards and interpretations below do not apply to the activities of the Group:

- FRS 106 Exploration for and Evaluation of Mineral Resources
- INT FRS 105 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation
 Fund
- INT FRS 106 Liabilities Arising from Participating in a Specific Market Waste Electrical and Electronic Equipment
- INT FRS 107 Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies

2.3 Significant accounting estimates and judgements

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

(a) Key sources of estimation uncertainty

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

2.3 Significant accounting estimates and judgements (cont'd)

(i) Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 5 years, except for freehold and leasehold premises which are depreciated over 50 years. The carrying amount of the Group's property, plant and equipment at 31 March 2006 was \$15,846,000 (2005: \$16,623,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

(ii) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's and Company's tax payable amounts at 31 March 2006 was \$3,827,000 and \$2,870,000 (2005: \$4,394,000 and \$3,216,000) respectively.

(b) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – As lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

• Impairment review of fixed assets and financial assets

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

2.4 Subsidiary companies and principles of consolidation

(a) Subsidiary companies

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

2.4 Subsidiary companies and principles of consolidation (cont'd)

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

(b) Principles of consolidation

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

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

Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiary companies are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

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

2.5 Property, plant and equipment

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

The initial cost of property, plant and equipment comprises its purchase price, finance charges and any directly attributable costs of bringing the property, plant and equipment to its working condition and location 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.

2.5 Property, plant and equipment (cont'd)

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

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

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

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

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

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

2.6 Investment properties

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

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

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

2.7 Financial assets

Financial assets within the scope of FRS 39 comprise loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group

2.7 Financial assets (cont'd)

commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

The Group has not designated any financial assets not held for trading as financial assets at fair value through profit and loss.

(b) Loans and receivables

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

2.8 Inventories

Inventories are valued at the lower of cost and net realisable value.

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

Net realisable value is arrived after due allowance is made for all obsolete, damaged and slow-moving stocks.

2.9 Receivables

Trade and other debtors, including amounts due from related companies and loans to related parties, are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.7.

Provision is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.15.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, fixed deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are carried in the balance sheets, classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.7.

2.10 Cash and cash equivalents (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents are shown net of outstanding bank overdrafts which were repayable on demand and which form an integral part of the Group's cash management.

2.11 Intangible assets

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

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

2.12 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.13 Borrowing costs

Borrowing costs are recognised as expense in the year in which they are incurred.

2.14 Payables

Liabilities for trade and other creditors, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.15 Impairment of financial assets

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

2.15 Impairment of financial assets (cont'd)

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

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

(b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.16 Leases

(a) When a Group company is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit and loss account on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) When a Group company is the lessor

Where the Group company is the lessor and retains substantially all the risks and rewards of ownership of the asset, such leases are classified as operating leases. Rental income under operating leases is recognised in the profit and loss account on a straight-line basis over the lease term.

2.17 Functional and foreign currency

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company

2.17 Functional and foreign currency (cont'd)

operates i.e. functional currency, to be SGD. Selling prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) Foreign currency transactions

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

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

Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are also taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the foreign currency translation reserve.

(c) Foreign currency translation

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

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

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

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

2.18 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

2.18 Derecognition of financial assets and liabilities (cont'd)

- The contractual rights to receive cash flow from the asset have expired;
- The Group retains the contractual rights to receive cash flow from the asset, but has assumed an obligation to
 pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flow from the asset and either (a) has transferred substantially
 all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and
 rewards of the asset, but has transferred control of the asset.

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

(b) Financial liabilities

A financial liability is derecognised from the balance sheet when the obligation under the liability is discharged, cancelled or expired.

2.19 Derivative financial instruments and hedging activities

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

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

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or
 an unrecognised firm commitment, that is attributable to a particular risk and could affect profit or loss; or
- Cash flow hedges when hedging exposure to variability in cash flow that is either attributable to a particular
 risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect
 profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flow attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flow and are assessed on an

2.19 Derivative financial instruments and hedging activities (cont'd)

on going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the profit and loss account.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the profit and loss account over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account

Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit and loss account. The changes in the fair value of the hedging instrument are also recognised in the profit and loss account.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss account. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(b) Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit and loss account.

Amounts taken to hedging reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

2.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.21 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2.22 Income taxes

(a) Current tax

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

(b) Deferred tax

Deferred income tax is provided using the liability method on 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.

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

2.22 Income taxes (cont'd)

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

Deferred 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.

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

(c) Sales tax

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

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

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

2.23 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment

2.23 Impairment of non-financial assets (cont'd)

loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.24 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Revenue from sale

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

(b) Rental income

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

(c) Interest income

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

(d) Dividend income

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

2.25 Long term receivables

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

3. Revenue

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

4. Finance costs

			Group	
		2006		200 5
		\$'000		\$'000
	Interest on bank term loans	810		794
	Interest on bank overdrafts	59		30
		869		824
5.	Investment and finance income			
			C	
		2006	Group	2005
		\$'000		\$'000
		φ 000		φοσο
	Interest income	197		82
	Rental income	638		667
		835		749
6.	Operating profit			
	-1			
		2006	Group	2005
		2006		2005
	This is determined after charging/(crediting) the following:	\$'000		\$'000
	Loss/(gain) on disposal of plant and equipment	8		(28)
	Salaries and employees benefits (including executive directors):	8		(20)
	- salaries, bonuses and other costs	18,314		15,149
	- state provident funds	1,347		1,229
	- provision for retirement gratuity	50		1,325
	Directors' fees	152		140
	Non audit fees paid to:			
	- auditors of the Company	35		44
	- other auditors	28		35
	Amortisation of club memberships	1		1
	Gain on disposal of other investments	(4)		_
	Provision for doubtful debts	163		69

7. Exceptional items

	Group			
		2006	1	2005
		\$'000		\$'000
Gain from disposal of investment properties		798		_
Writeback of provision/(provision) related to a				
discontinued operation in previous year		478		(478)
Net gain on sale of Mondial trademarks and retail				
outlet	(a)	_		2,788
Net proceeds on liquidation of an overseas subsidiary		_		425
		1,276		2,735

⁽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.

8. Taxation

	Group		
	2006	2005	
	\$'000	\$'000	
Provision for taxation in respect of results for the year:			
Current taxation	3,863	3,247	
Deferred taxation (Note 16)	(241)	(150)	
Over provision in respect of previous years:			
Current taxation	(958)	(161)	
Deferred taxation	-	(130)	
	2,664	2,806	

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

Profit before taxation	15,581	12,908
Taxation at statutory rate of 20% (2005 : 20%) Adjustments :	3,116	2,582
Permanent differences/expenses not deductible for tax purposes	343	631
Effect of different tax rates in other countries	471	183
Deferred tax assets not recognised	_	219
Unabsorbed losses utilised	(13)	(2)
Non-taxable income	(245)	(550)
Tax exempt income and incentive	(81)	(40)
Over provision in respect of previous years	(958)	(291)
Others	31	74
Tax expense	2,664	2,806

8. Taxation (cont'd)

As at 31 March 2006, certain subsidiary companies have unabsorbed tax losses of approximately \$1,639,000 (2005: \$1,255,000) available for set-off against future taxable profits of the subsidiary companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiary companies operate.

9. Dividends

	Group		
	2006	2005	
	\$'000	\$'000	
- First and final dividend of 1.25 cents (2005 : 1.25 cents)			
per ordinary share less tax of 20% (2005 : 20%) - Bonus dividend of 3.125 cents (2005 : 6.25 cents)	1,088	1,088	
per ordinary share less tax of 20% (2005 : 20%)	2,721	5,443	
per ordinary share less tax of 20% (2005 : 20%)	2,721	J,110	
	3,809	6,531	

The Directors propose that a first and final dividend of 1.25 cents per ordinary share less tax of 20% amounting to \$1,088,000 and a bonus dividend of 3.125 cents per ordinary share less tax of 20% amounting to \$2,721,000 be paid for the financial year ended 31 March 2006.

The Directors are also recommending a scrip dividend scheme which will allow shareholders to elect to receive dividends in scrip. The scrip dividend scheme is subject to the approval of the Singapore Exchange Securities Trading Limited and the shareholders of the Company at an extraordinary general meeting to be convened.

10. Earnings per share

	Group		
	2006	2005	
	\$'000	\$'000	
Profit after deducting minority interests used in			
calculating earnings per share	12,433	8,701	
	′000	'000	
Weighted average number of ordinary shares			
for calculation of basic and diluted earnings per share	108,842	108,842	

11. Property, plant and equipment

	Freehold premises \$'000	Leasehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Group					
Cost					
At 1 April 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 and					
1 April 2005	15,699	2,833	17,572	1,260	37,364
Additions	_	_	1,993	_	1,993
Disposals/write-offs	_	_	(708)	_	(708)
Foreign currency translation adjustment	(343)	(22)	(608)	(1)	(974)
At 31 March 2006	15,356	2,811	18,249	1,259	37,675
Accumulated depreciation and impairment losses At 1 April 2004	3,692	1,818	14,888	301	20,699
Depreciation 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 and 1 April 2005	4,021	1,790	14,419	511	20,741
Depreciation charge for the year	313	26	1,863	172	2,374
Disposals/write-offs	_	_	(683)	_	(683)
Foreign currency translation adjustment	(87)	(15)	(500)	(1)	(603)
At 31 March 2006	4,247	1,801	15,099	682	21,829
Net carrying value					
At 31 March 2006	11,109	1,010	3,150	577	15,846
At 31 March 2005	11,678	1,043	3,153	749	16,623

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

Froperty, plant and equipment (cont d)	
	Cost \$'000
(a) Freehold premises	φ 000
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	2,932
Malaysia	
116 square metres office unit at	
Suite 12-2, 12th Floor, Wisma UOAII	
21 Jalan Pinang, Kuala Lumpur	191
	15,356
(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)	2,811

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

11.	r roperty, plant and equipmen	it (cont u)			
		Freehold premises \$'000	Furniture and equipment \$′000	Motor vehicles \$'000	Total \$'000
Com	pany				
	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 and				
	1 April 2005	12,233	8,581	936	21,750
	Additions	_	887	-	887
	Disposals/write-offs	_	(114)	_	(114)
	At 31 March 2006	12,233	9,354	936	22,523
	Accumulated depreciation				
	At 1 April 2004	2,975	9,183	93	12,251
	Depreciation charge for				
	the year	245	534	145	924
	Disposals/write-offs		(2,005)		(2,005)
	At 31 March 2005 and				
	1 April 2005	3,220	7,712	238	11,170
	Depreciation charge for				
	the year	245	681	145	1,071
	Disposals/write-offs	-	(114)	_	(114)
	At 31 March 2006	3,465	8,279	383	12,127
	Net carrying value				
	At 31 March 2006	8,768	1,075	553	10,396
	At 31 March 2005	9,013	869	698	10,580

A subsidiary company's freehold premises with net carrying value of approximately \$2,175,000 (2005: \$2,497,000) is charged to secure the bank borrowings of that subsidiary company (Note 21).

12. Investment properties

	Leasehold premises	Freehold land	Freehold building and 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 and				
1 April 2005	1,329	1,610	6,549	9,488
Disposals	_	(1,610)	(3,616)	(5,226)
Foreign currency translation				
adjustment	_	_	(310)	(310)
At 31 March 2006	1,329	_	2,623	3,952
Accumulated depreciation				
At 1 April 2004	409	_	1,177	1,586
Depreciation charge for				
the year	28	_	127	155
Foreign currency translation				
adjustment		- 1	16 16	
At 31 March 2005 and				
1 April 2005	437	_	1,320	1,757
Depreciation charge for				
the year	26	_	82	108
Disposals	_	_	(701)	(701)
Foreign currency translation				
adjustment	-	_	(73)	(73)
At 31 March 2006	463	_	628	1,091
Net carrying value				
At 31 March 2006	866	_	1,995	2,861
At 31 March 2005	892	1,610	5,229	7,731

12. Investment properties (cont'd)

Leasehold	premises
	\$'000
Company	
Cost	
At 1 April 2004, 1 April 2005 and 31 March 2006	1,329
Accumulated depreciation	
At 1 April 2004	409
Depreciation charge for the year	28
At 31 March 2005 and 1 April 2005	437
Depreciation charge for the year	26
At 31 March 2006	463
Net carrying value	
At 31 March 2006	866
At 31 March 2005	892

The investment properties of the Group as at 31 March 2006 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 3 June 2005 is \$2,500,000.
- (b) 1,350 square metres (freehold) shop/office unit and lettable space at 252 Collins Street, Melbourne, Australia amounting to \$2,623,000. 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 \$6,962,000 (A\$6,100,000).

A subsidiary company's investment property with net carrying value of \$1,995,000 (2005: \$2,287,000) is charged to secure the bank borrowings of that subsidiary company (Note 21).

13. Subsidiary companies

	Comp	oany
	2006	2005
	\$′000	\$'000
Unquoted shares, at cost	20,636	20,634
Impairment loss in value of investment	(1,268)	(1,268)
	19,368	19,366
Analysis of impairment loss in value of investment :		
Balance at 1 April	1,268	2,946
Written off against cost of investment	_	(1,678)
Balance at 31 March	1,268	1,268

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

	(Cost to Company
	2006	2005
Name of subsidiary company	\$'000	\$'000
Dynasty Watch Pte Ltd	500	500
Glajz-THG Pte Ltd	990	990
The Hour Glass Sdn Bhd	430	430
THG (HK) Limited	175	175
(formerly known as The Hour Glass (HK) Limited) $\ ^{\wedge}$		
The Hour Glass (HK) Limited	10,261	10,261
(formerly known as Gubelin Watch Company Limited) ^		
The Hour Glass (Australia) Pty Ltd	4,646	4,646
The Hour Glass Japan Ltd	3,630	3,630
Time Master Enterprises Limited	*	*
The Hour Glass Holding (Thailand) Co Ltd #	2	-
Pagoda Chinatown Pte Ltd @	2	2
	20,636	20,634

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

[^] Subsequent to the financial year end, these subsidiary companies have changed their corporate names

[#] The Hour Glass Holding (Thailand) Co Ltd was previously a subsidiary company held by THG (HK) Limited

[@] The company is under voluntary liquidation

13. Subsidiary companies (cont'd)

Details of the subsidiary companies as at 31 March are:

Name of company	Country of incorporation and place of business	Percentage o equity held by the Group		
		2006	2005	
Held by the Company Retailing and distribution of watches, jewellery and related products		%	%	
① Dynasty Watch Pte Ltd	Singapore	100	100	
Glajz-THG Pte Ltd	Singapore	60	60	
② The Hour Glass Sdn Bhd	Malaysia	95	95	
② THG (HK) Limited	Hong Kong	100	100	
(formerly known as The Hour Glass (HK) Li	mited)			
② The Hour Glass (HK) Limited	Hong Kong	100	100	
(formerly known as Gubelin Watch Compar	y Limited)			
② The Hour Glass (Australia) Pty Ltd	Australia	100	100	
The Hour Glass Japan Ltd	Japan	100	100	
Investment in properties				
© Time Master Enterprises Limited	Hong Kong	100	100	
Investment holding				
© The Hour Glass Holding (Thailand) Co Ltd	Thailand	49	49	
Dormant company				
⊕ Pagoda Chinatown Pte Ltd	Singapore	100	100	
Held by subsidiary companies Retailing and distribution of watches and related products				
© The Hour Glass (Thailand) Co Ltd	Thailand	49	49	
① The Watch Gallery Pty Ltd	Australia	100	100	
Dormant company				
Efferverscent Sdn Bhd	Malaysia	60	60	

① Audited by Ernst & Young, Singapore

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

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

Not audited as company is under voluntary liquidation

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

14. Intangible assets

15.

		Group and Company \$'000
Club memberships		
Cost		
Balance at 1 April 2004, 1 April 2005 and 31 March 2006		350
Accumulated amortisation and impairment loss		
Balance at 1 April 2004		124
Amortisation for the year		1
Impairment loss		213
Balance at 31 March 2005 and 1 April 2005		338
Amortisation for the year		1
Balance at 31 March 2006		339
Net carrying value		
Balance at 31 March 2006		11
Balance at 31 March 2005		12
Long-term receivables		
	Group and 2006	Company 2005
	\$'000	\$'000
Receivable pursuant to the disposal of subsidiary		
companies (a)	5,546	5,405
Goodwill compensation (b)	1,469	2,015
	7,015	7,420
Current portion of goodwill compensation (Note 19)	(294)	(345)
	6,721	7,075

15. Long-term receivables (cont'd)

- (a) This relates to the proceeds receivable from Bylgari in year 2007 for the sale of the Swiss subsidiary companies.
- (b) This relates to the goodwill compensation receivable from a principal for giving up distribution rights in certain territories/ countries in the Asia Pacific Region.

16. Deferred tax assets

		Group
	2006	2005
	\$'000	\$'000
Balance at 1 April	705	429
Recognised in profit and loss account (Note 8)	241	150
Underprovision in respect of previous year	_	110
Foreign currency translation adjustment	(72)	16
Balance at 31 March	874	705
Deferred tax assets arise as a result of:		
Excess of tax written down value over net book value of		
fixed assets	586	482
Provisions	288	223
	874	705

17. Stocks

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Finished goods				
- at cost	88,476	77,962	44,659	36,333
- at net realisable value	38,997	37,952	14,708	14,131
Total finished goods at lower of				
cost and net realisable value	127,473	115,914	59,367	50,464

18. Trade debtors

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Trade debtors are stated after deducting				
allowance for doubtful debts of	245	122	200	69
Analysis of allowance for doubtful debts :				
Balance at 1 April	122	676	69	_
Doubtful debts recovered	(23)	(59)	(7)	_
Charged to profit and loss account	163	69	138	69
Bad debts written off	(17)	(561)	_	_
Foreign currency translation adjustment	-	(3)	_	_
Balance at 31 March	245	122	200	69
Trade debtors are denominated in the follow	ving currencies :			
Singapore Dollar	4,071	1,645	3,658	1,563
United States Dollar	2,667	4,582	16	284
Australian Dollar	565	2,092	_	_
Others	1,177	1,649	_	130
	8,480	9,968	3,674	1,977

19. Other debtors

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Rental and other deposits	1,863	2,522	356	301
Recoverables and sundry debtors	1,589	1,728	1,155	1,005
Prepayments	404	689	164	162
Staff loans	49	58	33	41
Current portion of goodwill compensation (Note 15)	294	345	294	345
	4,199	5,342	2,002	1,854

19. Other debtors (cont'd)

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Other debtors are stated after deducting				
allowance for doubtful debts of	615	620	_	_
Analysis of allowance for doubtful debts:				
Balance at 1 April	620	735	_	_
Bad debts written off	-	(97)	_	_
Foreign currency translation				
adjustment	(5)	(18)	-	_
Balance at 31 March	615	620	_	_

20. Amounts due from/(to) subsidiary companies

	Company		
	2006	2005	
	\$'000	\$'000	
Amounts due from subsidiary companies			
- trade	1,677	2,806	
- non-trade	4,818	2,977	
- loans	3,410	8,829	
Provision for non-recoverability of debts	(32)	(749)	
	9,873	13,863	
Amounts due to subsidiary companies			
- trade	(514)	(318)	
- non-trade		23	
	(514)	(295)	

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

Non-trade balances with and loans to subsidiary companies are unsecured, non-interest bearing and repayable on demand except for balances with one (2005: two) subsidiary company, whose outstanding balances bear interest at rates 2.0% (2005: 1.5% to 2.0%) per annum.

21. Interest bearing loans and borrowings

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Unsecured loans	13,229	11,073	_	567
Secured loan	2,303	4,480	_	_
	15,532	15,553	-	567
Bank overdrafts, unsecured	_	1,895	_	_
	15,532	17,448	-	567

Interest bearing loans and borrowings are repayable on demand and interest rates are repriced at intervals of 1 week to 6 months (Note 31).

The Company's unsecured short term loan bears interest between 2.69% to 4.00% (2005:1.94% to 2.67%) per annum. The unsecured short term loan was fully repaid during the financial year.

The unsecured short term loans of certain subsidiary companies are covered by corporate guarantees given by the Company and minority shareholders (Note 27). Interest is charged at rates ranging from 1.56% to 6.21% (2005 : 1.56% to 5.63%) per annum.

The short 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 (Notes 11 and 12). Interest is charged from 6.60% to 7.01% (2005 : 6.74% to 7.47%) per annum.

Bank overdrafts are charged at interest rates ranging from 5% to 9% (2005: 4.75% to 7.95%) per annum.

22. Trade creditors

Trade creditors are non-interest bearing and are normally settled on 30 to 90 day terms. Trade creditors are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	11,473	10,745	9,775	10,184
Australian Dollar	3,476	719	_	-
United States Dollar	2,365	3,662	72	-
Swiss Francs	1,124	2,350	697	1,517
Others	3,237	3,964	_	16
_				
	21,675	21,440	10,544	11,717

23. Other creditors

	Group		Co	Company	
	2006	2005	2006	2005	
	\$'000	\$'000	\$'000	\$'000	
Deposits from customers	2,014	1,499	1,229	766	
Forward currency contract (Note 31)	335	_	335	-	
Others	137	143	68	_	
	2,486	1,642	1,632	766	

24. Deferred tax liabilities

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Balance at 1 April	185	205	185	185
Write-back during the year	-	(20)	-	_
Balance at 31 March	185	185	185	185

24. Deferred tax liabilities (cont'd)

		Group	Co	ompany
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities arise 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)	(201)	(201)	(201)
	185	185	185	185

25. Share capital

	Group and Company	
	2006	2005
	\$'000	\$'000
Issued and fully paid:		
Balance at beginning of year :		
108,842,023 (2005 : 108,829,023) ordinary shares	27,210	27,207
Issued during the year :		
Nil (2005 : 13,000) ordinary shares	_	3
Transfer of share premium account to share capital account	29,515	_
Balance at end of year:		
108,842,023 (2005 : 108,842,023) ordinary shares	56,725	27,210

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.

On 30 January 2006, in accordance with the Singapore Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" were abolished and on that date, the shares of the Company ceased to have a par value. In addition, the amount standing in the share premium account had become part of the Company's share capital.

26. Reserves

	Gr	roup	Co	mpany
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Revenue reserve	75,562	66,875	46,586	42,631
Foreign currency translation				
reserve	4,452	7,103	-	_
Total reserves	80,014	73,978	46,586	42,631

Foreign currency translation reserve

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

27. Commitments and contingencies

(a) Capital commitments

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

	Gro	up		Company
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Expenditure for property, plant and equipment	475	871	475	_

(b) Operating lease commitments – As lessor

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

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

27. Commitments and contingencies (cont'd)

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Not later than one year	533	769	264	264
Later than one year but not later than five years	257	1,012	22	286
	790	1,781	286	550

(c) Operating lease commitments – As lessee

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

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

	Gı	roup	Co	ompany
	2006	2005	2006	2005
	\$′000	\$′000	\$'000	\$'000
Not later than one year	6,927	4,624	3,351	1,987
Later than one year but not				
later than five years	11,550	3,731	4,862	534
Later than five years	119	-	_	
	18,596	8,355	8,213	2,521

27. Commitments and contingencies (cont'd)

(d) Contingent liabilities

The Group had the following contingent liabilities as at 31 March:

	Gro	up	Con	npany
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
(i) Corporate guarantees given to banks for amounts utilised by subsidiary companies	-	-	15,532	11,463
(ii) Bankers' guarantees in lieu of rental deposits	1,127	913	913	770

28. Segment information

Reporting format

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

Geographical segments

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

Business segment

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

Allocation basis and transfer pricing

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

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

28. Segment information (cont'd)

Geographical segments

The following table presents revenue, capital expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 March 2006 and 2005.

	South East Asia				
	and Australia	North East Asia	Total	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
2006					
Segment revenue :					
Sales to external customers	300,517	54,030	354,547	_	354,547
Intersegment sales	69	471	540	(540)	_
Total revenue	300,586	54,501	355,087	(540)	354,547
Segment result :					
Segment results	11,237	3,174	14,411	(106)	14,305
Exceptional items					1,276
Profit before taxation					15,581
Taxation					(2,664)
Profit for the year					12,917
Other segment information :					
Segment assets	157,947	26,715	184,662	-	184,662
Unallocated corporate assets					874
					185,536
Segment liabilities	34,528	5,165	39,693	_	39,693
Unallocated corporate liabilitie	S				4,012
					43,705
					-
Capital expenditure for the year	r 1,642	351	1,993	_	1,993
Depreciation	2,381	101	2,482	-	2,482

28. Segment information (cont'd)

	South East Asia				
	and Australia	North East Asia	Total	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
2005					
Segment revenue :					
Sales to external customers	284,053	51,080	335,133	_	335,133
Intersegment sales	324	393	717	(717)	_
Total revenue	284,377	51,473	335,850	(717)	335,133
Segment result :					
Segment results	14,513	3,179	17,692	(7,519)	10,173
-	14,313	3,179	17,092	(7,319)	
Exceptional items					2,735
Profit before taxation					12,908
Taxation					(2,806)
D (1) (1)					10.100
Profit for the year					10,102
Other segment information :					
Segment assets	152,039	27,850	179,889	_	179,889
Unallocated corporate assets					705
					180,594
Segment liabilities	32,031	8,515	40,546	_	40,546
Unallocated corporate liabilities	es				4,579
					45,125
Capital expenditure for the year		8	1,261	_	1,261
Depreciation	2,406	392	2,798	_	2,798

29. Cash and cash equivalents

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

	G	Group
	2006	2005
	\$'000	\$'000
Cash and bank balances	16,472	14,178
Fixed deposits with banks	2,599	2,801
	19,701	16,979
Bank overdrafts, unsecured (Note 21)	-	(1,895)
	19,071	15,084
Cash and cash equivalents are denominated in the following currencies :		
Cash and bank balances, and fixed deposits with banks		
Singapore Dollar	6,531	8,051
Australian Dollar	4,525	1,122
Hong Kong Dollar	3,547	1,720
Japanese Yen	1,717	1,034
United States Dollar	952	909
Swiss Francs	456	2,622
Others	1,343	1,521
	19,071	16,979
Bank overdrafts		
Hong Kong Dollar	_	958
Australian Dollar	_	929
Others	-	8
		1,895

30. 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. The Group's accounting policies in relation to derivative financial instruments are set out in Note 2.19.

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 various notes to the financial statements.

Foreign currency risk

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

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

Liquidity risk

The Group's exposure to liquidity risk is minimal. As at 31 March 2006, the Group has available cash and cash equivalents totalling to approximately \$19.1 million (31 March 2005: \$15.1 million) to finance its operations.

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

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations when these are due. It is the Company's policy to transact with credit worthy counterparties. In addition, 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.

31. Financial instruments

Credit risk

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

Fair values

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

Financial instruments carried at fair value

The Group has carried its long term receivables, and all derivative financial instruments, at their fair value as required by FRS 39.

Financial instruments whose carrying amounts approximate fair values

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

Derivative financial instrument and hedging activities

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

	Group and Company		
	2006	2005	
	Liabilities	Liabilities	
	\$'000	\$'000	
Forward currency contract (Note 23)	(335)	_	

Fair value hedge:

As at 31 March 2006, the Company held one forward currency contract designated as a fair value hedge of long term receivables. The Company had contracted to sell 4.5 million Swiss Francs at contracted rate of CHF/\$1.2011 maturing on 31 August 2007.

The above fair value hedge was assessed to be highly effective and the change in fair value of the long term receivables attributable to the hedged foreign currency risk, amounting to \$335,000 is recognised as a liability at 31 March 2006 with a corresponding loss recognised in the profit and loss account.

31. Financial instruments (cont'd)

Interest rate risk

Effective interest rates

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

	Note	Effective interest rate %	Total \$′000	Within 1 year \$'000
Group				
2006				
Financial assets				
Cash and bank balances and fixed				
deposits with banks	29	0.50 to 5.50	19,071	19,071
Financial liabilities				
Secured loan				
- Australian Dollar floating rate	21	6.60 to 7.01	(2,303)	(2,303)
Unsecured loans				
- Thai Baht floating rate	21	4.75 to 6.00	(2,284)	(2,284)
- Malaysian Ringgit floating rate	21	4.25 to 4.75	(7,844)	(7,844)
- Japanese Yen floating rate	21	1.56 to 1.59	(1,806)	(1,806)
- US Dollar floating rate	21	5.24 to 6.21	(1,295)	(1,295)
			(15,532)	(15,532)
2005				
Financial assets				
Cash and bank balances and fixed				
deposits with banks	29	0.50 to 6.00	16,979	16,979
Financial liabilities				
Secured loan				
- Australian Dollar floating rate	21	6.74 to 7.47	(4,480)	(4,480)
Unsecured loans				
- Thai Baht floating rate	21	3.80 to 5.63	(3,096)	(3,096)
- Malaysian Ringgit floating rate	21	4.50 to 4.55	(5,180)	(5,180)
- Japanese Yen floating rate	21	1.56 to 2.67	(2,797)	(2,797)
			(15,553)	(15,553)
Bank overdrafts - unsecured	29	4.75 to 7.95	(1,895)	(1,895)
Obligations under hire purchase		3.90	(16)	(16)

31. Financial instruments (cont'd)

		Effective		
	Note	interest rate	Total	Within 1 year
		%	\$'000	\$′000
Company				
* *				
2006				
Financial assets				
Cash and bank balances and fixed				
deposits with banks		0.50 to 5.50	6,778	6,778
2005				
Financial assets				
Cash and bank balances and fixed				
deposits with banks		0.50 to 6.00	9,974	9,974
Financial liabilities				
Unsecured loans				
- Thai Baht floating rate	21	3.80	(567)	(567)

32. Related party transactions

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

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

(a) Sale and purchase of goods and services

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

	Sale of goods \$'000	Rendering of services \$'000	Purchase of goods \$'000	Receiving of services \$'000	Rental expense \$'000
2006					
Directors of the Company	185	_	_	-	_
Directors of the subsidiary companies	93	_	13	_	_
Director-related companies	_	7	31	-	123

32. Related party transactions (cont'd)

	Sale of goods \$'000	Rendering of services \$'000	Purchase of goods \$'000	Receiving of services \$'000	Rental expense \$'000
2005					
Directors of the Company	454	_	_	_	_
Directors of the subsidiary companies	65	_	_	_	_
Director-related companies	1	6	4	10	181

These transactions were made in the ordinary course of business and carried out at arms-length terms.

(b) Compensation of key management personnel

	Group	
	2006	2005
	\$'000	\$'000
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	2,485	1,245
- Other key management personnel	2,098	1,914
	4,583	3,159

33. Subsequent event

Subsequent to the financial year end, The Hour Glass (HK) Limited and Gubelin Watch Company Limited changed their names to THG (HK) Limited and The Hour Glass (HK) Limited respectively.

34. Authorisation of financial statements

The financial statements for the year ended $31 \, \text{March} \, 2006$ were authorised for issue in accordance with a resolution of the Directors on $31 \, \text{May} \, 2006$.

STATISTICS OF SHAREHOLDINGS AS AT 5 JUNE 2006

Number of shares : 108,842,023 Class of Shares : Ordinary

Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	165	7.12	65,233	0.06
1,000 - 10,000	1,853	80.01	7,005,869	6.44
10,001 - 1,000,000	287	12.39	14,354,509	13.19
1,000,001 and above	11	0.48	87,416,412	80.31
Total	2,316	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 5 June 2006, 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)

Name	Direct	No of Shares 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 5 JUNE 2006

No.	Name	No. of Shares	%
1	TYC Investment Pte Ltd	38,031,562	34.94
2	United Overseas Bank Nominees Pte Ltd	15,387,300	14.14
3	DBS Nominees Pte Ltd	14,001,050	12.86
4	Key Hope Investment Limited	7,000,000	6.43
5	Swanson Pte Ltd	2,470,500	2.27
6	Phillip Securities Pte Ltd	2,409,000	2.21
7	OCBC Nominees Singapore Pte Ltd	2,359,000	2.17
8	Teo Cheng Tuan Donald	1,836,000	1.69
9	Citibank Nominees S'pore Pte Ltd	1,630,000	1.50
10	Ng Chit Tong Peter	1,255,000	1.15
11	HSBC (Singapore) Nominees Pte Ltd	1,037,000	0.95
12	Oversea-Chinese Bank Nominees Pte Ltd	887,000	0.81
13	Tan Sheau Yen Helen	627,000	0.58
14	Ong Yek Siang	570,000	0.52
15	Tay Yun Chwan Henry	515,312	0.47
16	Chia Kum Ho	500,000	0.46
17	DBS Vickers Securities (S) Pte Ltd	495,000	0.45
18	CIMB-GK Securities Pte. Ltd.	341,133	0.31
19	Chan Kenny Swee Kheng	327,750	0.30
20	Jen Shek Chuen	325,000	0.30
	Total	92,004,607	84.51

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 27th 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 Friday, 21 July 2006 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 2006.
- 2. To approve the payment of a First and Final Dividend of 1.25 cents per share and a Bonus Dividend of 3.125 cents per share, less 20% Singapore Income Tax, for the financial year ended 31 March 2006.
- To re-elect Dr Henry Tay Yun Chwan, a Director retiring by rotation under Article 99 of the Company's Articles
 of Association.
- 4. To re-elect Mr Michael Tay Wee Jin, a Director retiring under Article 103 of the Company's Articles of Association.
- 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 2006. (2005: \$140,000)
- 7. To re-appoint Ernst & Young as 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 shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued shares in the 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 shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting at the time this Resolution

is passed, and (2) any subsequent consolidation or subdivision of shares,

and, unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

BY ORDER OF THE BOARD

Christine Chan
Company Secretary

28 June 2006 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 item of ordinary business

Item 3 A second Director, Mr Timothy Chia Chee Ming, retires by rotation under Article 99 of the Company's Articles of Association at the 27th Annual General Meeting, and is not seeking re-election. He is an independent Director and a member of the Company's Audit Committee.

Additional information on item 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, up to a number not exceeding in total 50% of the issued shares in the capital of the Company, of which not more than 20% may be issued other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the number of issued shares in the capital of the Company at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options or vesting of share awards that have been issued or granted (provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual) and which are outstanding or subsisting at the time that this Resolution is passed, and any subsequent consolidation or subdivision of shares.

PROXY FORM ANNUAL GENERAL MEETING

THE HOUR GLASS LIMITED (INCORPORATED IN THE REPUBLIC OF SINGAPORE)

IMPORTANT:

- 1. For investors who have used their CPF monies to buy THE HOUR GLASS LIMITED shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

 2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

	NAME A	DDRESS			PASSPORT MBER		PROPORTION OF AREHOLDINGS [%]
l/or (de	elete as appropriate)						
	NAME A	DDRESS			ASSPORT MBER		PROPORTION OF AREHOLDINGS [%]
eetin	2006, and at any adjournment thereof. I/We direct rg as indicated hereunder. If no specific direction as tion, as he/they will on any other matter arising at the	to voting is g	given, the pro		l vote or abst	D BE US	
NO.	RESOLUTIONS		FOR*	AGAINST*	NUMBER OF V		NUMBER OF VOT
1	ORDINARY BUSINESS: Adoption of Reports and Financial Statements						
2	Declaration of Dividends						
3	Re-election of Dr Henry Tay Yun Chwan						
4	Re-election of Mr Michael Tay Wee Jin						
5	Re-appointment of Mr Owen Phillimore Howe	ell-Price					
6	Approval of Directors' Fees for Non-Executive	Directors					
7	Re-appointment of Auditors						
	SPECIAL BUSINESS: Approval of General Share Issue Mandate						
8		hin the box prov	rided.		e the number of v		

3rd Fold

Affix Postage Stamp

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

2nd		

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. A proxy need not be a member of the Company.
- Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
- 3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
- 4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares entered against his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
- The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 302 Orchard Road #11-01, Tong Building, Singapore 238862 not less than 48 hours before the time set for the Meeting.
- 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.
- 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 . Victor Ong

Key Personnel: Alan Teo . Nancy Ong

Key Personnel: Thomas Chua

Key Personnel: Steven Lim . Norman Tong

HONG KONG

MALAYSIA

Key Personnel: Gary Chow

Key Personnel: Gary Chow

. Philip Chua

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

Key Personnel: Chen Choong Hian

Melbourne Victoria 3000

Key Personnel: Atsushi Momoi

THAILAND

2nd Floor Unit 2F-03 Gaysorn

Key Personnel: Kanitta Saisuk

AUSTRALIA - MONTBLANC

Queensland 4000

Key Personnel: Melinda McGhie

Key Personnel: Melinda McGhie

Sydney NSW 2000

Key Personnel: Hermann Cruz

THE HOUR GLASS DISTRIBUTION DIVISION

SINGAPORE

THE HOUR GLASS LIMITED

302 Orchard Road #11-01 Tong Building Singapore 238862 Tel: (65) 6787 2288

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:** May Lam . Steven Lo

AUSTRALIA

MONTBLANC Suite 703, Level 7 70 Castlereagh Street Sydney NSW 2000 Tel: (61) 2-9238 0908 Fax: (61) 2-9238 0928

Email: montblanc.ws@thehourglass.com **Key Personnel:** Jennifer Thomas . Alma Stanonik

AFTER SALES SERVICE

SINGAPORE

THE HOUR GLASS LIMITE 302 Orchard Road #11-01 Tong Building Singapore 238862 Tel: (65) 6730 1283 Fax: (65) 6732 8683

Email: wcc@thehourglass.com **Kev Personnel:** Alex Lee . Ben Foone

GLAJZ - THG PTE LTD

SINGAPORE

391 Orchard Road #21-04 Ngee Ann City Tower E 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

AUSTRALIA

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

Heng Kheok Nam Albert Tan

HONG KONG
THE HOUR GLASS (HK) LIMITED - Retail
(FORMALLY KNOWN AS GUBELIN WATCH CO LIMITED)
Imperial Hotel, Shop D
32-34 Nathan Road
Tsim Sha Tsui, Kowloon
Tel: (852) 2369 9670 / 2369 9671
Fax: (852) 2369 9166
Enable to the behavior loss com

Chung Wai Yang

Tsim Sha Tsui, Kowloon Tel: (852) 2375 8280 Fax: (852) 2375 8285

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

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 Michael Goh Daniel Khoo

THAILAND

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