



THE HOUR GLASS

ANNUAL REPORT 2017

CORPORATE DIRECTORY

DIRECTORS

Dr Henry Tay Yun Chwan
 Dr Kenny Chan Swee Kheng
 Mr Michael Tay Wee Jin
 Dato' Dr Jannie Chan Siew Lee
 Mr Robert Tan Kah Boh
 Mr Philip Eng Heng Nee
 Mr Kuah Boon Wee
 Mr Pascal Guy Demierre Chung Wei
 Ms Saw Phaik Hwa
 Mr Liew Choon Wei

Executive Chairman
 Group Managing Director
 Group Managing Director
 Non-Independent, Non-Executive Director (*resigned on 30 September 2016*)
 Independent Non-Executive Director
 Independent Non-Executive Director
 Independent Non-Executive Director
 Independent Non-Executive Director
 Independent Non-Executive Director
 Independent Non-Executive Director (*appointed on 1 April 2017*)

AUDIT COMMITTEE

Mr Philip Eng Heng Nee
 Mr Kuah Boon Wee
 Ms Saw Phaik Hwa
 Mr Liew Choon Wei

Chairman

(appointed on 1 April 2017)

REMUNERATION COMMITTEE

Mr Robert Tan Kah Boh
 Mr Philip Eng Heng Nee
 Mr Pascal Guy Demierre Chung Wei
 Mr Liew Choon Wei

Chairman

(appointed on 1 April 2017)

NOMINATING COMMITTEE

Mr Kuah Boon Wee
 Dato' Dr Jannie Chan Siew Lee
 Mr Robert Tan Kah Boh
 Mr Pascal Guy Demierre Chung Wei
 Dr Kenny Chan Swee Kheng

Chairman
(resigned on 30 September 2016)

COMPANY SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

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 Tong Building
 Singapore 238862
 Telephone: (65) 6787 2288
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 Email address: info@thehourglass.com
 Website address: www.thehourglass.com
 Co. Registration: 197901972D

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
 50 Raffles Place #32-01
 Singapore Land Tower
 Singapore 048623

AUDITOR

Ernst & Young LLP
 Public Accountants and Chartered Accountants Singapore
 Partner in charge (since financial year ended 31 March 2015):
 Mrs Lim Siew Koon

PRINCIPAL BANKERS

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

SOLICITORS

Allen & Gledhill LLP
 Dentons Rodyk & Davidson LLP

BOARD OF DIRECTORS



Seated from left:
Mr Robert Tan, Dr Henry Tay, Mr Philip Eng

Standing from left:
Mr Liew Choon Wei, Dr Kenny Chan, Mr Kuah Boon Wee, Mr Michael Tay, Mr Pascal Demierre
Ms Saw Phaik Hwa (absent)

BOARD OF DIRECTORS

DR HENRY TAY YUN CHWAN **EXECUTIVE CHAIRMAN**

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

Dr Tay graduated with a MBBS (Honours) from Monash University, Melbourne and prior to founding The Hour Glass in 1979, was both a Medical Practitioner as well as partner in Lee Chay & Co., one of Singapore's earliest watch retail companies.

From 1986 to 2001, Dr Tay was Executive Chairman of a group of companies whose businesses were in the distribution and retail of Burberry in the Asia Pacific region.

Dr Tay was an Independent Director and Chairman of the Audit Committee of UOB Kay Hian Holdings Limited. He also holds directorships in several private companies focused on investments, real estate development, food and beverage and entertainment businesses.

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 organisations, Dr Tay has received many public service 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. He also received the Community Chest Special Recognition Award presented by the President of the Republic of Singapore in September 2015.

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

DR KENNY CHAN SWEE KHENG **GROUP MANAGING DIRECTOR**

Dr Kenny Chan became a member of the Board of The Hour Glass Limited on 1 April 2004. He joined as the Group Chief Operating Officer in 2002 and was appointed as Managing Director of the Company on 1 April 2004. In June 2009, he was re-designated to Group Managing Director of The Hour Glass Limited.

A graduate of Monash University with a MBBS (Honours), Dr Chan has over 25 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.

Dr Chan was re-elected as a Council Member of the Singapore Retailers Association in 2016. He was a Council Member from 2000 to 2002.

MR MICHAEL TAY WEE JIN **GROUP MANAGING DIRECTOR**

Mr Michael Tay was appointed Group Managing Director on 1 April 2015, having been The Hour Glass' Executive Director since 2005. He first 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' business from specialty watch manufacturing to wholesale channel distribution and greenfield retail development. He is a member of the cultural committee of the Fondation de la Haute Horlogerie, a member of the governing council for the NTU Centre for Contemporary Art and is an advisory board member of Art Basel Cities. He also serves on the boards of the National Heritage Board and STPI, institutions engaged in the advancement of the heritage and visual arts sector in Singapore. Mr Tay is an advisory council member of Mercy Relief, an international humanitarian NGO.

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

BOARD OF DIRECTORS

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 as an independent Director. Mr Tan is the Chairman of the Company's Remuneration Committee and a member of its Nominating Committee.

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

MR PHILIP ENG HENG NEE INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Philip Eng joined the Board of The Hour Glass Limited on 1 October 2009 as an independent Director. Mr Eng is the Chairman of the Company's Audit Committee and a member of its Remuneration Committee.

He is the Non-Executive Chairman of Frasers Centrepoint Asset Management Ltd and is also a Non-Executive Director of Frasers Centrepoint Limited. In addition, he is Singapore's High Commissioner to Canada. Prior to this, Mr Eng spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director.

Mr Eng graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.

MR PASCAL GUY DEMIERRE CHUNG WEI INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Demierre joined the Board of The Hour Glass Limited on 1 April 2011 as an independent Director and serves as a member of the Company's Nominating and Remuneration Committees.

Mr Demierre is the Executive Director of Halcyon Agri Corporation Limited since 8 July 2010. He also sits on the Board of Council Members at the Alliance Francaise de Singapour. Mr Demierre graduated from King's College, London with an Upper Second Class (Honours) in Law and obtained a Graduate Diploma in Law from the National University of Singapore.

MR KUAH BOON WEE INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Kuah was appointed to the Board of The Hour Glass Limited on 1 April 2011 as an independent Director and serves as the Chairman of the Company's Nominating Committee and a member of its Audit Committee.

Mr Kuah is the Group Chief Executive Officer of MTQ Corporation Limited. He is also a Non- Executive, Independent Director of UOB-Kay Hian Holdings Limited and Chairman of the Audit Committee and member of its Remuneration Committee. He had served as CEO for South East Asia and Singapore Terminals as well as Chief Financial Officer of PSA International Pte Ltd. Mr Kuah is a qualified chartered accountant from the ICAEW and graduated with a Bachelor of Engineering degree from the Imperial College of Science and Technology.

BOARD OF DIRECTORS

MS SAW PHAIK HWA **INDEPENDENT NON-EXECUTIVE DIRECTOR**

Ms Saw joined the Board of The Hour Glass Limited on 1 September 2012 as an independent Director and serves as a member of the Company's Audit Committee.

Ms Saw is the Chairman of the Board of SISTIC.com Pte Ltd. She is also a Director of Globe Telecom Inc., and serves as a Board Member of The Esplanade Co. Ltd, Singapore Management University and Tan Tock Seng Hospital Community Charity Fund. She is also the Honorary Advisor of Singapore Wushu Dragon and Lion Dance Federation and President of the Singapore Jian Chuan Tai Chi Chuan Physical Culture Association. She was formerly the Group Chief Executive Officer of Auric Pacific Group Limited, Chief Executive Officer of SMRT Corporation Limited and President for DFS South East Asia.

Ms Saw Phaik Hwa graduated with an Honours degree in Biochemistry from the University of Singapore and attended an Advanced Management Programme at the University of Hawaii.

MR LIEW CHOON WEI **INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr Liew was appointed to the Board of The Hour Glass Limited on 1 April 2017 as an independent Director and serves as a member of the Company's Audit and Remuneration Committees.

Mr Liew is an Independent Non-Executive Director of Halcyon Agri Corporation Limited since 1 October 2014 and an Independent Non-Executive Director of F J Benjamin Holdings Ltd since 29 November 2016. He is an Independent Non-Executive Director of Frasers Hospitality Asset Management Pte. Ltd. and Frasers Hospitality Trust Management Pte. Ltd., respectively, since 10 June 2014. The former and latter are the manager of the real estate investment trust (REIT) and the trustee-manager of the business trust (BT), of which the REIT and BT comprise the stapled group, Frasers Hospitality Trust. Mr Liew is also the Chairman of the Internal Audit Committee of Kuok Singapore Ltd.

Mr Liew is a retired Fellow of the Association of Chartered Certified Accountants, UK and a Chartered Accountant of Singapore.

KEY EXECUTIVES

SINGAPORE THE HOUR GLASS LIMITED

MR NG SIAK YONG CHIEF FINANCIAL OFFICER

Mr Ng joined the Company in October 2004 and is responsible for the Group's financial and accounting functions including statutory and regulatory compliance. Mr Ng holds a Bachelor in Accountancy (Honours) from Nanyang Technological University, a Master of Business Administration from the University of Strathclyde, Scotland and is a member of the Institute of Singapore Chartered Accountants.

HONG KONG THE HOUR GLASS (HK) LIMITED

MR CHUNG WAI YANG MANAGING DIRECTOR

Mr Chung joined The Hour Glass (HK) Limited in August 1994 and is responsible for the development and management of The Hour Glass' Hong Kong business unit. Mr Chung holds a Master of Business Administration from the Ageno School of Business at Golden Gate University, San Francisco, USA.

MALAYSIA THE HOUR GLASS SDN BHD

MR TEH SOON KHENG GENERAL MANAGER

Mr Teh joined The Hour Glass Sdn Bhd in January 2015. He has overall responsibility for the management of the Malaysia operations. Mr Teh graduated with a Master of Business Administration from University of Ballarat, Australia.

JAPAN THE HOUR GLASS JAPAN LTD

MR ATSUSHI MOMOI DIRECTOR & GENERAL MANAGER

Mr Momoi joined The Hour Glass (Australia) Pty Ltd in November 1988 and was subsequently relocated to Japan to establish The Hour Glass Japan Ltd in July 1996. With more than 30 years of experience in the retail and wholesale distribution of luxury and specialty watches, he is responsible for the strategic planning, business development and sales and marketing of the company.

SINGAPORE GLAJZ-THG PTE LTD

MR JOHN GLAJZ MANAGING DIRECTOR

Mr Glajz joined the Company in January 1980 and has more than 30 years of practical experience in the retail and wholesale of fine jewellery. His partnership with The Hour Glass Limited commenced in 1990 through Mondial Jewellers and after the successful sale of the Mondial brand and business in 2004, established a new joint venture vehicle Glajz-THG Pte Ltd. Mr Glajz graduated with a Bachelor of Arts degree from The Australian National University.

FINANCIAL HIGHLIGHTS

	FY2017	FY2016	FY2015	FY2014	FY2013
FINANCIAL RESULTS	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	696,056	707,525	734,938	682,797	601,936
Operating profit ¹	59,546	64,980	74,010	67,760	64,710
Profit before taxation	62,994	66,968	75,404	70,828	65,879
Profit after tax	49,642	53,543	59,715	56,366	54,331
EBITDA ¹	68,065	72,889	81,994	74,045	70,122

	\$'000	\$'000	\$'000	\$'000	\$'000
FINANCIAL POSITIONS					
Net asset value	478,477	439,872	408,730	365,860	330,636
Stocks	307,354	320,127	297,940	263,280	265,742
Cash and cash equivalents	124,849	93,898	98,332	116,379	79,536
Loans and borrowings	51,160	63,422	61,187	39,738	41,198
Free cash flow ²	57,113	10,453	(13,026)	53,066	1,505

FINANCIAL RATIOS

Gross margin (%)	22.7	23.7	22.6	23.0	23.9
Operating margin (%) ¹	8.6	9.2	10.1	9.9	10.8
Net margin (%) ³	7.1	7.6	8.1	8.3	9.0
Stock turn ratio	1.8	1.7	1.9	2.0	1.7
Debt / equity ratio (%)	10.7	14.4	15.0	10.9	12.5
Earnings per share (cents) ⁴	6.91	7.42	8.22	7.79	7.50
Net asset value per ordinary share (\$) ⁵	0.68	0.62	0.58	0.52	0.47

1. Excluding impairment loss on investment securities and fair value adjustment on investment properties.

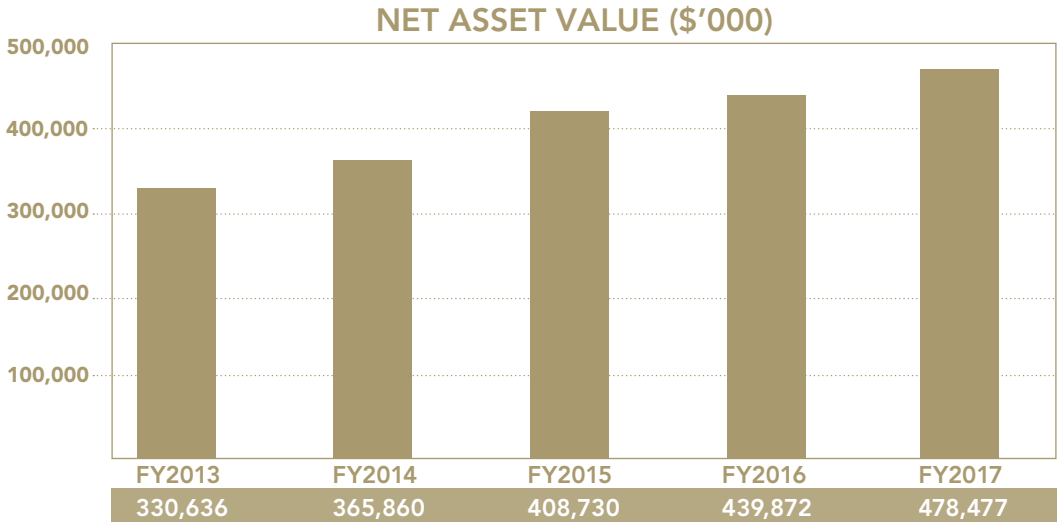
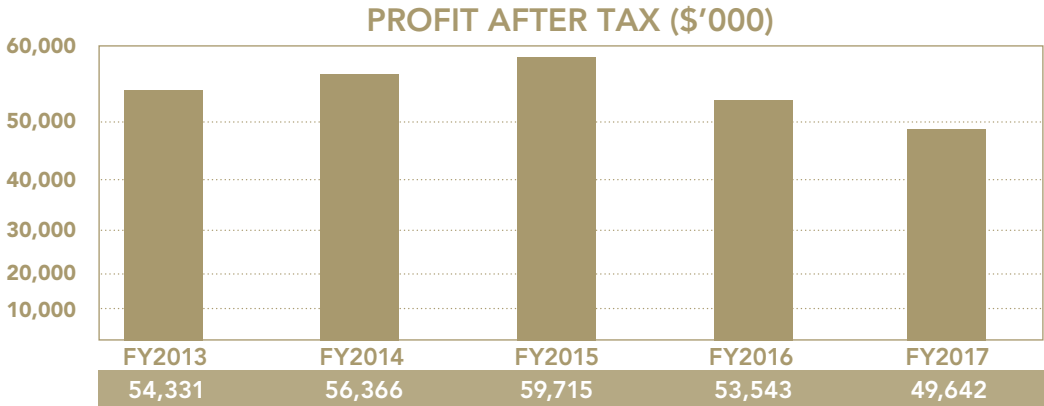
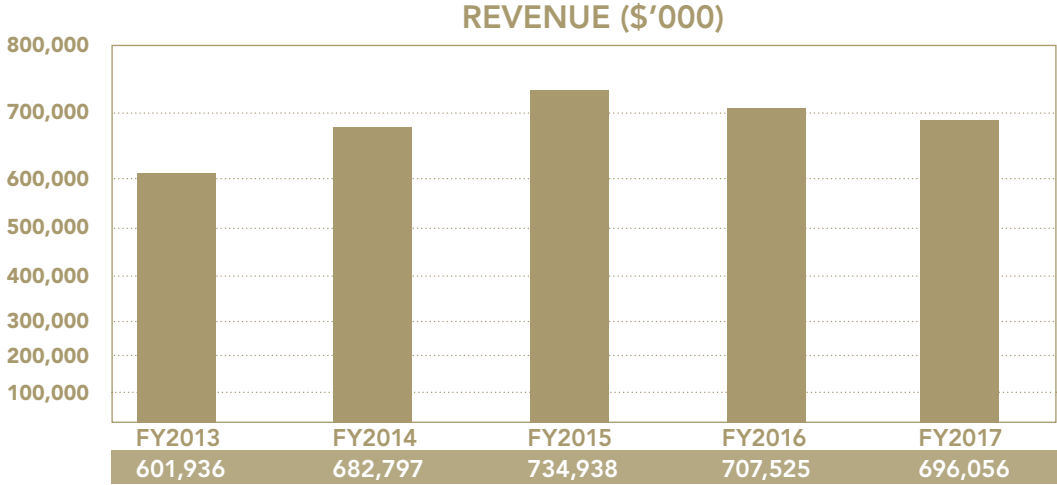
2. Free cash flow refers to net cash flow from operating activities less purchase of property, plant and equipment and investment property in the statement of cash flows.

3. Excluding impairment loss on investment securities.

4. For the purpose of comparison, earnings per share for prior corresponding years (FY2013 to FY2014) are adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into three ordinary shares on 28 November 2014.

5. For the purpose of comparison, net asset value per ordinary share for prior corresponding years (FY2013 to FY2014) are adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into three ordinary shares on 28 November 2014.

FINANCIAL HIGHLIGHTS



VISION

Advancing the culture of watch collecting throughout the world

ENTERPRISE MISSION

To be the watch world's leading cultural retail enterprise, making it the primary port of call for all enthusiasts and collectors alike

BUSINESS MISSION

To be an enduring, profitable business organisation that assumes a moderate risk profile, generating sustainable long term cashflows and returns by continually engaging in the practice of retail marketing, merchandising and operational excellence

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

For the financial year ended 31 March 2017, the Group registered a marginal drop in sales of 2% to \$696.1 million and a 7% contraction in profit-after-tax to \$49.6 million. Though challenging of late, our aim is to ensure we consistently grow the underlying earnings capability of the business and attempt to overcome the cyclical and vagaries of the luxury watch sector. After an immensely intense and turbulent twelve months, it is with a measure of satisfaction that we delivered this latest set of results. This financial performance belies the severity of the market conditions and I repeat what I have been maintaining when queried on the state of our business over this period. That our management and sales teams have been running twice as hard just to remain in the same place. This pace of activity has become our new normal and our teams have adjusted to this present state of play.

In last year's Chairman's statement, I once again placed emphasis on our operating and financial objectives - improving our inventory turns and raising the quality of our free cash flow generation. Both of which were competently managed throughout the year with strong results. Stock turn ratios rose to 1.8 times from the prior year, inching closer to our aspirational target of two times, whilst free cash flows surged 450% to \$57.1 million. We reduced our borrowings by \$12.3 million which meant our financial leverage at year end stood at a healthy 10.7% and cash and cash equivalents closing at \$124.8 million.

On a consolidated net asset basis, our corporate net worth rose by \$38.6 million to \$478.5 million or \$0.68 per share. In view of the Group's overall operating performance, the Board of Directors is pleased to recommend a first and final dividend of 2 cents per share amounting to \$14.1 million.

GENERAL COMMENTARY

Swiss watch exports continued into their third consecutive year of contraction with year-on-year declines accelerating to 9.9% in 2016. Not a single key

watch market was spared with the world's number one market Hong Kong leading this global slide, falling by 25.1%. Even the United States, held out by some watch producing groups as a market that could potentially pick up some slack, contracted 9.1%. Singapore similarly experienced a 10.4% decline, keeping pace with the global average. It is in the most recent financial year that the industry's travails have started to bite at the source. The two largest Swiss listed luxury watch conglomerates saw profits for the latest financial year fall by almost a half. And without exception, all the major watch groups effected sweeping C-suite overhauls as a new generation of leaders are entrusted with the responsibility of injecting a fresh approach to tackling the challenges at hand. The last time the serene world Swiss watchmaking suffered such a jolt was after the dotcom bubble burst of 2000.

Taking Stock

We had previously drawn caution from the precipitous decline in Swiss watch exports and the escalation of inventories worldwide. Fatefully predicting last year that it would take another 12 to 18 months for that excess to be absorbed by the market. From where I sit today however, that outlook might have been optimistic for three reasons.

We continue to see authorised retailers the world over face a downdraft in sales and too many with outsized inventories to manage. As a point of reference, our Hong Kong peers are turning over their inventory once a year. All this in turn leads to reduced forward orders for both new and existing products. While some brands aptly executed inventory buybacks in the corresponding period with promises to destroy the goods on their return to manufacture (buybacks accounted for 2% of Richemont's sales in FY2017), these re-purchases are in a magnitude of several orders smaller than the several billion Swiss Francs of aging inventory sitting in all the distribution and retail channels.

The Swiss watch industry is clearly capitulating from an

CHAIRMAN'S STATEMENT

over-construction of production capacity entered during the aftermath of the post-GFC era. The ramification of buoyant optimism the industry overdosed on when all businesses were experiencing double digit growth rates in the preceding decade. With inventory in all the channels at their peak, the question remains why these watch factories continue to churn production? The answer is the same as it is for any other large scale manufacturing industry. Production typically lags demand and keeping the machines running reduces average fixed costs and hence ensures two things. Lower unit prices and hence higher overall margins as well as ensuring that watches can be priced more competitively. Right-size the unit output and the overall gross margins collapse placing even greater financial strain on the groups. Secondly, and peculiar to Switzerland is that the watch industry is loath to reduce headcount, stemming from both a labour-centric culture and the fact that hiring of specialist watchmakers and technicians when demand escalates will be difficult to accomplish. So the prognosis for now is that the watch groups will continue their current course in the hope for global demand to tick up thereby returning the industry to a semblance of its former self.

The Watch Industry's Dilemma – Digitalise or Die?

The global retail landscape is littered with casualties of the changing profile of consumers and consumer behaviour. Baby boomers are all but retiring and those Millennials born in the year 2000 will by 2020, account for 40% of the luxury market, exerting their influence on global shopping habits with their minute to minute updates on social media of what's hot and what's not. Shoppers are online hunting for the lowest prices and shopping malls and traditional retailers are struggling to attract customers through their doors. Even what were once considered mainstay brands that controlled both their own stand-alone boutiques and webstores are facing the threat of the online retailer undercutting them on pricing (excess inventory strikes again!). Other trending observations we have made are that in 2016, in

mature retail markets such as the U.S., consumers spent 31% of their discretionary income on goods and 69% on services and experiences. Three decades ago, 45% of their spend went towards goods products. To compound matters, by 2026, it is estimated that 25% of all luxury goods consumption will be online leaving physical retailing of all goods products with only 20% of the overall discretionary spend of this consumer. And with an increasing number of independent dealers starting up new businesses by way of establishing a social media account, the battle traditional retailers will have is to either define and demonstrate their relevance to luxury shoppers or face their fate of retail redundancy.

The watch industry is notoriously slow to adapt to change and their recent embrace of the digitalization of the world is approximately fifteen years behind the rest of the luxury goods sector. But now that the inevitable is firmly at forefront of everyone's strategic agendas, manufacturers and retailers are wasting little time in playing catch up. Richemont is an example of a watch company whose leadership is embracing this digital transition with aplomb with the Board regrouping all their digital assets under a single executive. And after almost a decade of ceaseless openings of ever-larger boutiques, the tide has turned and those net openings are now net store closures with 38 internal boutiques shuttering in the last twelve months and capex for further direct-owned-stores suspended. Rolex too has internalised an entire digital division staffed with the best technology minds and have begun collaborating with their key specialist retail accounts to develop bespoke solutions to combat grey marketeers online and drive a superior omni-channel experience.

The implications are obvious and twofold. First, digital will be a key pillar of the industry. In the past year, several established brands owned by Richemont, LVMH and Swatch Group have sold limited edition, capsule collections direct to consumer online, reportedly with tremendous success. These early wins will embolden them to further develop more such projects. What this informs us is that the conquest of the digital

CHAIRMAN'S STATEMENT

landscape is only just beginning because as recent as last year, the battle for sales still existed exclusively in the physical domain. Key luxury groups are now recognising that online retailing is all but an additional channel of distribution and act as a complement to their bricks and mortar operations.

The second implication is that to survive, bricks and mortar retailers should be differentiated and specialised. The future is not solely predicated on how watches are sold but who will sell them. The demise of multi-brand specialist watch retailers has been bandied about for a near decade now. But if anything, the current crisis enhances the strength of retailers with scale, reach, tech savviness and who have teams with deep specialist knowledge of the fine watch domain. While brands have been consolidating their distribution networks, the culling has been primarily on what the industry defines as "B" and "C" retailers. Networked retailers such as ourselves will be required to play a more important role in this transmutation of the watch ecosystem. The rise of e-commerce is advantageous to multi-brand retailers because by virtue of our business model, we offer choice. And choice is clearly one of the key tenets of online retailing. The world leaders in luxury fashion are not the brand's own webstores but instead e-tailers such as Sephora and Yoox Net-a-Porter - the beauty and fashion industry's digital equivalents to The Hour Glass.

Success in this realm of online multi-brand retail is far easier imagined than accomplished. Our reading of the manoeuvring in the online luxury space is that developing a full price, multi-category, multi-brand platform is a challenge that even the most cash rich luxury goods conglomerates have admitted difficulty in navigating. Two years ago, Richemont divested themselves of online luxury fashion juggernaut Net-a-Porter, merging it with its direct rival Yoox and at the same time declaring that their rationale was because with CHF 5.0 billion in cash, they (Richemont) did not have the resources to become a winner in this space! It is too early to speculate on LVMH's second attempt at building their multi-category, multi-brand e-commerce

platform 24 Sevres but it is worthwhile recalling that as early as 2000, LVMH was an early adopter and acquired a substantial stake in then the world's leading e-commerce platform – eluxury.com only to shutter its operations several years after the dotcom bubble burst.

With the watch industry, we recognise that there are tremendous opportunities to be exploited and the debate to engage online is evidently stronger than the arguments to remain on the side lines. But we see three key challenges for any authorised watch retailer intent on developing a global e-commerce platform for new, primary market watches.

Firstly, the notion of global pricing parity. Watches are not priced the same all over the world. Retail prices vary with historical market conditions, import duties, consumption taxes and foreign exchange rates. And the possible arbitrage between markets could be up to 25%. Several brands such as Rolex, Cartier and Omega are addressing this issue by geo-tagging prices based on the prospect's and lead's IP addresses. A recent case of Omega releasing exclusively for sale, online, a special 2,012 piece limited edition watch was met with such overwhelming demand that Omega's servers crashed several times in the span of a few hours. All the watches were sold to clients with the geo tagged retail price of their home country and the difference were as much as 20%. However, due to the limitation of the offer, clients accepted and many were not even aware of the difference. We cannot discount the novelty effect of such launches but should they occur more frequently, the results will most certainly not be as robust.

Secondly, the issue of cross-border selling. Brands continue to assign the privilege of online retail to themselves whilst restricting their traditional specialist retail partners to the geographies that they operate within. However, with the rise of omni-channel commerce and a desire to lever off pure play internet re-sellers, this model may soon be put to the test. Specialist watch e-tailers with large common markets that embrace online buying such as the United States

CHAIRMAN'S STATEMENT

and the EU may eventually give rise to the next Bucherers, Wempes and The Hour Glass' of the digital world. Such a development however, will take time to manifest.

Finally, logistics. The single biggest logistical challenge for all watch brand owners and resellers is their ability to have a returns policy when selling online. Unlike other fashion and leather goods, the cost of refurbishment of a returned watch can be in the range of 2% to 10% of the retail value of the new watch depending on its price. Additionally, when volumes increase, it is within reason to anticipate that a separate after-sales division needs to be created to accommodate the servicing of returned watches.

Restructuring, Reconfiguring and Reorganising

Disintermediation and disruption allows for the levelling up of smaller players, making it easier and faster for more nimble enterprises to scale. So what does that mean for a traditional organisation like The Hour Glass? How do we continue to be forward facing? How do we position ourselves as the disrupters instead of the one being disrupted?

The first positive news about the internet is that it never pays to be first. The second is that owing to the apparent lateness of the watch industry to embrace the online realm, the real winners of the game have yet to be determined. That in this quest to discover the digital El Dorado, there will be a room for several players to securely entrench themselves and even more ways to eventually disrupt and dislodge them.

Two years ago, I had declared that The Hour Glass was facing an inflection point in its phase of business and organisational development. That for us to respond to the digitalization that was taking place in the watch retail industry, to be future ready, we had to unshackle ourselves of our incumbent mindsets and broaden our views of where the world and the watch industry were headed. In the past 18 months, we saw to that. We

reorganized our senior management ranks and flattened our organisation structure, reallocated resources to bolstering our technology, customer experience management and engagement marketing teams, signed off on a series of course altering technological capital investment programmes and most important of all, engaged in a process of augmenting our organisational culture to meet the new demands of our business and clients. Without this effort to influence an internal cultural shift, all of which we seek to introduce will fail because we recognise that we are at our core, traditional retailers and do not embody a digitally native start-up culture. But though that is the case, that does not mean we cannot be digital immigrants. Immigrants who succeed integrating into a foreign land do so because they make an effort to embrace and assimilate themselves to the norms and practices of their new world. In that same vein, it is our ambition that all members of The Hour Glass will transform from being digitally naïve to digital immigrants and finally, in the coming three years, eventually become naturalised digital natives.

Part of this journey is our emphasis on developing an Omni-channel, Omni-commerce model that humanizes the shopping experience every step of the way. Starting with our online engagement with clients to their offline interactions with our corps of watch specialists. When we think about the consumer, we must consider that the new consumer is one that survives in an ever present connected social environment. The merging or blurring of online and offline does not exist as they are no longer mutually exclusive realms. A shopper whilst engaged in a physical retail store and dialoguing with one of our watch specialist will be concurrently online chatting with a friend, a group of friends or engaging in product and pricing research. Appreciating all these developments, our team had invested considerable grey matter in architecting our technology roadmap and rigorously assessing, analysing and evaluating numerous CRM solutions. I am delighted to announce that come September 2017, The Hour Glass will finally 'Go Live' with our inaugural customer experience management

CHAIRMAN'S STATEMENT

platform. A solution that will form the backbone of our Group's Omni-channel strategy.

ROUNDING OFF

I wish to take this opportunity to thank my fellow Board members, senior management colleagues and retail teams for committing themselves to securing the future for The Hour Glass. At the Board level, I am delighted to announce the appointment of a new independent director Mr Liew Choon Wei. Choon Wei was a former Audit partner with Ernst & Young LLP and will serve on The Hour Glass' Audit and Remuneration Committees. He is no stranger to us having had the experience of being the Audit partner responsible for The Hour Glass' account. Choon Wei brings with him decades of corporate governance experience and I'm confident will contribute significantly to the business too.

Beyond bytes and building leases, the future will also be shaped by the decades-long relationships we at The Hour Glass have forged with our key brand partners. Although many have been subsumed into listed luxury conglomerates, most of the important houses are still independently owned. Notably Patek Philippe, Rolex, Audemars Piguet, Richard Mille and independently managed Hublot. While we aim to build the store of the future, we will continue to develop even closer bonds with these partners.

As I was browsing through Patek Philippe's retailer working catalogue from 1976, I came across the foreword by the late Henri Stern, owner and the then President of Patek Philippe. The words he penned were as follows: "Isn't it true that respect for principles and ideals is of special importance when times are difficult?". That "... a firm can only be a leader by constantly introducing new ideas and by being inspiring without forgoing any of its philosophical principles". These sentences reverberated loudly in my mind. In 1976, as it is today, the watch industry required much soul-searching. I believe the pathway out of our industry's present troubles can be found in the sagely message of

Henri Stern. That we must hold true the patrimony and values of the watch industry, believing in the culture and history of the watchmaking art that had come before us and furnace the desire to continue innovating and searching for new methods within each of our metiers – whether it be producing watches or selling watches. We must as an organisation, as members of The Hour Glass, continue to look forward and blaze new pathways to the destiny we intend to create for ourselves. Anticipating changes before the rest of the industry does and engaging in difficult internal restructuring efforts to ensure that our spirit of enterprise remains that of an innovation leader.

HENRY TAY YUN CHWAN

Executive Chairman

2 June 2017

CORPORATE GOVERNANCE

The Hour Glass Limited is committed to ensuring a high standard of corporate governance within the Company, its subsidiaries and significant associates. This report describes the corporate governance practices and activities of the Company and its subsidiaries ("**Group**") for the financial year ended 31 March 2017 ("**FY2017**").

The Company's corporate governance practices and activities in relation to each of the principles of the Code of Corporate Governance 2012 ("**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 MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

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 and long-term sustainability. 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, reviewing management performance and reviewing and endorsing the recommended framework of remuneration for the Board and key executives. The Board also assumes responsibility for corporate governance, and sets the tone from the top for matters such as values and standards (including ethical business practices).

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 four times a year. In addition to scheduled Board meetings, *ad hoc* meetings are convened as and when circumstances require. The Board met four times during the financial year. To facilitate the Board's decision-making process, the Company's Constitution 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 as part of their orientation and are routinely updated on developments and changes in the operating environment, including revisions to accounting standards, listing rules, and laws and regulations affecting the Company and/or the Group. A newly appointed director will be provided with a formal letter of appointment setting out the director's duties and obligations, and a toolkit for the director relating to certain time-sensitive disclosures such as interests in securities, conflicts of interest in transactions, and interested person transactions.

At the request of directors, the Company will fund directors' participation at industry conferences, seminars or training programmes in connection with their duties as directors of the Company. The Company brings to the directors' attention, information on seminars that may be of relevance or use to them.

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The Board is accountable to shareholders while management is accountable to the Board. Each director is expected to act in good faith and in the best interests of the Company at all times in the exercise of his or her duties and powers as a director. 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 are the Audit Committee (“AC”), the Remuneration Committee (“RC”) and the Nominating Committee (“NC”). The AC and RC are made up entirely of independent non-executive directors, and the NC comprises a majority of independent non-executive directors.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders#. No individual or small group of individuals should be allowed to dominate the Board’s decision making.

Independent non-executive directors make up more than half of the Board. As at 31 March 2017, the Board had eight members, consisting of five independent non-executive directors and three executive directors. None of the directors had an alternate director.

The number of independent Board members is in keeping with the recommendation in the Code (which stipulates at least half of the Board should be independent where (among others) the chairman of the board is not an independent director or is part of the management team or is also the chief executive officer). As the Company’s chief executive, the Executive Chairman heads the senior management team.

The Board has adopted the definition in the Code of what constitutes an independent director. The independent non-executive members of the Board comprise seasoned professionals with management, financial, accounting, investment, private equity, retail and commercial

backgrounds. This enables the executive directors and management to benefit from their external and objective perspectives of issues that are brought before the Board. It also provides a broad spectrum of business acumen and skill sets to help shape the strategic process, monitor the performance of management and operate as an appropriate check and balance.

The independence of each independent member of the Board is reviewed annually and is subject to particularly rigorous review where such person has served on the Board beyond nine years. The NC assists the Board with such reviews. There are no material relationships (including immediate family relationships) between each independent non-executive director and the other directors or the Company or its 10% shareholders. Except for Mr Robert Tan, each of the independent non-executive directors has served on the Board for less than nine years as at 31 March 2017. The Board believes that a person’s independence should not be circumscribed by an arbitrarily set period. The Board recognises that Mr Robert Tan has over the course of his tenure as a Board member gained significant insights in the Group’s business and operations, which in turn enables him to provide meaningful and valuable contribution to the Board as a whole. The Board has determined, after a rigorous review by the NC, that Mr Robert Tan is independent as he has continued to demonstrate independence in character and judgment in the manner in which he has discharged his responsibilities, and there are no relationships or circumstances which affect or would be likely to affect his judgement and ability to discharge his responsibilities as an independent member of the Board and to contribute to the Board in such capacity. In its review, the NC noted that Mr Robert Tan had been forthcoming in expressing his individual viewpoints, active in providing constructive inputs and debating issues, and was objective in his scrutiny and challenges to management. He had also actively sought clarification and amplification of Board affairs as he deemed necessary through direct access to management and the Group’s executives.

The Board is of the view that its current composition comprises persons who, as a group, provide the

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appropriate balance and diversity of skills, experience, gender and knowledge of the Company, as well as necessary core competencies including in finance, management experience, industry knowledge, strategic planning experience and customer-based experience. The Board believes that its composition which has regard to factors such as the age, gender, cultural and educational background of its members, contributes to the quality of its decision-making. The Company will continue to decide on appointments to the Board having regard to the merit of candidates and believes that doing so will be consistent with achieving a diversity of perspectives described above. The Board also considers the current Board size is appropriate, taking into consideration the nature and scope of the Group's operations, the number of independent members, the requirements of the business and the need for an orderly and phased rejuvenation process to avoid undue disruptions from changes to the composition of the Board and/or Board Committees.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Dr Henry Tay and Dato' Dr Jannie Chan are the founders of The Hour Glass. Dr Henry Tay and Dato' Dr Jannie Chan are regarded as controlling shareholders of the Company. Dr Henry Tay is the Executive Chairman of the Company. Dato' Dr Jannie Chan was a non-independent and non-executive member of the Board from 1 April 2016 until her resignation as a director of the Company with effect from 30 September 2016. Dr Kenny Chan and Mr Michael Tay are the Group Managing Directors of the Company. Mr Michael Tay is the son of Dr Henry Tay and a nephew of Dr Kenny Chan. The executive directors take an active role in management and overseeing 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. Individually and as a group, the independent non-executive directors express individual

NAME OF DIRECTOR	AGE*	DATE FIRST APPOINTED AS DIRECTOR	DATE LAST RE-APPOINTED/RE-ELECTED AS DIRECTOR
Dr Henry Tay Yun Chwan	73	11 Aug 1979	20 Jul 2016
Dr Kenny Chan Swee Kheng	63	1 Apr 2004	20 Jul 2016
Mr Michael Tay Wee Jin	41	15 Aug 2005	20 Jul 2016
Mr Robert Tan Kah Boh ⁺	71	18 Nov 1999	15 Jul 2015
Mr Philip Eng Heng Nee	70	1 Oct 2009	20 Jul 2016
Mr Kuah Boon Wee	50	1 Apr 2011	23 Jul 2014
Mr Pascal Guy Demierre Chung Wei	43	1 Apr 2011	15 Jul 2015
Ms Saw Phaik Hwa	62	1 Sep 2012	15 Jul 2015
Mr Liew Choon Wei [^]	63	1 Apr 2017	–

* As at the Company's Annual General Meeting on 27 July 2017.

+ Mr Robert Tan Kah Boh will be retiring from the Board at the close of the Company's Annual General Meeting on 27 July 2017.

[^] Mr Liew Choon Wei was appointed to the Board after the close of FY2017.

The term "10% shareholders" is defined in the Code to refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" excludes treasury shares.

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viewpoints, debate issues and objectively scrutinise and challenge management. In addition, Mr Kuah Boon Wee is the lead independent director since 17 July 2013. He is the chairman of the NC. The role of the lead independent director is to be available to shareholders where they have concerns and for which contact through normal channels of the Executive Chairman or other members of senior management has failed to provide satisfactory resolution, or when such contact is inappropriate. The lead independent director will meet with the other independent members of the Board without the presence of the executive directors as and when necessary, and provide any relevant feedback to the Executive Chairman. At the operational level, during the financial year the senior management team, which includes the Executive Chairman and the Group Managing Directors, provides decisiveness and clarity in the 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, sets the Board meeting agenda in consultation with, among others, the Group Managing Directors and Chief Financial Officer and ensures that there is adequate time available for discussion of all agenda items. The Executive Chairman promotes a culture of openness and debate at meetings of the Board, encourages constructive relations among members of the Board and between the Board and management, fosters effective communication with shareholders at the general meetings of the Company and facilitates contributions of the non-executive directors. He also reviews Board papers on significant issues before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information, and that formalities and procedures are observed. The Board, together with management, are responsible for ensuring compliance with applicable laws and regulations.

BOARD MEMBERSHIP AND PERFORMANCE

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

Principle 5: *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

During the financial year, Mr Kuah Boon Wee, Dr Kenny Chan, Mr Robert Tan and Mr Pascal Demierre served on the NC for the full period. The NC was chaired by Mr Kuah Boon Wee. Dato' Dr Jannie Chan was a member of the NC in the first half of the financial year until her resignation as director of the Company. The majority of the NC members, including the NC Chairman, are independent non-executive directors. The NC met once during the financial year.

The NC's scope of authority is formalised in its terms of reference. The principal functions of the NC are to make recommendations to the Board on appointments including re-nominations, and oversee the Company's succession and leadership development plans.

The NC is responsible for reviewing the independence of Board members who are independent directors upon appointment, and thereafter annually or whenever circumstances require. Independent directors are required to notify the NC promptly of any relationships or circumstances which arise that are likely to affect, or could appear to affect, the director's independence.

The NC is also responsible for reviewing the structure, size and composition of the Board and Board Committees. The selection of candidates for new appointments to the Board as part of the Board's renewal process is policy-based and includes prerequisites such as independent mindedness, core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors, experience in high-performing organisation, track record and business acumen. Candidates are evaluated taking into account various

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factors including the current and mid-term needs and goals of the Company, as well as the relevant expertise of the candidates and their potential contributions to the Board, having due regard for the benefits of diversity on the Board including age, gender, cultural and education background and skill sets. Candidates may be put forward or sought through contacts and recommendations. 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.

Factors which are taken into consideration for the re-nomination of the directors for the ensuing year include not only the directors' attendance and participation at Board meetings and Board committee meetings in the financial year under review, but also whether the Board and management have benefited from an open and healthy exchange of views and ideas. The renewal of a director's Board membership recognises the value of that individual to the Board and the Company, and his or her continued contribution to the on-going needs of the Company and its business. A director's calibre, experience, stature and skills as well as his or her ability to contribute to the proper governance and stewardship of the Company and its operations are important qualities, albeit not capable of precise valuation or measurement, nor need such contributions necessarily be confined to the boardroom. Contributions by a director can take many forms, including providing objective perspectives of issues, facilitating business opportunities and strategic relationships, and accessibility to management outside of a formal environment of Board and/or Board committee meetings. The Board has set as a maximum number, seven other listed company board representations which a director may concurrently hold in order that competing time commitments may be practically managed. A director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. The NC takes this into consideration when evaluating whether the individual is able to or has been adequately discharging his or her duties as a director of the Company.

The NC administers annually, the formal process

adopted by the Board for evaluation of the Board's performance as a whole, including Board Committees and the contributions of individual directors to the effectiveness of the Board. The performance criteria include assessment of the Board's size and composition, access to information, processes and accountability and Board Committees' performance in relation to discharging their responsibilities set out in their respective terms of reference, while individual directors are assessed on the director's attendance record, preparedness for meetings, participation level and contribution at meetings, analytical skills, knowledge as well as overall contribution to the Board and the Board Committees, as appropriate. Each member of the Board is required to complete an evaluation form. The NC collates the completed forms and compiles a consolidated report for the Board, in consultation with the Executive Chairman. The Board would act on the results of the performance evaluation where appropriate. The Board is of the view that while financial indicators such as share price performance and return-on-equity may provide a means of benchmarking the Board's performance relative to that of competitors and industry peers, non-financial indicators such as feedback received from investors and market analysts also serve as useful qualitative analysis by external parties. Hence, financial indicators in themselves do not necessarily fully measure the long-term success and value creation of the Company. The Board believes that its performance and that of individual Board members is 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. Having regard to its 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 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 report. This also reflects a Board member's additional responsibilities and special focus on the respective Board Committees of the Company.

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ACCESS TO INFORMATION

Principle 6: *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Non-executive directors have access to the executive directors, management and the company secretary, and vice versa. In general, board papers which set out, amongst other things, management information such as financial performance, budgets, financial position, capital expenditure and operational statistics, 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. Additional information is provided to directors, as and when needed or requested, to enable them to make informed decisions.

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

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

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: *There should be a formal and transparent procedure for developing policy on executive*

remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle 8: *The level of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

DISCLOSURE ON REMUNERATION

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remunerative policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

During the financial year, the RC comprised Mr Robert Tan, Mr Philip Eng and Mr Pascal Demierre, all of whom are independent non-executive directors. Mr Robert Tan chaired the RC. The RC met two times during the financial year.

The RC's scope of authority is formalised in its terms of reference. The RC's role primarily is to review, determine and recommend to the Board, the framework of remuneration, terms of engagement, compensation and benefits for senior executives, including the executive directors of the Company and key management personnel. Its functions include review of senior executive development and succession, compensation plans and recruitment strategies, and evaluation of executives' performance. The RC, in carrying out its functions, has access to professional advice on human resource matters whenever there is a need to consult externally.

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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 ("AGM") for approval), which is a Board reserved matter. Such fees are set in accordance with a remuneration framework comprising basic fees, attendance 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 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 employment terms of executive directors and certain senior key management personnel stipulate a fixed component in the form of base salary and a variable component linked to the pre-tax profits of the reporting entity and include provisions which entitle the Board to recompute the incentive component of their remuneration in the event of an adjustment made to, or restatement of, the audited consolidated financial statements of the Group for the relevant financial year (other than due to a change in applicable accounting standards or interpretation). 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. There are no termination, retirement and post-employment benefits granted to directors and key management personnel save for the provision of retirement gratuities for the Executive Chairman as disclosed in the notes to the financial statements. The Company does not presently operate an employee share option or share-based incentive scheme.

The Company is of the view that disclosure of the remuneration details of each director and key management personnel (who are not directors) in the manner recommended by the Code will be detrimental to the Company's interests, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment in which the Group operates. Instead, the level and mix of the annual remuneration of the directors in remuneration bands of \$250,000 and the level of

remuneration of the Group's top eight key management personnel (who are not directors), are disclosed at the end of this report. The aggregate remuneration of the executive directors and of the top eight key management personnel (who are not directors) for the financial year were \$5,906,192 and \$3,546,533, respectively. The aggregate directors' fees of \$340,048 paid to the non-executive directors for the financial year was within the amount of up to \$396,000 approved at the AGM on 20 July 2016. During the year, Mrs Choy Siew Sen (an employee in an Australia subsidiary of the Company) who is the sister of Dr Kenny Chan, received an annual remuneration above \$200,000 but below \$250,000.

An annual remuneration report is not included in this report as the matters required to be disclosed therein have been disclosed at the end of this report, the Directors' Statement and the notes to the financial statements. The Board responds to queries from shareholders at AGMs on matters pertaining to remuneration policies and directors' remuneration.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company is committed to providing a balanced and clear assessment of the Group's performance, financial position and prospect through timely reporting of its quarterly and full year results. The Company has in place a system of reporting to maintain compliance with statutory and regulatory reporting requirements. Negative assurance statements were issued by the Board with each quarterly financial report to confirm that to the best of its knowledge, nothing had come to its attention which would render the Company's quarterly results false or misleading in any material respect.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance

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of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises that it is responsible for risk governance and ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets. The Board appreciates that risk management is an on-going process in which senior management and the operational managers continuously participate to evaluate, monitor and report to the AC and the Board on significant risks.

The Company has developed and implemented a Board Assurance Framework which includes an Enterprise Risk Management Framework to identify the significant risks facing the Group, the potential impact and likelihood of those risks occurring, the control effectiveness and action plans being taken to mitigate those risks. The Company has also developed a risk governance structure, which provides details on the roles and responsibilities for the Board and management in risk monitoring, escalation, mitigation and reporting.

The Company has established risk appetite statements and tolerance limits to monitor shifts in its significant risks and to proactively manage them within acceptable levels.

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 significant risks, including financial, operational, compliance and information technology risks and evaluate potential impact of these risks on the Group. 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 quarterly management accounts.

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 Enterprise Risk Management Framework and covers those areas which are considered to pose significant risks to the Company.

During the financial year, the AC and the Board reviewed the adequacy and effectiveness of the Group's internal controls in relation to the significant risks, including financial, operational, compliance and information technology controls, and risk management systems.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 March 2017 to address financial, operational, information technology and compliance risks, which the Group considers relevant to its operations. However, the Board is also aware that such a system can only provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide a complete assurance against human error, poor judgement in decision-making, losses, fraud or other irregularities.

In addition, the Board has received assurance from the Group Managing Directors and Chief Financial Officer that the financial records for the financial year ended 31 March 2017 have been properly maintained, give a true and fair view of the Group's operations and finances and that the Group's risk management and internal controls systems are adequate and effective.

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AUDIT COMMITTEE

Principle 12: *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

During the financial year, the AC comprised Mr Philip Eng, Mr Kuah Boon Wee and Ms Saw Phaik Hwa, all of whom are independent non-executive directors. Mr Philip Eng chaired the AC. The Board is of the view that all three AC members possess the relevant expertise to discharge the functions of an AC. Two members of the AC, including the AC chairman are qualified chartered accountants. Collectively, the AC members have extensive experience in accounting, business administration and management. None of the AC members was a former partner of the Company's existing external auditor, Ernst & Young LLP, within the previous twelve months or has any financial interest in the firm.

The AC's scope of authority are formalised 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. In addition, the AC, under its terms of reference as delegated by the Board, has the responsibility to oversee the Group's risk management framework and policies. The AC has explicit authority to investigate any matter within its terms of reference.

During the financial year, the AC met four times. The activities of the AC include reviewing with the external auditor its (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 auditor, the scope and results of the internal audit procedures, the statements of financial position of the Company and Group, and consolidated income statement of the Group, significant financial reporting issues and judgments as well as the quarterly and full-year results prior to their submission to the Board, and (where applicable) interested person transactions. If a firm other than the external auditor is appointed as auditor of any

unlisted Singapore-incorporated subsidiary or significant associate, the AC together with the Board would have to be satisfied that it would not compromise the standard and effectiveness of the Company's audit by the external auditor. The AC also recommends the appointment or re-appointment of the external auditor, and takes into consideration the scope and results of the audit and its cost effectiveness (including remuneration and terms of engagement) and the independence of the external auditor.

In the review of the financial statements, the AC discussed with management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The AC also considered the clarity of disclosures on significant matters in the financial statements. Among other matters, the following key audit matters as reported by the external auditor for the year ended 31 March 2017 were reviewed and discussed by the AC with management and the external auditor:

- Stock allowances
- Valuation of investment properties

Following the review and discussion, the AC was satisfied with the approach and appropriateness of methodologies used by management, as adopted and disclosed in the financial statements, and recommendation was made by the AC to the Board to approve the financial statements.

The AC has undertaken a review of all non-audit services provided by the external auditor during the financial year, and is of the view that they would not affect the independence of the external auditor. The aggregate amount of audit and non-audit fees paid to the external auditor in the year under review can be found at note 8 to the financial statements, in the Annual Report. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its auditing firms.

The AC members take steps to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements through attendance at briefings by the external auditor or other professionals.

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The AC has full access to and co-operation of the Company's management and the internal auditor and has full discretion to invite any executive director or officer to attend its meetings. Both the internal and external auditors 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 auditor, and with the internal auditor, without the presence of management, at least annually.

The Company's external auditor carries out, in the course of its annual statutory audit, a review of the Company's internal controls relevant to the Company's preparation of the consolidated financial statements, and risk management to the extent of the scope of audit as laid out in its audit plan. Material non-compliance and internal control weaknesses noted during the audit and the external auditor's recommendations to address such non-compliance and weaknesses are reported to the AC. Management follows up and implements the external auditor's recommendations.

The Company has in place a "whistle blowing" policy for staff and others. The AC oversees this policy, including procedures for follow up action and independent investigations.

INTERNAL AUDIT

Principle 13: *The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Company's internal audit function is headed by a manager, who reports directly to the AC on audit matters, and to the Group Managing Directors on administrative matters. The AC reviews the internal audit reports and activities at least annually. The AC also reviews and approves the annual internal audit plan.

The AC participates in the hiring, evaluation and compensation of the head of the internal audit function. The internal audit department has unfettered access to all company documents, records, properties and personnel, including access to the AC. 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.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.*

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 quarterly and full-year results, material transactions, and other developments relating to the Group requiring disclosure under the corporate disclosure policy of the SGX-ST.

All shareholders of the Company are sent a copy of the Annual Report and notice of the 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

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takes place at its AGMs, whereat members of the Board, senior management and the external auditor are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask questions regarding the Company. In addition, the Company also attends to enquiries from shareholders, analysts and the press. Such enquiries are handled by specifically designated members of senior management in lieu of a dedicated investor relations team. Resolutions put to the general meetings are separate unless they are interdependent and linked, and the reasons and material implications are explained.

The Company's Constitution allows a shareholder to appoint one or two proxies to attend and vote at general meetings in his/her stead. However, following legislative reform which took effect in January 2016, shareholders who are "relevant intermediaries" (such as banks and capital markets services licence holders which provide custodial services for securities) are able to appoint more than two proxies to attend, speak and vote at general meetings notwithstanding that the Company's Constitution does not differentiate between the number of proxies which may be appointed by individual shareholders and relevant intermediaries. For greater transparency in the voting process, the Company has implemented electronic poll voting starting with its AGM in 2016. Shareholders and proxies in attendance at the meeting are informed of the voting process. The results of the vote on every resolution

polled at the general meeting will be announced by the Company in accordance with relevant requirements of the SGX-ST Listing Manual.

The Company prepares minutes of general meetings, which include relevant comments and queries from shareholders, and makes these minutes available to shareholders upon their request.

The Company does not have a stated policy of distributing a fixed percentage of earnings by way of dividend in any financial year. Rather, in fixing a dividend for any year, the Board considers a number of factors, including current and forecast earnings, capital expenditure requirements, growth options and the Company's debt/equity position.

DISCLOSURE OF REMUNERATION

Directors' fees are paid to non-executive directors on a current year basis, subject to approval by shareholders at the AGM. Executive directors do not receive any directors' fees.

The fees proposed for payment to non-executive directors for FY2017 was determined based on the following formula, which is substantially the same as that applied in the previous year:

	FY2017 FEE QUANTUM \$
BOARD DIRECTORS	
Basic fee	30,000
Attendance fee for each Board Meeting	2,000
Attendance fee for each non-scheduled meeting	1,000
LEAD INDEPENDENT DIRECTOR	7,500
AUDIT COMMITTEE	
Chairman	40,000
Member	15,000
REMUNERATION COMMITTEE	
Chairman	17,000
Member	5,000
NOMINATING COMMITTEE	
Chairman	12,000
Member	5,000

CORPORATE GOVERNANCE

SUMMARY REMUNERATION TABLES – FY2017

(I) DIRECTORS

Name	Position	Salary* %	Bonus# %	Fees %	Other benefits %	Total %
\$2,250,000 to below \$2,500,000						
Dr Kenny Chan Swee Kheng	<i>Group Managing Director</i>	21%	75%	0%	4%	100%
Mr Michael Tay Wee Jin	<i>Group Managing Director</i>	22%	75%	0%	3%	100%
\$1,250,000 to below \$1,500,000						
Dr Henry Tay Yun Chwan	<i>Executive Chairman</i>	23%	68%	0%	9%	100%
\$250,000 to below \$500,000						
Dato' Dr Jannie Chan Siew Lee®	<i>Non-Independent and Non-Executive Director</i>	0%	0%	100%	0%	100%
Below \$250,000						
Mr Robert Tan Kah Boh	<i>Independent Director</i>	0%	0%	100%	0%	100%
Mr Philip Eng Heng Nee	<i>Independent Director</i>	0%	0%	100%	0%	100%
Mr Kuah Boon Wee	<i>Independent Director</i>	0%	0%	100%	0%	100%
Mr Pascal Guy Demierre Chung Wei	<i>Independent Director</i>	0%	0%	100%	0%	100%
Ms Saw Phaik Hwa	<i>Independent Director</i>	0%	0%	100%	0%	100%

* Salary includes employer's CPF contribution.

Accrued for FY2017.

@ Resigned as a Director of the Company with effect from 30 September 2016. Fees include fees from the Company for advisory services rendered during the corresponding period.

(II) KEY MANAGEMENT OF THE GROUP (AS AT 31 MARCH 2017)

Name of Company	Name	Position
The Hour Glass Limited	Mr Ng Siak Yong	Chief Financial Officer
The Hour Glass (HK) Limited	Mr Chung Wai Yang	Managing Director (Hong Kong)
The Hour Glass Japan Ltd	Mr Atsushi Momoi	Director & General Manager
The Hour Glass Sdn Bhd	Mr Teh Soon Kheng	General Manager
Glajz-THG Pte Ltd	Mr John Glajz	Managing Director

No. of key executives in remuneration bands	FY2017*
Above \$750,000 to below \$1,000,000	1
\$500,000 to below \$750,000	2
\$250,000 to below \$500,000	3
Below \$250,000	2

* Includes three key executives (Managing Director Luxury Enterprises, Managing Director Singapore and General Manager Australia) who left the Group's employment during FY2017.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN FY2017

Board composition & Committees	Board	AC	RC	NC
No. of meetings held	4	4	2	1
	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended
Dr Henry Tay Yun Chwan	4	NA	NA	NA
Dato' Dr Jannie Chan Siew Lee [^]	2	NA	NA	1
Dr Kenny Chan Swee Kheng	4	NA	NA	1
Mr Michael Tay Wee Jin	4	NA	NA	NA
Mr Robert Tan Kah Boh	4	NA	2	1
Mr Philip Eng Heng Nee	4	4	2	NA
Mr Kuah Boon Wee	4	4	NA	1
Mr Pascal Guy Demierre Chung Wei	3	NA	2	1
Ms Saw Phaik Hwa	4	4	NA	NA

NA means not applicable.

[^] Resigned as a Director of the Company and member of the NC with effect from 30 September 2016.

CORPORATE GOVERNANCE

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 conflict of interest. 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's best practices recommendations. Directors and staff are to refrain from dealing in the securities of the Company during the periods commencing two weeks before the release of the Company's results for each of the first three quarters of its financial year and one month before and up to the date of announcement of the Company's full year results. Staff are cautioned against dealing 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 SGX-ST Listing Manual) are subject to review and approval by the Board comprising those directors who do not have an interest in the transaction. Where required by the relevant listing rules of the SGX-ST, the AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interests of the Company and shareholders, before making its recommendation to the Board for endorsement.

During the financial year, the following transaction was conducted with an interested person which amounted to \$100,000 or more in value. The Company did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST during the financial year.

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 transactions less than \$100,000)
Dato' Dr Jannie Chan Siew Lee	*\$900,000	—

* Advisory services agreement for the period commencing on 1 April 2016 and ending on 31 March 2019.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of The Hour Glass Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2017.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors in office at the date of this statement are:

Dr Henry Tay Yun Chwan

Dr Kenny Chan Swee Kheng

Mr Michael Tay Wee Jin

Mr Robert Tan Kah Boh

Mr Philip Eng Heng Nee

Mr Kuah Boon Wee

Mr Pascal Guy Demierre Chung Wei

Ms Saw Phaik Hwa

Mr Liew Choon Wei

(appointed on 1 April 2017)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors 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, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Ordinary Shares of the Company				
Henry Tay Yun Chwan	56,687,668	56,687,668	361,746,391	378,172,869
Kenny Chan Swee Kheng	2,725,497	2,725,497	448,878	448,878
Michael Tay Wee Jin	1,804,098	1,804,098	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2017.

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

By virtue of Section 4 of the Singapore Securities and Futures Act, Chapter 289, Dr Henry Tay Yun Chwan is deemed to have interests in the shares of the subsidiaries held by the Company.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Share options

- (i) No options to take up unissued shares in the Company or its subsidiaries 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 subsidiaries.
- (iii) As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit Committee

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

Mr Philip Eng Heng Nee	(Chairman)
Mr Kuah Boon Wee	
Ms Saw Phaik Hwa	
Mr Liew Choon Wei	(appointed on 1 April 2017)

The Audit Committee held four 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 carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, and 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 auditor, including the nature and scope of the audit before the audit commenced;
- (e) the audit report submitted by the external auditor;
- (f) the scope and results of internal audit procedures;
- (g) the co-operation given by management to the external and internal auditors;
- (h) the independence and objectivity of the external auditor; and
- (i) the nature and extent of non-audit services provided by the external auditor.

The Audit Committee, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The Audit Committee has also conducted a review of interested person transactions.

The Audit Committee has recommended to the Board of Directors the reappointment of Ernst & Young LLP, Chartered Accountants, as the external auditor of the Company at the forthcoming Annual General Meeting.

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

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Henry Tay Yun Chwan
Executive Chairman

Kenny Chan Swee Kheng
Group Managing Director

Singapore
2 June 2017

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2017 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of The Hour Glass Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2017
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

Key Audit Matters (cont'd)

Areas of focus	How our audit addressed the risk factors
<p>Stock allowances</p> <p>The Group's stocks, which represents the most significant component of the Group's assets, amounted to \$307,354,000 as at 31 March 2017.</p> <p>Stocks are carried at the lower of cost and net realisable value. The determination of net realisable value of stocks in the retail industry is subject to estimation uncertainty, in particular due to uncertain consumer demand. The nature of the Group's business which sells luxury timepieces and jewellery subject to changing consumer demands and fashion trends further increases the level of judgement required to assess the appropriate level of allowances for items which may be sold below cost or remained unsold as a result of a reduction in consumer demand. Such judgements include management's expectations of future sales and stock liquidation plans. Accordingly, we have identified this as a key audit matter.</p> <p>Refer to Note 2.15 (accounting policy) and Note 21 (financial statement's disclosures).</p>	<ul style="list-style-type: none"> • We reviewed the basis of the stock allowances and the consistency of providing for stock allowances with the Group's policy. • We assessed the adequacy of the Group's stock allowances by checking on a sample basis that stock items were categorised appropriately in the relevant ageing bracket and assessing the reasonableness of the allowance percentages applied. • We also assessed the appropriateness of the stock allowances by considering the historical accuracy of allowances by obtaining an understanding of the ageing profile of the stocks, the process of making specific provision for certain stocks and the historical utilization rates.
<p>Valuation of investment properties</p> <p>The Group owns a portfolio of investment properties which are carried at fair value, with changes in fair values recognised in the income statement. The portfolio of investment properties is valued at \$71,825,000 as at 31 March 2017.</p> <p>The valuation of the portfolio of investment properties is a key audit matter due to its magnitude and the complexity of the fair valuation underpinned by a number of assumptions such as capitalisation yields and future lease income.</p> <p>The Group uses professionally qualified external valuers to fair value the Group's investment properties annually.</p> <p>The valuation exercise relies on the accuracy of the underlying lease and financial information provided to the valuers by management.</p> <p>Refer to Note 2.8 (accounting policy) and Note 13 (financial statement's disclosures).</p>	<ul style="list-style-type: none"> • We assessed management's process for reviewing and assessing the work of the external valuers. • We obtained the external valuation reports and inquired with the external valuers of the portfolio to discuss the basis and results of their work. • We assessed the appropriateness of the valuation model, performance of the portfolio and significant assumptions and critical judgement areas, including lease incentives, future lease income and capitalization yields. • We considered the competency, capabilities and objectivity of the external valuers. • We tested a sample of properties through benchmarking of yields, understanding the valuation methodology and testing the integrity of a sample of the information provided to the external valuer by agreeing that information to underlying lease agreements.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2017 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

Other Information

Management is responsible for the other information. The other information comprise the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2017 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lim Siew Koon.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
2 June 2017

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 \$'000	2016 \$'000
Revenue	4	696,056	707,525
Other income	5	7,896	6,504
Total revenue and other income		703,952	714,029
Cost of goods sold		538,110	540,067
Salaries and employees benefits		41,713	44,280
Depreciation of property, plant and equipment	12	7,342	6,586
Selling and promotion expenses		14,711	17,559
Rental expenses		29,901	28,132
Finance costs	6	1,609	1,693
Foreign exchange loss		490	541
Other operating expenses	7	10,398	14,752
Total costs and expenses		(644,274)	(653,610)
Share of results of associates		3,316	6,549
Profit before taxation	8	62,994	66,968
Taxation	9	(13,352)	(13,425)
Profit for the year		49,642	53,543
Profit attributable to:			
Owners of the Company		48,698	52,324
Non-controlling interests		944	1,219
		49,642	53,543
Earnings per share (cents)			
Basic and diluted	11	6.91	7.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	2017 \$'000	2016 \$'000
Profit for the year	49,642	53,543
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Net surplus on revaluation of a freehold premise reclassified to investment property (Note 12)	–	271
	–	271
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation	4,356	(6,159)
	4,356	(6,159)
Other comprehensive income/(loss) for the year, net of tax	4,356	(5,888)
Total comprehensive income for the year	53,998	47,655
Total comprehensive income attributable to:		
Owners of the Company	52,705	46,794
Non-controlling interests	1,293	861
	53,998	47,655

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets					
Non-current assets					
Property, plant and equipment	12	37,109	34,962	12,212	13,109
Investment properties	13	71,825	66,682	12,137	12,719
Intangible assets	14	4,446	4,619	75	156
Investment in subsidiaries	15	–	–	52,074	52,074
Investment in associates	16	24,753	20,082	–	–
Loan to subsidiaries	17	–	–	809	762
Loan to an associate	18	2,224	2,095	–	–
Other receivables	19	7,341	7,806	3,535	3,696
Deferred tax assets	20	582	490	469	353
		<u>148,280</u>	<u>136,736</u>	<u>81,311</u>	<u>82,869</u>
Current assets					
Stocks	21	307,354	320,127	176,878	184,485
Trade and other receivables	19	17,704	15,391	5,779	3,789
Prepaid operating expenses		747	518	275	148
Amount due from associates	22	70	76	–	–
Amounts due from subsidiaries	23	–	–	7,247	8,725
Cash and cash equivalents	24	124,849	93,898	52,626	32,092
		<u>450,724</u>	<u>430,010</u>	<u>242,805</u>	<u>229,239</u>
Total assets		<u>599,004</u>	<u>566,746</u>	<u>324,116</u>	<u>312,108</u>
Equity and liabilities					
Current liabilities					
Loans and borrowings	25	51,160	39,060	26,000	36,000
Trade and other payables	26	46,534	45,110	19,640	20,226
Amount due to subsidiaries	23	–	–	6,012	–
Provision for taxation		6,726	4,200	4,210	1,585
		<u>104,420</u>	<u>88,370</u>	<u>55,862</u>	<u>57,811</u>
Net current assets		346,304	341,640	186,943	171,428
Non-current liabilities					
Loans and borrowings	25	–	24,362	–	–
Provisions		229	282	–	–
Deferred tax liabilities	20	1,386	764	–	–
Other non-current liabilities		1,171	722	1,171	722
		<u>2,786</u>	<u>26,130</u>	<u>1,171</u>	<u>722</u>
Total liabilities		<u>107,206</u>	<u>114,500</u>	<u>57,033</u>	<u>58,533</u>
Net assets		<u>491,798</u>	<u>452,246</u>	<u>267,083</u>	<u>253,575</u>
Equity attributable to owners of the Company					
Share capital	27	67,638	67,638	67,638	67,638
Reserves	28	410,839	372,234	199,445	185,937
		<u>478,477</u>	<u>439,872</u>	<u>267,083</u>	<u>253,575</u>
Non-controlling interests		<u>13,321</u>	<u>12,374</u>	–	–
Total equity		<u>491,798</u>	<u>452,246</u>	<u>267,083</u>	<u>253,575</u>
Total equity and liabilities		<u>599,004</u>	<u>566,746</u>	<u>324,116</u>	<u>312,108</u>

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 2017

Group	Attributable to owners of the Company							Total equity \$'000
	Share capital \$'000	Foreign currency translation reserve \$'000	Capital reserve \$'000	Asset revaluation reserve \$'000	Revenue reserve \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	
Balance at 1 April 2015	67,638	(8,071)	–	3,101	346,062	408,730	13,226	421,956
Profit for the year	–	–	–	–	52,324	52,324	1,219	53,543
Other comprehensive (loss)/income	–	(5,801)	–	271	–	(5,530)	(358)	(5,888)
Total comprehensive (loss)/income for the year	–	(5,801)	–	271	52,324	46,794	861	47,655
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 10)	–	–	–	–	(15,510)	(15,510)	–	(15,510)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(240)	(240)
Total contributions by and distributions to owners	–	–	–	–	(15,510)	(15,510)	(240)	(15,750)
Changes in ownership interest in a subsidiary								
Acquisition of non-controlling interest without a change in control	–	–	(142)	–	–	(142)	(1,473)	(1,615)
Total changes in ownership interest in a subsidiary	–	–	(142)	–	–	(142)	(1,473)	(1,615)
Total transactions with owners in their capacity as owners	–	–	(142)	–	(15,510)	(15,652)	(1,713)	(17,365)
Balance at 31 March 2016	67,638	(13,872)	(142)	3,372	382,876	439,872	12,374	452,246

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 2017

	Attributable to owners of the Company					Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Foreign currency translation reserve \$'000	Capital reserve \$'000	Asset revaluation reserve \$'000	Revenue reserve \$'000			
Group (cont'd)								
Balance at 1 April 2016	67,638	(13,872)	(142)	3,372	382,876	439,872	12,374	452,246
Profit for the year	–	–	–	–	48,698	48,698	944	49,642
Other comprehensive income	–	4,007	–	–	–	4,007	349	4,356
Total comprehensive income for the year	–	4,007	–	–	48,698	52,705	1,293	53,998
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 10)	–	–	–	–	(14,100)	(14,100)	–	(14,100)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(346)	(346)
Total transactions with owners in their capacity as owners	–	–	–	–	(14,100)	(14,100)	(346)	(14,446)
Balance at 31 March 2017	67,638	(9,865)	(142)	3,372	417,474	478,477	13,321	491,798

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
Company			
Balance at 1 April 2015	67,638	173,112	240,750
Profit for the year, representing total comprehensive income for the year	–	28,335	28,335
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 10)	–	(15,510)	(15,510)
Total transactions with owners	–	(15,510)	(15,510)
Balance at 31 March 2016 and 1 April 2016	67,638	185,937	253,575
Profit for the year, representing total comprehensive income for the year	–	27,608	27,608
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 10)	–	(14,100)	(14,100)
Total transactions with owners	–	(14,100)	(14,100)
Balance at 31 March 2017	67,638	199,445	267,083

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 \$'000	2016 \$'000
Operating activities			
Profit before taxation		62,994	66,968
Adjustments for:			
Finance costs		1,609	1,693
Interest income		(605)	(547)
Depreciation of property, plant and equipment		7,342	6,586
Amortisation of intangible assets		173	177
Foreign currency translation adjustment		248	471
Net loss/(gain) on disposal of property, plant and equipment		224	(12)
Fair value gain on investment properties		(3,448)	(1,988)
Share of results of associates		(3,316)	(6,549)
Operating cash flows before changes in working capital		65,221	66,799
Decrease/(increase) in stocks		13,005	(25,320)
Increase in receivables		(1,118)	(2,074)
(Increase)/decrease in prepaid operating expenses		(216)	94
Decrease/(increase) in amount due from associates		10	(30)
Increase in payables		1,311	1,644
Cash flows from operations		78,213	41,113
Income taxes paid		(10,674)	(18,648)
Interest paid		(1,609)	(1,693)
Interest received		605	547
Net cash flows from operating activities		66,535	21,319
Investing activities			
Proceeds from disposal of property, plant and equipment		2	182
Purchase of property, plant and equipment		(9,422)	(10,866)
Net cash flows used in investing activities		(9,420)	(10,684)
Financing activities			
Proceeds from loans and borrowings		14,823	23,767
Repayment of loans and borrowings		(27,800)	(20,583)
Acquisition of non-controlling interests		-	(1,615)
Dividends paid to non-controlling interests		(346)	(240)
Dividends paid on ordinary shares		(14,100)	(15,510)
Net cash flows used in financing activities		(27,423)	(14,181)
Net increase/(decrease) in cash and cash equivalents		29,692	(3,546)
Effect of exchange rate changes on cash and cash equivalents		1,259	(888)
Cash and cash equivalents at 1 April		93,898	98,332
Cash and cash equivalents at 31 March	24	124,849	93,898

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017

1. Corporate information

The Hour Glass Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

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 subsidiaries (collectively, the "Group") are those of investment holding companies, retailing and distribution of watches, jewellery and other luxury products, and investment in properties.

2. Summary of significant accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group and the statement of financial position 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 the historical cost basis except as disclosed in the accounting policies below.

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 April 2018.

2.2. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 7: <i>Disclosure Initiative</i>	1 January 2017
Improvements to FRSs (December 2016)	
(a) Amendments to FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(b) Amendments to FRS 101 <i>First-Time Adoption of Financial Reporting Standards</i>	1 January 2018
(c) Amendments to FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
Amendments to FRS 40: <i>Transfers of Investment Property</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 104: Applying FRS 109 <i>Financial Instruments</i> with FRS 104 <i>Insurance Contracts</i>	1 January 2018

2. Summary of significant accounting policies (cont'd)**2.3 Standards issued but not yet effective (cont'd)**

Description	Effective for annual periods beginning on or after
Amendments to FRS 115: Clarifications to FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. With a full retrospective application or a modified retrospective application is required for annual period beginning on or after 1 January 2018. Early adoption is permitted.

Management has performed an assessment of the impact of the adoption of the new five-step model for the Group's revenue streams and have concluded that the adoption of the FRS 115 will have no material impact on the financial statements of the Group and the Company.

Except for FRS 109 and FRS 116, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 109 and FRS 116 are described below.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group do not expect a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, Earnings Before Tax, Interest, Depreciation and Amortization ("EBITDA") and gearing ratio.

2.4 Foreign currency

The financial statements are presented in SGD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. 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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit and loss are translated at the average rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. Summary of significant accounting policies (cont'd)

2.5 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless other measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment

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

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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 value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 Investment properties

Investment properties are properties that are either owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

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 gain or loss on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property that will be carried at fair value, the entity shall treat any difference at that date between the carrying amount of the property in accordance with FRS 16 and its fair value in the same way as a revaluation in accordance with FRS 16.

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives 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. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets of the Group comprised:

(a) Brand

The brand was acquired in a business combination. The useful life of the brand is estimated to be 50 years.

(b) Franchise fees

Franchise fees paid are amortised over the estimated useful lives of 5 years based on the expected pattern of consumption of future economic benefits.

2. Summary of significant accounting policies (cont'd)

2.11 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. The Group accounts for its investment in an associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.12 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 indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit 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 profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

- Cash and cash equivalents
- Trade and other receivables, including amounts due from subsidiaries and associates.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flow from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.13 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets

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

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present 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. Summary of significant accounting policies (cont'd)

2.15 Stocks

Stocks are stated at the lower of cost (specific identification method) and net realisable value. Costs incurred in bringing the stocks to their present location and condition are accounted for as purchase costs.

Where necessary, allowance is provided for obsolete and slow moving items to adjust the carrying value of stocks to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.16 Cash and cash equivalents

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

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

2.18 Provisions

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.19 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to end of the reporting period.

(c) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflow.

2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

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

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(b). Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (cont'd)

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from the sale of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer which, generally coincides with their delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

2. Summary of significant accounting policies (cont'd)

2.22 Taxes

(a) Current income tax

Current income 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associate where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period 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 in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

(c) Sales tax

Revenue, 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 statements of financial position.

2.23 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.24 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the statement of financial position of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Income taxes

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

The Group's and the Company's income tax and deferred tax provisions are as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deferred tax assets	582	490	469	353
Provision for taxation	6,726	4,200	4,210	1,585
Deferred tax liabilities	1,386	764	–	–

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Allowances for stocks

Management reviews the stock ageing listing on a periodic basis. This review involves comparison of the carrying values of the aged stock items with the respective net realisable values. The purpose is to ascertain whether any allowance is required to be made in the financial statements for slow-moving items. Management is satisfied that adequate allowance for stocks has been made in the financial statements. The carrying amount of the Group's stocks at the end of the reporting period is disclosed in Note 21 to the financial statements.

(b) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value of its investment properties as at the end of the reporting period. The fair values of investment properties are determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. The determination of the fair value of the investment properties require the use of estimates such as future cash flows from assets (such as letting, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting date. The key assumptions used to determine the fair value of the investment properties are further explained in Note 13.

(c) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 10 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 2017 was \$37,109,000 (2016: \$34,962,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(d) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 19 to the financial statements.

4. Revenue

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

5. Other income

	Group	
	2017	2016
	\$'000	\$'000
Rental income	2,430	2,674
Interest income from:		
- Loan to an associate	135	142
- Cash at banks and short-term deposits	470	405
Management fee from associates	700	713
Net gain on disposal of property, plant and equipment	–	12
Fair value gain on investment properties	3,448	1,988
Others	713	570
	<u>7,896</u>	<u>6,504</u>

6. Finance costs

	Group	
	2017	2016
	\$'000	\$'000
Interest on bank term loans	1,606	1,688
Interest on bank overdrafts	3	5
	<u>1,609</u>	<u>1,693</u>

7. Other operating expenses

	Group	
	2017	2016
	\$'000	\$'000
Net loss on disposal of property, plant and equipment	224	–
Facilities cost	4,300	4,119
Professional fees	1,848	1,430
General administrative expenses	4,026	9,203
	<u>10,398</u>	<u>14,752</u>

8. Profit before taxation

The following items have been included in arriving at profit before taxation:

	Note	2017	Group	2016
		\$'000		\$'000
Salaries and employees benefits (including executive directors):				
- salaries, bonuses and other costs		38,300		40,748
- provident fund contributions		3,413		3,548
- write-back of provision for retirement gratuity		–		(17)
Directors' fees		389		385
Audit fees:				
- auditor of the Company		219		225
- other auditors		197		187
Non-audit fees:				
- auditor of the Company		89		65
- other auditors		92		59
Allowance for doubtful debts	19	131		352
Donations		105		5,152
		<u>105</u>		<u>5,152</u>

9. TaxationMajor components of income tax expense

The major components of income tax expense for the years ended 31 March 2017 and 2016 are:

	2017	Group	2016
	\$'000		\$'000
Consolidated income statement:			
Current income tax			
- Current income taxation	13,061		12,707
- (Over)/under provision in respect of previous years	(255)		71
	<u>12,806</u>		<u>12,778</u>
Deferred income tax			
- Origination and reversal of temporary differences (Note 20)	546		647
Income tax expense recognised in profit or loss	<u>13,352</u>		<u>13,425</u>

9. Taxation (cont'd)

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2017 and 2016 are as follow:

	Group	
	2017	2016
	\$'000	\$'000
Profit before taxation	62,994	66,968
Less: share of results of associates	(3,316)	(6,549)
	<u>59,678</u>	<u>60,419</u>
Tax calculated using Singapore corporate tax rate of 17% (2016: 17%)	10,145	10,271
Adjustments:		
Non-deductible expenses	741	1,551
Effect of different tax rates in other countries	3,065	3,897
Deferred tax assets not recognised	100	314
Effect of partial tax exemption and tax relief	(505)	(2,765)
(Over)/under provision in respect of previous years	(255)	71
Others	61	86
Taxation for the year	<u>13,352</u>	<u>13,425</u>

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

As at 31 March 2017, certain subsidiary has unabsorbed tax losses of approximately \$1,704,000 (2016: \$2,060,000) that are available for offset against future taxable profits of the subsidiary in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The tax losses do not have an expiry date. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in which the subsidiary operates.

10. Dividends

	Group and Company	
	2017	2016
	\$'000	\$'000
<i>Declared and paid during the financial year</i>		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2016: 2.00 cents (31 March 2015: 2.20 cents)	14,100	15,510
<i>Proposed but not recognised as a liability at 31 March</i>		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2017: 2.00 cents (31 March 2016: 2.00 cents)	14,100	14,100

11. Earnings per share

The following table reflects the profit for the year and share data used in the computation of earnings per share for the years ended 31 March:

	Group	
	2017	2016
	\$'000	\$'000
Profit for the year attributable to owners of the Company	48,698	52,324
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	705,012	705,012

12. Property, plant and equipment

Group	Freehold premises \$'000	Leasehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
At 1 April 2015	19,034	7,075	36,396	1,865	64,370
Additions	–	–	10,347	519	10,866
Disposals/write-offs	–	–	(2,468)	(402)	(2,870)
Transfer to investment properties	(142)	–	–	–	(142)
Foreign currency translation adjustment	(324)	(55)	(436)	(8)	(823)
At 31 March 2016 and 1 April 2016	18,568	7,020	43,839	1,974	71,401
Additions	2,195	–	7,227	–	9,422
Disposals/write-offs	(69)	–	(6,146)	–	(6,215)
Foreign currency translation adjustment	263	136	(12)	5	392
At 31 March 2017	20,957	7,156	44,908	1,979	75,000
Accumulated depreciation:					
At 1 April 2015	5,133	370	26,502	861	32,866
Depreciation charge for the year	371	167	5,673	375	6,586
Disposals/write-offs	–	–	(2,418)	(282)	(2,700)
Transfer to investment properties	(46)	–	–	–	(46)
Foreign currency translation adjustment	(44)	(4)	(213)	(6)	(267)
At 31 March 2016 and 1 April 2016	5,414	533	29,544	948	36,439
Depreciation charge for the year	390	167	6,443	342	7,342
Disposals/write-offs	(31)	–	(5,958)	–	(5,989)
Foreign currency translation adjustment	64	9	20	6	99
At 31 March 2017	5,837	709	30,049	1,296	37,891
Net carrying value:					
At 31 March 2017	15,120	6,447	14,859	683	37,109
At 31 March 2016	13,154	6,487	14,295	1,026	34,962

12. Property, plant and equipment (cont'd)**(a) Freehold premises (at cost)**

	Group	
	2017	2016
	\$'000	\$'000
Singapore		
638 square metres office unit at 302 Orchard Road, Tong Building	7,664	7,664
Australia		
439 square metres shop unit at 70 Castlereagh Street, Sydney	9,778	7,410
294 square metres office unit at 70 Castlereagh Street, Sydney	1,877	1,817
318 square metres shop unit at 252 Collins Street, Melbourne	829	803
Malaysia		
281 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur	809	874
	20,957	18,568

A subsidiary's freehold premises with net carrying value approximately \$8,248,000 (2016: \$6,063,000) are charged to secure the bank borrowings of that subsidiary (Note 25).

In 2016, a freehold premise was revalued to its fair value, upon transferring to investment property. The Group has revalued the property up to the date of change in use. The Group has recorded the differences between the carrying amount of the property and the fair value in other comprehensive income. The fair value was determined based on the latest valuation near to the transfer date. The valuation was performed by an accredited independent valuer with recent experience in the location and category of the property being valued. The effects of the transfer are as follows:

	2016
	\$'000
Revalued amount as at the date of transfer	367
Net carrying value up to the date of change in use	96
Revaluation surplus in equity	271

(b) Leasehold premises (at cost)

	Group	
	2017	2016
	\$'000	\$'000
Singapore		
564 square metres warehouse unit at Eunost Warehouse Complex at Kaki Bukit Road 2	1,677	1,677
Hong Kong		
202 square metres office unit at Starhouse, No. 3 Salisbury Road, Kowloon	5,479	5,343
	7,156	7,020

(c) Assets under construction (at cost)

The Group's furniture and equipment included \$2,492,000 (2016: \$2,221,000) which relates to expenditure in relation to renovation activities carried out in a subsidiary's property and information technology development activities carried out by the Company.

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

Company	Freehold premises \$'000	Leasehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
At 1 April 2015	7,664	1,677	22,184	1,488	33,013
Additions	–	–	4,589	519	5,108
Disposals/write-offs	–	–	(1,282)	(402)	(1,684)
At 31 March 2016 and 1 April 2016	7,664	1,677	25,491	1,605	36,437
Additions	–	–	2,617	–	2,617
Disposals/write-offs	–	–	(3,403)	–	(3,403)
Transferred from a subsidiary	–	–	1,026	–	1,026
At 31 March 2017	7,664	1,677	25,731	1,605	36,677
Accumulated depreciation:					
At 1 April 2015	3,320	145	16,964	598	21,027
Depreciation charge for the year	153	58	3,306	301	3,818
Disposals/write-offs	–	–	(1,235)	(282)	(1,517)
At 31 March 2016 and 1 April 2016	3,473	203	19,035	617	23,328
Depreciation charge for the year	153	58	3,356	317	3,884
Disposals/write-offs	–	–	(3,263)	–	(3,263)
Transferred from a subsidiary	–	–	516	–	516
At 31 March 2017	3,626	261	19,644	934	24,465
Net carrying value:					
At 31 March 2017	4,038	1,416	6,087	671	12,212
At 31 March 2016	4,191	1,474	6,456	988	13,109

13. Investment properties**Statements of financial position**

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
At 1 April	66,682	65,442	12,719	13,576
Transfer from property, plant and equipment at revalued amount (Note 12)	–	367	–	–
Gain/(loss) from fair value adjustments recognised in income statement	3,448	1,988	(582)	(857)
Foreign currency translation adjustment	1,695	(1,115)	–	–
At 31 March	<u>71,825</u>	<u>66,682</u>	<u>12,137</u>	<u>12,719</u>

Income statement

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Rental income from investment properties	2,430	2,674	282	561
Direct operating expenses arising from investment properties that generated rental income	<u>675</u>	<u>712</u>	<u>75</u>	<u>78</u>

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on latest valuations performed near to the end of reporting period. The valuations are performed by accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations are based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market. Details of valuation techniques and inputs used are disclosed in Note 34.

13. Investment properties (cont'd)

The investment properties held by the Group as at 31 March 2017 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
42 square metres unit at Centrepont situated at 176 Orchard Road, Singapore	Shop	Leasehold	61 years
114 square metres unit at Peninsula Plaza situated at 111 North Bridge Road, Singapore	Shop	Leasehold	811 years
612 square metres unit at Eunos Warehouse Complex at Kaki Bukit Road 2, Singapore	Warehouse	Leasehold	24 years
1,027 square metres unit at 252 Collins Street, Melbourne, Australia	Office	Freehold	N/A
95 square metres unit at 70 Castlereagh Street, Sydney, Australia	Office	Freehold	N/A
1,029 square metres unit at 192 Pitt Street, Sydney, Australia	Shop and office	Freehold	N/A
752 square metres unit at 201 Elizabeth Street, Brisbane, Australia	Shop and office	Freehold	N/A
116 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur	Office	Freehold	N/A

A subsidiary's investment properties with carrying value of \$47,644,000 (2016: \$42,970,000) are charged to secure the bank borrowings of that subsidiary (Note 25).

14. Intangible assets

	Brand	Franchise fees	Total
	\$'000	\$'000	\$'000
Group			
Cost			
At 31 March 2016, 1 April 2016 and 31 March 2017	4,594	399	4,993
Accumulated amortisation			
At 1 April 2015	35	162	197
Amortisation charge for the year	<u>96</u>	<u>81</u>	<u>177</u>
At 31 March 2016 and 1 April 2016	131	243	374
Amortisation charge for the year	<u>92</u>	<u>81</u>	<u>173</u>
At 31 March 2017	<u>223</u>	<u>324</u>	<u>547</u>
Net carrying value			
At 31 March 2017	<u>4,371</u>	<u>75</u>	<u>4,446</u>
At 31 March 2016	<u>4,463</u>	<u>156</u>	<u>4,619</u>

As at the end of the reporting period, the brand and franchise fees have remaining amortisation periods of 47 and 1 (2016: 48 and 2) years respectively.

	Franchise fees
	\$'000
Company	
Cost	
At 31 March 2016, 1 April 2016 and 31 March 2017	<u>399</u>
Accumulated amortisation	
At 1 April 2015	162
Amortisation charge for the year	<u>81</u>
At 31 March 2016 and 1 April 2016	243
Amortisation charge for the year	<u>81</u>
At 31 March 2017	<u>324</u>
Net carrying value:	
At 31 March 2017	<u>75</u>
At 31 March 2016	<u>156</u>

15. Investment in subsidiaries

	Company	
	2017 \$'000	2016 \$'000
Shares, at cost		
At 1 April	52,074	50,459
Acquisition of non-controlling interest without a change in control	–	1,615
At 31 March	<u>52,074</u>	<u>52,074</u>

Details of the subsidiaries as at 31 March are:

Name of company/ principal activities	Country of incorporation	Percentage of equity held by the Group		Cost of investments	
		2017	2016	2017	2016
		%	%	\$'000	\$'000
<i>Held by the Company</i>					
<i>Retailing and distribution of watches, jewellery and related products</i>					
① Dynasty Watch Pte Ltd	Singapore	100	100	500	500
① Glajz-THG Pte Ltd	Singapore	60	60	990	990
② The Hour Glass Sdn Bhd	Malaysia	100	100	2,045	2,045
② The Hour Glass (HK) Limited	Hong Kong	100	100	10,261	10,261
② The Hour Glass (Australia) Pty Ltd	Australia	100	100	21,308	21,308
③ The Hour Glass Japan Ltd	Japan	100	100	3,630	3,630
① Watches of Switzerland Pte Ltd	Singapore	100	100	13,338	13,338
<i>Investment holding</i>					
② ④ The Hour Glass Holding (Thailand) Co., Ltd	Thailand	49	49	2	2
				<u>52,074</u>	<u>52,074</u>

Held through subsidiaries

*Retailing and distribution
of watches, jewellery and
related products*

② THG (HK) Limited	Hong Kong	100	100
② ④ The Hour Glass (Thailand) Co., Ltd	Thailand	49	49
② Watches of Switzerland (2014) Sdn Bhd	Malaysia	100	100

15. Investment in subsidiaries (cont'd)

- ① Audited by Ernst & Young LLP, Singapore.
- ② Audited by member firms of Ernst & Young Global in the respective countries.
- ③ Not required to be audited under the laws of its country of incorporation.
- ④ The Group holds a 98.97% controlling interest in the subsidiary through its voting rights.

The Group has the following subsidiary that has non-controlling interests ("NCI") that is material to the Group:

	Glajz-THG Pte Ltd	
	2017	2016
	%	%
Proportion of ownership interest held by NCI	40	40
	2017	2016
	\$'000	\$'000
Profit after tax allocated to NCI	906	1,097
Accumulated NCI at the end of the reporting period	13,036	12,142
Dividends paid to NCI	346	240
Summarised financial information about subsidiary with material NCI		
	2017	2016
	\$'000	\$'000
Statement of financial position		
Non-current assets	241	240
Current assets	37,141	38,373
Current liabilities	(4,792)	(8,259)
Net assets	32,590	30,354
Statement of comprehensive income		
Revenue	42,082	53,721
Profit for the year, representing total comprehensive income for the year	2,265	2,743
Other summarised information		
Net cash flows from operations	1,402	4,628

16. Investment in associates

	Group	
	2017 \$'000	2016 \$'000
Unquoted shares, at cost	1,479	1,479
Share of post-acquisition reserves	22,955	19,639
Foreign currency translation adjustment	319	(1,036)
	24,753	20,082

Name of company / Principal activities	Country of incorporation	Proportion (%) of ownership interest	
		2017 %	2016 %
Held through subsidiary			
① THG Prima Times Co., Ltd <i>Retailing and distribution of watches and other luxury products</i>	Thailand	50	50
Held through associate			
① Royal Paragon Watch Limited <i>Retailing and distribution of watches and related products</i>	Thailand	60*	60*

① Audited by PricewaterhouseCoopers ABAS Ltd, Thailand.

* The effective percentage of equity held by the Group is 30%.

16. Investment in associates (cont'd)

The summarised financial information of the associates, based on their FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	THG Prima Times Co., Ltd and subsidiary	
	2017	2016
	\$'000	\$'000
Statement of financial position		
Current assets	68,280	67,320
Non-current assets	9,698	9,833
Total assets	<u>77,978</u>	<u>77,153</u>
Current liabilities	14,572	23,118
Non-current liabilities	4,639	4,650
Total liabilities	<u>19,211</u>	<u>27,768</u>
Net assets	58,767	49,385
Less: NCI of an associate	(9,261)	(9,222)
	<u>49,506</u>	<u>40,163</u>
Proportion of the Group's ownership	50%	50%
Group's share of net assets/carrying amount of the investment	<u>24,753</u>	<u>20,082</u>
Statement of comprehensive income		
Revenue	134,719	172,171
Profit for the year, representing total comprehensive income for the year	<u>8,444</u>	<u>17,854</u>

17. Loan to subsidiaries

As at 31 March 2017, loan to a subsidiary of \$809,000 (2016: \$762,000) is non-trade, unsecured, and is not expected to be repaid within the next twelve months. The loan bears interest ranging from 3.97% to 4.00% (2016: 4.02% to 4.45%) per annum.

18. Loan to an associate

Loan to an associate is non-trade, unsecured, and is not expected to be repaid within the next twelve months. Interest is chargeable at Thailand's minimum lending rate ("MLR"), ranging from 6.25% to 6.50% (2016: 6.50% to 6.63%) per annum during the year. Loan to an associate is to be settled in cash.

19. Trade and other receivables

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade and other receivables (current)					
Trade receivables		9,903	11,179	1,162	1,357
Goodwill compensation		350	351	350	351
Deposits		2,319	1,270	993	476
Recoverables and sundry debtors		5,132	2,591	3,274	1,605
		<u>17,704</u>	<u>15,391</u>	<u>5,779</u>	<u>3,789</u>
Other receivables (non-current)					
Deposits		<u>7,341</u>	<u>7,806</u>	<u>3,535</u>	<u>3,696</u>
Total trade and other receivables (current and non-current)					
		25,045	23,197	9,314	7,485
Representing:					
- Financial assets		24,680	23,197	9,314	7,485
- Non-financial assets		<u>365</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial assets		24,680	23,197	9,314	7,485
Add:					
- Loan to subsidiaries	17	-	-	809	762
- Loan to an associate	18	2,224	2,095	-	-
- Amount due from associates	22	70	76	-	-
- Amounts due from subsidiaries	23	-	-	7,247	8,725
- Cash and cash equivalents	24	124,849	93,898	52,626	32,092
Total loans and receivables		<u>151,823</u>	<u>119,266</u>	<u>69,996</u>	<u>49,064</u>

Trade receivables are non-interest bearing and are generally up to 90 day's terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The goodwill compensation receivable arises from a principal for giving up distribution rights in certain territories/countries in the Asia Pacific region. The goodwill compensation is receivable in eight equal instalments of 250,000 Swiss Franc per annum until year 2011. This receivable is past due more than 1,825 days (2016: 1,460 days) as at the end of the reporting period but not impaired.

19. Trade and other receivables (cont'd)***Trade receivables that are past due but not impaired***

The Group has trade receivables amounting to approximately \$1,607,000 (2016: \$1,661,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2017	2016
	\$'000	\$'000
Trade receivables past due but not impaired:		
Less than 30 days	803	847
30 to 60 days	311	286
61 to 90 days	39	53
91 to 120 days	109	36
More than 120 days	345	439
	<u>1,607</u>	<u>1,661</u>

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017	2016
	\$'000	\$'000
Trade receivables – nominal amounts	219	72
Less: Allowance for impairment	(219)	(72)
	<u>-</u>	<u>-</u>
Movements in allowance account:		
At 1 April	72	75
Allowance for the year	220	-
Written off	(72)	-
Foreign currency translation adjustment	(1)	(3)
At 31 March	<u>219</u>	<u>72</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. Trade and other receivables (cont'd)

Other receivables (current) that are impaired

	Group	
	2017	2016
	\$'000	\$'000
Other receivables - nominal amounts	794	868
Less: Allowance for impairment	(794)	(868)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Movements in allowance account:		
At 1 April	868	522
Allowance for the year	263	352
Write back	(352)	-
Foreign currency translation adjustment	15	(6)
	<u> </u>	<u> </u>
At 31 March	794	868
	<u> </u>	<u> </u>

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

	Group	
	2017	2016
	\$'000	\$'000
Swiss Franc	470	136
Australian Dollar	80	487
Singapore Dollar	16	24
	<u> </u>	<u> </u>

20. Deferred tax (liabilities)/assets

	Group				Company			
	Consolidated statement of financial position		Consolidated income statement		Consolidated statement of comprehensive income		Statement of financial position	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities								
Differences in depreciation for tax purposes	1,600	(220)	(1,820)	215	-	-	-	-
Revaluation of investment properties to fair value	(4,031)	-	4,063	-	-	-	-	-
Revaluation of premises to fair value	(25)	-	25	-	-	-	-	-
Provisions	1,725	140	(1,606)	(138)	-	-	-	-
Unrealised foreign exchange loss	-	(14)	(14)	14	-	-	-	-
Fair value adjustment on acquisition of subsidiary	(655)	(670)	(16)	(59)	-	-	-	-
	<u>(1,386)</u>	<u>(764)</u>					<u>-</u>	<u>-</u>
Deferred tax assets								
Differences in depreciation for tax purposes	(283)	1,153	1,491	(299)	-	-	(250)	(220)
Revaluation of investment properties to fair value	-	(2,735)	(2,847)	853	-	-	-	-
Revaluation of premises to fair value	-	(24)	(24)	-	-	-	-	-
Provisions	798	2,096	1,361	87	-	-	651	573
Unrealised foreign exchange loss	(1)	-	1	(26)	-	-	-	-
Other items	68	-	(68)	-	-	-	68	-
	<u>582</u>	<u>490</u>	<u>546</u>	<u>647</u>	<u>-</u>	<u>-</u>	<u>469</u>	<u>353</u>

Tax consequences of proposed dividends

There are no income tax consequences for 2017 and 2016 attached to the dividends to the shareholders proposed by the Company and hence no liability has been recognised in the financial statements (Note 10).

21. Stocks

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Statements of financial position:				
Total finished goods at lower of cost and net realisable value	<u>307,354</u>	<u>320,127</u>	<u>176,878</u>	<u>184,485</u>
Income statement:				
Stocks recognised as an expense in cost of sales	539,708	544,416	303,911	295,044
Stock allowance charged to income statement, net	<u>3,526</u>	<u>1,729</u>	<u>2,421</u>	<u>1,995</u>

The reversal of write-down of stocks was made when the related stocks were sold above their net realisable value during the year.

22. Amount due from associates

	Group	
	2017 \$'000	2016 \$'000
Amount due from associates		
- trade	<u>70</u>	<u>76</u>

This amount represents trade receivables from the associates which are unsecured, non-interest bearing and are repayable on demand.

23. Amount due from/(to) subsidiaries

	Company	
	2017 \$'000	2016 \$'000
Amounts due from subsidiaries - non-trade	7,247	8,725
Amounts due to subsidiaries - trade	<u>(6,012)</u>	<u>-</u>

Non-trade balances with subsidiaries are unsecured, non-interest bearing and repayable on demand.

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

24. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following at the end of the reporting period:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash and bank balances	97,017	74,909	52,626	32,092
Fixed deposits with banks	27,832	18,989	–	–
	<u>124,849</u>	<u>93,898</u>	<u>52,626</u>	<u>32,092</u>

Cash and bank balances and fixed deposits with banks earn interest at floating rates based on bank deposit rates. Fixed deposits with banks are made for varying short term periods depending on the immediate cash requirements of the Group.

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Swiss Franc	540	1,622	514	316
Singapore Dollar	386	55	–	–
Australian Dollar	388	214	–	–
Hong Kong Dollar	217	101	166	87
United States Dollar	58	13	58	13
Others	42	80	40	78

25. Loans and borrowings

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current loans and borrowings				
- secured	25,160	–	–	–
- unsecured	<u>26,000</u>	<u>39,060</u>	<u>26,000</u>	<u>36,000</u>
	51,160	39,060	26,000	36,000
Non-current loans and borrowings				
- secured	–	24,362	–	–
	<u>51,160</u>	<u>63,422</u>	<u>26,000</u>	<u>36,000</u>

25. Loans and borrowings (cont'd)

(a) The Group's secured loans and borrowings comprise:

- (i) Term loan of \$3,747,000 (2016: \$3,628,000) is repayable in March 2018. Interest is charged at a rate of 3.07% (2016: 3.62%) per annum.
- (ii) Term loan of \$21,413,000 (2016: \$20,734,000) repayable in December 2017. An interest rate swap is used to hedge cash flow arising from the interest payments for the floating rate bank loan. The Group pays a fixed rate of interest at 4.04% (2016: 4.04%) per annum based on the arrangement which has the same maturity terms as the bank loan. As at the end of the reporting period, the interest rate swap has a remaining notional amount of \$21,413,000 (2016: \$20,734,000) and matures in December 2017.

The loans are secured by first mortgage over certain freehold premises (Note 12) and investment properties (Note 13) of the subsidiary and corporate guarantees provided by the Company (Note 31).

The secured loans are denominated in Australian Dollars.

(b) The Group's unsecured loans and borrowings comprise revolving credits of \$26,000,000 (2016: \$36,000,000) is repayable within 12 months after the reporting date. Interest is charged at rates ranging from 0.91% to 1.54% (2016: 1.63% to 1.70%) per annum. The loans are denominated in Singapore Dollar.

During the current financial year, the Group repaid the revolving credit of \$3,060,000 outstanding as at 31 March 2016. Interest rate was charged at rates ranging from 4.07% to 4.86% per annum. The loans were denominated in Malaysian Ringgit.

The unsecured loans and borrowings of a subsidiary are covered by corporate guarantees given by the Company (Note 31).

(c) In 2016, the Company established a \$500,000,000 Multicurrency Medium Term Note Programme (the "Programme"). The net proceeds arising from the issuance of the Multicurrency Medium Term Note (the "Note") under the Programme (after deducting issue expenses) will be used for general corporate purposes, including financing investments, acquisitions and strategic expansions, general working capital and capital expenditure requirements of the Company and its subsidiaries as well as to refinance existing borrowings of the Company and its subsidiaries or such other purpose as may be specified in the relevant pricing supplement. No Note has been issued by the Company at the end of the reporting period (2016: \$Nil).

26. Trade and other payables

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial liabilities					
Trade payables		20,803	17,752	3,727	2,440
Deposits from customers		8,724	6,665	4,059	3,323
Accruals		4,027	5,913	2,476	3,275
Other payables		1,248	1,379	826	1,005
		<u>34,802</u>	<u>31,709</u>	<u>11,088</u>	<u>10,043</u>
Non-financial liabilities					
Provisions		11,732	13,401	8,552	10,183
		<u>46,534</u>	<u>45,110</u>	<u>19,640</u>	<u>20,226</u>
Total trade and other payables					
		<u>46,534</u>	<u>45,110</u>	<u>19,640</u>	<u>20,226</u>
Financial liabilities		34,802	31,709	11,088	10,043
Add:					
- Loans and borrowings	25	51,160	63,422	26,000	36,000
- Amount due to subsidiaries	23	–	–	6,012	–
		<u>–</u>	<u>–</u>	<u>6,012</u>	<u>–</u>
Total financial liabilities carried at amortised cost		<u>85,962</u>	<u>95,131</u>	<u>43,100</u>	<u>46,043</u>

These amounts are non-interest bearing and are normally settled within the normal trade terms extended.

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore Dollar	175	363	–	–
Swiss Franc	9,307	1,721	375	46
Others	<u>6</u>	<u>14</u>	<u>5</u>	<u>12</u>

27. Share capital

	Group and Company			
	2017		2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares:				
Balance at beginning of the year and end of the year	705,012	67,638	705,012	67,638

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

28. Reserves

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue reserve	417,474	382,876	199,445	185,937
Foreign currency translation reserve	(9,865)	(13,872)	–	–
Asset revaluation reserve	3,372	3,372	–	–
Capital reserve	(142)	(142)	–	–
Total reserves	410,839	372,234	199,445	185,937

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.

Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of premises, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

Capital reserve

The capital reserve represents the effects of change in ownership interests in a subsidiary when there is no change in control.

29. Related party transactions**(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 at terms agreed between the parties during the year:

	Sale of goods	Management fees received	Interest income	Purchase of goods	Rental expenses	Commission paid	Services rendered	Rental income
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017								
Associates	363	700	135	377	–	–	5	–
Directors of the Company	140	–	–	–	–	–	–	–
Directors of the subsidiaries	41	–	–	–	120	–	–	–
Directors -related companies	2	–	–	–	326	–	–	31
2016								
Associates	35	713	142	106	–	–	–	–
Directors of the Company	354	–	–	8	–	–	–	–
Directors of the subsidiaries	26	–	–	3	120	–	–	–
Directors -related companies	–	–	–	–	348	–	–	31
Other related entity	–	–	–	–	–	5	–	–
Key management personnel	65	–	–	–	–	–	–	–

29. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2017	2016
	\$'000	\$'000
Short-term employee benefits	9,266	13,518
Provident fund contributions	187	175
	<u>9,453</u>	<u>13,693</u>
Total compensation paid to key management personnel	<u>9,453</u>	<u>13,693</u>
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	5,906	9,783
- Other key management personnel	3,547	3,910
	<u>9,453</u>	<u>13,693</u>

30 Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Capital expenditure approved and contracted for:				
furniture and equipment	2,338	4,924	196	-
	<u>2,338</u>	<u>4,924</u>	<u>196</u>	<u>-</u>

(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 13. These non-cancellable leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments receivable under non-cancellable operating leases at the end of reporting period but not recognised as receivables, are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Not later than one year	889	2,175	384	223
Later than one year but not later than five years	1,427	1,460	829	41
Later than five years	-	21	-	-
	<u>2,316</u>	<u>3,656</u>	<u>1,213</u>	<u>264</u>

30. Commitments (cont'd)**(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 at the end of reporting period but not recognised as liabilities are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Not later than one year	26,250	26,700	17,731	17,030
Later than one year but not later than five years	39,355	48,907	31,185	38,612
Later than five years	16,548	17,813	13,819	17,813
	<u>82,153</u>	<u>93,420</u>	<u>62,735</u>	<u>73,455</u>

31. Contingent liabilities and other commitments**Guarantees**

- (a) The Company has provided corporate guarantees to banks for loans amounted to \$Nil (2016: \$3,060,000) and \$2,294,000 (2016: \$4,320,000) taken by subsidiaries and associates respectively. The loans are repayable within the next 12 months.
- (b) The Company has provided corporate guarantees to a bank for loans amounting to \$25,160,000 (2016: \$24,362,000) taken by a subsidiary (Note 25). The loans are repayable in December 2017 and March 2018.

32. Segment information

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance.

Reporting format

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

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 and other luxury products. All relevant information regarding the business segment has been disclosed elsewhere in the financial statements.

32. Segment information (cont'd)

Allocation basis and transfer pricing

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

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

Geographical segments

The following table presents revenue, capital expenditure and certain assets and liabilities information regarding the Group's geographical segments as at and for the years ended 31 March 2017 and 2016.

	South East Asia and Australia \$'000	North East Asia \$'000	Total \$'000	Eliminations \$'000	Note	Group \$'000
2017						
Segment revenue:						
Sales to external customers	601,510	94,546	696,056	–		696,056
Inter-segment sales	104	2,518	2,622	(2,622)	A	–
Interest income	553	52	605	–		605
Other income	17,261	1	17,262	(9,971)	B	7,291
Total revenue and other income	619,428	97,117	716,545	(12,593)		703,952
Segment results:						
Segment profit/(loss)	55,569	12,253	67,822	(9,983)	C	57,839
Finance costs						(1,609)
Fair value gain on investment properties						3,448
Share of results of associates						3,316
Profit before taxation						62,994
Taxation						(13,352)
Profit for the year						49,642
Other segment information:						
Segment assets	501,704	71,600	573,304	–		573,304
Investment in associates	24,753	–	24,753	–		24,753
Unallocated corporate assets					D	947
						599,004
Segment liabilities	93,563	5,531	99,094	–		99,094
Unallocated corporate liabilities					E	8,112
						107,206
Capital expenditure for the year	9,382	40	9,422	–		9,422
Depreciation and amortisation	7,064	451	7,515	–		7,515

32. Segment information (cont'd)

	South East Asia and Australia \$'000	North East Asia \$'000	Total \$'000	Eliminations \$'000	Note	Group \$'000
2016						
Segment revenue:						
Sales to external customers	602,633	104,892	707,525	–		707,525
Inter-segment sales	1	8,248	8,249	(8,249)	A	–
Interest income	495	52	547	–		547
Other income	21,186	5	21,191	(15,234)	B	5,957
Total revenue and other income	<u>624,315</u>	<u>113,197</u>	<u>737,512</u>	<u>(23,483)</u>		<u>714,029</u>
Segment results:						
Segment profit/(loss)	59,142	16,108	75,250	(15,126)	C	60,124
Finance costs						(1,693)
Fair value gain on investment properties						1,988
Share of results of associates						<u>6,549</u>
Profit before taxation						66,968
Taxation						<u>(13,425)</u>
Profit for the year						<u>53,543</u>
Other segment information:						
Segment assets	476,307	69,867	546,174	–		546,174
Investment in associates	20,082	–	20,082	–		20,082
Unallocated corporate assets					D	<u>490</u>
						<u>566,746</u>
Segment liabilities	103,045	6,491	109,536	–		109,536
Unallocated corporate liabilities					E	<u>4,964</u>
						<u>114,500</u>
Capital expenditure for the year	10,443	423	10,866	–		10,866
Depreciation and amortisation	6,311	452	6,763	–		<u>6,763</u>

32. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Inter-company dividends are eliminated on consolidation.

C The following items are added to/(deducted from) segment results to arrive at "Profit before taxation" presented in the consolidated income statement.

	Group	
	2017	2016
	\$'000	\$'000
Inter-company (income)/expenses	(45)	75
Inter-company dividends	(9,938)	(15,201)
Total	<u>(9,983)</u>	<u>(15,126)</u>

D The following items are added to segment assets to arrive at total assets presented in the consolidated statement of financial position.

	Group	
	2017	2016
	\$'000	\$'000
Tax recoverable	365	–
Deferred tax assets	582	490
Total	<u>947</u>	<u>490</u>

E The following items are added to segment liabilities to arrive at total liabilities presented in the consolidated statement of financial position.

	Group	
	2017	2016
	\$'000	\$'000
Provision for taxation	6,726	4,200
Deferred tax liabilities	1,386	764
Total	<u>8,112</u>	<u>4,964</u>

33. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key risks include interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group reviews and agrees policies and procedures for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

33. Financial risk management objectives and policies (cont'd)**Interest rate risk**

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its loans and borrowings and its investment portfolio in fixed deposits. The Group's borrowings are predominantly denominated in floating rates and are expected to be repriced at intervals of less than one year from the financial year end. At present, the Group's policy is to obtain the most favourable interest rate arrangements available. An interest rate swap arrangement is used to hedge cash flow arising from the interest payments for a floating rate bank loan (Note 25).

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

As at the end of the reporting period, if the interest of the floating rate loans and borrowings had been 100 (2016: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been \$392,000 (2016: \$493,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

Foreign currency risk

The Group has transactional currency exposure arising from purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Swiss Franc (CHF), Australian Dollar (AUD) and United States Dollar (USD).

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to \$1,631,000 and \$778,000 (2016: \$2,085,000 and \$494,000) for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The currency exposures are limited to the Australian Dollar (AUD), Hong Kong Dollar (HKD), United States Dollar (USD), Japanese Yen (JPY), Malaysian Ringgit (MYR) and Thai Baht (BAHT). The Group's net investments in foreign operations are not hedged as they are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonable possible change in the CHF exchange rate against SGD, with all other variables held constant, of the Group's profit net of tax:

	Group	
	2017	2016
	Profit	Profit
	net of	net of
	tax	tax
	\$'000	\$'000
CHF		
- Strengthened 5% (2016: 5%)	(275)	(24)
- Weakened 5% (2016: 5%)	275	24

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

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's exposure to liquidity risk is minimal. As at 31 March 2017, the Group has available cash and cash equivalents totalling approximately \$124,849,000 (2016: \$93,898,000) to finance its operations. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group. Short-term funding may be obtained from short-term loans where necessary.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2017			2016		
	One year or less \$'000	One to five years \$'000	Total \$'000	One year or less \$'000	One to five years \$'000	Total \$'000
Group						
<i>Financial assets</i>						
Loan to associates	–	2,641	2,641	–	2,503	2,503
Trade and other receivables	17,339	7,341	24,680	15,391	7,806	23,197
Amount due from associates	70	–	70	76	–	76
Cash and cash equivalents	124,849	–	124,849	93,898	–	93,898
Total undiscounted financial assets	142,258	9,982	152,240	109,365	10,309	119,674
<i>Financial liabilities</i>						
Trade and other payables	34,624	–	34,624	31,451	–	31,451
Loans and borrowings	54,297	–	54,297	39,414	27,274	66,688
Total undiscounted financial liabilities	88,921	–	88,921	70,865	27,274	98,139
Total net undiscounted financial assets/(liabilities)	53,337	9,982	63,319	38,500	(16,965)	21,535

33. Financial risk management objectives and policies (cont'd)**Liquidity risk (cont'd)**

Company	2017			2016		
	One year or less \$'000	One to five years \$'000	Total \$'000	One year or less \$'000	One to five years \$'000	Total \$'000
Financial assets						
Loan to subsidiaries	–	905	905	–	863	863
Trade and other receivables	5,779	3,535	9,314	3,789	3,696	7,485
Amount due from subsidiaries	7,247	–	7,247	8,725	–	8,725
Cash and cash equivalents	52,626	–	52,626	32,092	–	32,092
Total undiscounted financial assets	65,652	4,440	70,092	44,606	4,559	49,165
Financial liabilities						
Trade and other payables	10,993	–	10,993	9,864	–	9,864
Loans and borrowings	26,191	–	26,191	36,343	–	36,343
Amount due to subsidiaries	6,012	–	6,012	–	–	–
Total undiscounted financial liabilities	43,196	–	43,196	46,207	–	46,207
Total net undiscounted financial assets/(liabilities)	22,456	4,440	26,896	(1,601)	4,559	2,958

All capital commitments are repayable within one year.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. It is the Group's policy to transact with creditworthy counterparties. In addition, receivable balances are monitored on an on-going basis with the granting of material credit limits to counterparties being reviewed and approved by senior management.

With respect to credit risk arising from other financial instruments (including investment security, cash and cash equivalents), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment security and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 (trade and other receivables).

There is no significant concentration of credit risk within the Group and the Company.

34. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There was no transfer from Level 1 and Level 2 to Level 3 during the financial years ended 31 March 2017 and 2016.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			
	2017			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Assets				
Non-financial assets:				
Investment properties (Note 13)	–	–	71,825	71,825
Total non-financial assets	–	–	71,825	71,825

34. Fair value of assets and liabilities (cont'd)*(b) Assets and liabilities measured at fair value (cont'd)*

	Group			
	2016			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Recurring fair value measurements				
Assets				
Non-financial assets:				
Investment properties (Note 13)	–	–	66,682	66,682
Total non-financial assets	–	–	66,682	66,682

34. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair Value \$'000	Valuation techniques	Unobservable inputs	Range
At 31 March 2017				
Investment properties	71,825	Capitalisation approach	Capitalisation rate ⁽¹⁾	Offices: 6.75% Shops: 3.75% - 6.25%
		Direct comparison method	Price per square metre ⁽²⁾	Shops: \$25,000 - \$139,000 Warehouse: \$2,600 - \$2,900
At 31 March 2016				
Investment properties	66,682	Capitalisation approach	Capitalisation rate ⁽¹⁾	Offices: 7.00% Shops: 4.25% - 5.25%
		Direct comparison method	Price per square metre ⁽²⁾	Shops: \$25,000 - \$108,000 Warehouse: \$2,400 - \$3,100

⁽¹⁾ The fair value measurement varies inversely against the capitalisation rate.

⁽²⁾ Any significant isolated increase/(decrease) in these inputs would result in a significantly higher/(lower) fair value measurement.

34. Fair value of assets and liabilities (cont'd)**(c) Level 3 fair value measurements (cont'd)***(ii) Movements in Level 3 assets and liabilities measured at fair value*

During the year, the Group has recognised gains from fair value adjustments of investment properties which amounted to \$3,448,000 (2016: \$1,988,000) (Note 13). The disclosure of the movement in the investment properties balance in Note 13 constitutes a reconciliation of the movement of assets which are measured at fair value based on significant unobservable inputs.

(iii) Valuation policies and procedures

The senior management of the Group (the "Management") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the Management reviews the appropriateness of the valuation methodologies and assumptions adopted. The Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the Management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(d) Fair value of financial instruments whose carrying amounts approximate their fair values

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from/(to) subsidiaries, loans to subsidiaries and associates, amount due from associates, trade and other payables and 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.

35. Capital management

Capital includes debt and equity items.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings.

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the Directors on 2 June 2017.

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STATISTICS OF SHAREHOLDINGS AS AT 8 JUNE 2017

Number of Shares : 705,011,880
 Class of Shares : Ordinary
 Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	35	1.91	1,504	0.00
100 - 1,000	93	5.08	48,002	0.01
1,001 - 10,000	598	32.68	3,187,687	0.45
10,001 - 1,000,000	1,083	59.18	54,887,706	7.78
1,000,001 and above	21	1.15	646,886,981	91.76
Total :	1,830	100.00	705,011,880	100.00

PUBLIC FLOAT, TREASURY SHARES AND SUBSIDIARY HOLDINGS

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires a listed company to ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. The Company has complied with this requirement. As at 8 June 2017, approximately 27.19% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. The Company did not have any treasury shares or subsidiary holdings (as defined in the Listing Manual) as at 8 June 2017.

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares		No. of Shares	
	Direct	%	Deemed	%
TYC Investment Pte Ltd	340,291,669	48.27	-	-
Dr Henry Tay Yun Chwan	56,687,668	8.04	378,172,869 ^①	53.64
AMSTAY Pte Ltd	36,881,200	5.23	-	-
Dato' Dr Jannie Chan Siew Lee	99,300	0.01	340,291,669 ^②	48.27
FMR LLC	-	-	69,595,300	9.87

① Dr Henry Tay Yun Chwan's deemed interests arise from his interests in TYC Investment Pte Ltd, AMSTAY Pte Ltd and AMS Lifestyle Pte. Ltd..

② Dato' Dr Jannie Chan Siew Lee's deemed interest arises from her interest in TYC Investment Pte Ltd.

Note: Percentage levels have been arithmetically rounded to two decimals.

TWENTY LARGEST SHAREHOLDERS AS AT 8 JUNE 2017

No.	Name	No. of Shares	%
1	TYC INVESTMENT PTE LTD	340,291,669	48.27
2	HENRY TAY YUN CHWAN	56,687,668	8.04
3	CITIBANK NOMINEES SINGAPORE PTE LTD	45,675,719	6.48
4	HSBC (SINGAPORE) NOMINEES PTE LTD	36,942,221	5.24
5	DB NOMINEES (SINGAPORE) PTE LTD	34,491,487	4.89
6	RAFFLES NOMINEES (PTE) LIMITED	34,032,753	4.83
7	PHILLIP SECURITIES PTE LTD	20,396,122	2.89
8	LIM & TAN SECURITIES PTE LTD	19,860,482	2.82
9	DBS NOMINEES (PRIVATE) LIMITED	17,569,431	2.49
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,188,205	1.16
11	ONG YEK SIANG	5,630,824	0.80
12	OCBC SECURITIES PRIVATE LIMITED	4,795,080	0.68
13	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,492,971	0.64
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,630,697	0.51
15	CHIA KUM HO	3,015,000	0.43
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,222,547	0.31
17	CHAN KENNY SWEE KHENG	2,101,707	0.30
18	NG KWONG CHONG OR LIU OI FUI IVY	1,931,328	0.27
19	TAY WEE JIN MICHAEL (ZHENG WEIJUN MICHAEL)	1,804,098	0.26
20	AUDREY TAY MAY LI	1,563,486	0.22
	Total :	645,323,495	91.53

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