THE HOUR GLASS

ANNUAL REPORT 2008

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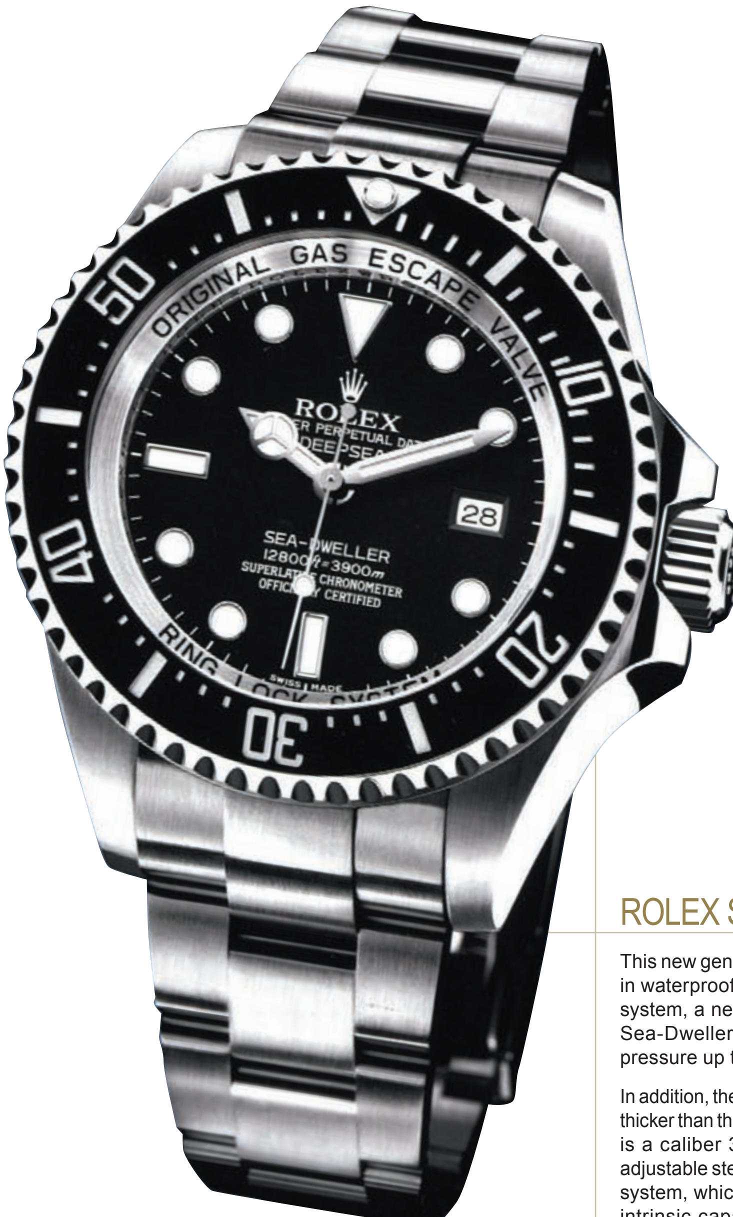

ROLEX SEA-DWELLER DEEPSEA

This new generation of diver's watch is breaking boundaries in waterproofing. With the development of a new Ringlock system, a new case architecture developed by Rolex, the Sea-Dweller Deepsea is capable of withstanding water pressure up to an astounding 3,900 meters.

In addition, the sapphire crystal on the Deepsea is substantially thicker than that of Rolex's other Oyster models. The movement is a caliber 3135 and has a 48 hour power reserve. An adjustable steel bracelet is equipped with a double extension system, which is ideal for wearing over dive suits. With its intrinsic capabilities, the Sea-Dweller Deepsea takes a rightful place in the prestigious Oyster family.

CORPORATE DIRECTORY

DIRECTORS

Dr Henry Tay Yun Chwan	Executive Chairman
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	Executive Vice Chairman
Dr Kenny Chan Swee Kheng	Managing Director
Mr Michael Tay Wee Jin	Executive Director
Mr Owen Phillimore Howell-Price	Independent Non-Executive Director
Mr Robert Tan Kah Boh	Independent Non-Executive Director
Mr Ariel Kor	Independent Non-Executive Director
Mr Jason Choo Choon Wai	Independent Non-Executive Director

AUDIT COMMITTEE

Mr Robert Tan Kah Boh	Chairman
Mr Owen Phillimore Howell-Price	
Mr Jason Choo Choon Wai	

REMUNERATION COMMITTEE

Mr Owen Phillimore Howell-Price	Chairman
Mr Robert Tan Kah Boh	
Mr Ariel Kor	

COMPANY SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

302 Orchard Road
#11-01 Tong Building
Singapore 238862
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Facsimile: (65) 6732 8683
Website address: www.thehourglass.com
Email address: info@thehourglass.com
Co. Registration No.: 197901972D

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
(Previously known as Lim Associates (Pte) Ltd)
3 Church Street #08-01, Samsung Hub,
Singapore 049483

AUDITORS

Ernst & Young
Certified Public Accountants
Singapore
Partner-in-charge: Mr Liew Choon Wei
(Since financial year ended 31 March 2006)

PRINCIPAL BANKERS

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

SOLICITORS

Allen & Gledhill LLP
Rodyk & Davidson LLP

Seated From left:

Dr Henry Tay Yun Chwan, Mdm Chan Siew Lee (Dato' Dr Jannie Tay)

Standing From left:

Dr Kenny Chan Swee Kheng, Mr Robert Tan Kah Boh, Mr Jason Choo Choon Wai, Mr Ariel Kor, Mr Owen Phillimore Howell-Price, Mr Michael Tay Wee Jin

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 co-founding The Hour Glass in 1979, was both a Medical Practitioner as well as Partner of Lee Chay & Co., one of Singapore's earliest luxury watch retail companies. From 1986 to 2001, Dr Tay was Executive Chairman of a group of companies whose businesses were in the distribution and retailing of the upmarket Burberry fashion apparel and accessories in the Asian Pacific region outside Japan.

Dr Tay is an independent director and chairman of the audit committee of UOB Kay Hian Holdings Limited. He also holds directorships in several private companies focused on investments and real estate development.

Dr Tay served as a Committee Member of the Community Chest from 1992 and was appointed Vice Chairman from 1994 to 2004. An active fundraiser for various charitable organizations, Dr Tay has received many awards including the Friends of MCDS (Ministry of Community Development and Sports) Award in 2002 and the President's Social Service Award in August 2005.

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

PATEK PHILIPPE

The World Time, one of Patek Philippe's signature complications, is highly sought-after by collectors, as are the famous and very rare world time models from the 40's and 50's. This exclusive model 5131 in yellow gold is beautifully decorated with a cloisonné enamel world map on the dial and engraving on the bezel. A World Time watch indicates the hour in all major cities at a glance; all 24 time zones on their respective disks and the day/night indicator are very legible.

The latest 5131 is fitted with a Patek Philippe caliber 240HU movement, which features 33 jewels, 21,600 bph, a 22ct gold micro rotor, the Geneva Seal, and a power reserve of 48 hours. Housed in a 40mm 18ct yellow gold case with sapphire crystal, the watch is water resistant to 30 meters.

BOARD OF DIRECTORS

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

Dato' Dr Jannie Tay was appointed to the Board of The Hour Glass Limited and served as its Managing Director since co-founding it on 11 August 1979, up till 31 March 2004. She was appointed Executive Vice Chairman on 1 April 2004 and continues to play an active role in the development of the Company.

In recognition of her outstanding professional achievements, Dato' Dr Jannie Tay was the recipient of the 2004 Monash University Distinguished Alumni Award, an institution from which she obtained both a Bachelor of Science degree in Physiology (Honours) and a Masters of Science degree in Pharmacology. She was conferred the Darjah Sultan Ahmad Shah Pahang (DSAP) which carries the title Dato' in 2003.

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

She is also the Founder and current President of the Women's Business Connection. She was appointed a member of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific ("UNESCAP") since 2004. UNESCAP's mandate is to foster cooperation between its members in order to promote economic and social development in the Asian Pacific region. Having previously served on the Women's Leadership Board of the John F. Kennedy School of Government, Harvard University and the United Nations Office for Project Services, she was named as one of the 50 Leading Women Entrepreneurs of the World in 1997.

A tireless worker for charitable causes and the Arts, she has raised significant sums for the Community Chest of Singapore, the Autism Resource Centre, the Canossian School for the Hearing Impaired, the Ong Teng Cheong Music Fund and the Timor-Leste Foundation.

DR KENNY CHAN SWEE KHENG
MANAGING DIRECTOR

Dr Kenny Chan became a member of the Board of The Hour Glass Limited on 1 April 2004. He joined as a Group Chief Operating Officer of the Company in 2002 and was appointed as Managing Director of the Company on 1 April 2004.

A graduate of Monash University with a MBBS (Honours), Dr Chan has over 20 years of experience in the luxury goods industry. Prior to his joining The Hour Glass, he was the Managing Director of Burberry Singapore and Burberry Australia, companies that formed part of a group that was the exclusive distributor and agent of Burberry, covering a territory that stretched from Korea to New Zealand.

A former Young Presidents' Organisation Singapore Chapter Chairman, Dr Chan also served as a Council Member for the Singapore Retailers Association from 2000 to 2002.

MR MICHAEL TAY WEE JIN
EXECUTIVE DIRECTOR

Mr Michael Tay was appointed as an Executive Director of The Hour Glass Limited on 15 August 2005, having joined the Company in January 1999 as its Business Re-Engineering Manager.

Mr Tay has developed extensive watch industry experience having headed multiple facets of The Hour Glass' businesses from specialty watch manufacturing, global marketing and distribution to greenfield retail development, group merchandising and marketing and corporate communications. He is a member of the international advisory board of Harry Winston Rare Timepieces and a fine watch ambassador for the Fondation de la Haute Horlogerie.

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

A.LANGE SOHNE

2008 marks the world debut of the first stop-seconds tourbillon. The Cabaret Tourbillon represents a breakthrough in the more than 200-year-old history of the tourbillon. It is the first timepiece of its type that can be set precisely to the second.

This is achieved with the V-shaped arresting spring of the patented stop seconds mechanism for a tourbillon. But there's more to the Cabaret Tourbillon than meets the eye. Powered with the calibre L042.1 movement, it has a power reserve of five days or 120 hours when fully wound. A power-reserve indicator at 4 o'clock dependably reminds the owner when it is time to transmit fresh energy to the masterpiece.

DANIEL ROTH

The 2008 edition of the unique Papillon Chronograph comes without its cover to fully reveal the patented two-hand mechanism highlighted by larger blued hands thus creating a new found sense of openness and transparency.

This first ever chronograph version of its iconic Papillon watch is driven by a Frederic Piguet Calibre 1185 mechanical self-winding column-wheel chronograph movement. Compared with a traditional retrograde minutes system, this mechanism uses less energy and requires fewer parts thus making it both stronger and more reliable.

BREGUET

Breguet reveals a fabulous diamond-set tourbillon wristwatch, the Breguet Classique 1808 Grande Complication. This emblematic model features an 18ct rose gold case, which is set with over 700 round brilliant diamonds; the majority are paved-set on the unique hinged lid which covers the brilliant tourbillon.

The dial itself shows off a elaborately engraved primary surface that hosts a smaller subdial up top; this subdial is crafted from black rhodium and bears a engine-turned hobnail pattern. The Breguet Classique 1808 Grande Complication has a power reserve of 48 hours, fitted with a crocodile strap and a diamond-set rose gold buckle with water resistance of 30 meters.

BOARD OF DIRECTORS

MR OWEN PHILLIMORE HOWELL-PRICE
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

MR ROBERT TAN KAH BOH
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

MR JASON CHOO CHOON WAI
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Jason Choo was appointed to the Board of The Hour Glass Limited on 1 August 2006 as an independent Director and serves as a member of the Company's Audit Committee.

Mr Choo is a director and the Chief Executive Officer of Gems TV Holdings Limited. In addition, Mr Choo is chairman and director of Lonsdale Capital Pte Ltd. Mr Choo holds directorships in several private companies in Singapore as well as in the region.

Mr Choo is a graduate from Colorado College where he obtained a Bachelor of Arts degree in Economics.

MR ARIEL KOR
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ariel Kor was appointed to the Board of The Hour Glass Limited on 1 August 2006 as an independent Director and serves as a member of the Company's Remuneration Committee.

Mr Kor is a Director of Sampoerna Capital. He also holds directorships in Harel Insurance Investments Ltd and the Coffee Bean & Tea Leaf Company Inc.

Mr Kor is a graduate from Oxford University where he obtained a Bachelor of Arts degree and a Masters of Arts degree.

HARRY WINSTON

The Harry Winston Opus 8 watch is the latest in Harry Winston's extraordinary Opus series of timepieces; each of which represents a unique collaboration with the world's foremost horological creative minds.

Conceived in partnership with the remarkable Frédéric Garinaud and his specialist watchmaking firm Cellule des Spécialités Horlogères (CSH), the Opus 8 watch creatively unites the worlds of digital and mechanical technologies. The result is an object of art, emotion and absolutely unique technical distinction. Inspired by early electronic LED watches of the 1970s, creator Frédéric Garinaud and CSH developed the Opus 8 with a new twist on mechanical-digital watches.

ULYSSE NARDIN

A watch that complements the earlier Freak, a mechanical watch that features no hands to show the time–the movement itself served the purpose, there was no crown to wind it. The Freak Blue Phantom remains one of the most technically innovative timepieces and daring watches ever conceived. This symphony in blue is crafted in 18 ct white gold with its bridges and metal parts treated with a stainless blued titanium alloy.

The Blue Phantom houses the nautical watch brand's patented Dual Ulysse Escapement made of silicium and a Carrousel Tourbillon displaying hours and minutes. To date, the Blue Phantom contains fewer parts than the simplest working mechanical watch today.

RICHARD MILLE

Tourbillon RM 018 "Hommage a Boucheron". Paying homage to the house of Boucheron, Richard Mille creates a wristwatch unlike any other that would combine the exceptional talents of a jeweler's tradition and 21st century horology. The RM 018 represents for the first time, the creation of wheels inside the movement using semi-precious and precious stones such as tiger-eye, jasper, black onyx and diamonds.

More than three years of development and testing on these materials were spent before the perfect wheel was found. Even the baseplate was eliminated and replaced by a rhomboidal crystalline structure of synthetic sapphire crystal A12O3 that acts as bridges supporting the entire movement. Without a doubt, the new RM018 represents the ultimate example of a world premiere 22nd century timepiece.

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

I am delighted to report that the Group posted its strongest historic financial performance for the fiscal year ended 31 March 2008. Net profit after tax grew by 62% to a record $31.5 million whilst sales rose a robust 20% to $487.6 million.

This accomplishment further strengthened the balance sheet with shareholders funds at $169.3 million. On an enlarged share capital of 231.7 million shares, this translates into a net asset value per share of 73.1 cents per ordinary share as at 31 March 2008. The Group's net gearing ratio has been reduced from 18% in FY2007 to 11% in FY2008 and our year-end inventory levels grew by a nominal 7% to $151.7 million. Notwithstanding, this marginal increase in stocks did not detract management from continuing to improve our stock turnover ratio to 2.6 times, double that of the industry average.

In view of the Group's sterling performance and to reward shareholders for their trust, loyalty and continuous support, the Board is pleased to recommend a final dividend of 2.0 cents per share (based on a one-tier system). Together with the one-time special interim gross dividend of 8.0 cents per share declared and paid during the year, the total net dividend payout for the full year will amount to $12.0 million.

BUSINESS REVIEW

There was an unanticipated and unprecedented boom in wealth creation over the past several years leading to a never seen before demand for luxury and specialty watches. Though the industry was firing on all cylinders, manufacturers were still not delivering enough product to satisfy global markets, and in particular, Asia. This was due to massive production bottlenecks, the result of decades of underinvestment in facilities expansion.

On the back of this buoyant mood, The Hour Glass added $80.5 million in net sales whilst operating profit soared by 67% to $ 39.5 million. All this was realised with the same retail network as the year before – that is to say no new stores were opened during the fiscal year - making this achievement even more rewarding. The sales increase and margin appreciation resulted from the Group's focus on both high-grade technical timepieces and luxury performance sports watches, two key growth segments in the markets we operate in. Our ability to sustain prices came about as the growth in demand for luxury watches was not matched by a concurrent increase in product supply. We believe that this shortfall in supply cannot be rectified in the near term.

Whilst the attention of our sales and merchandising teams were trained on the next watch they were going to procure and sell, our marketing teams were working overtime to produce the world's ultimate consumer watch festival Tempus – The Temple of Time. Held in September 2007, Tempus was heralded by both industry pundits and collectors alike as a watch event second to none. We are delighted with the contributions The Hour Glass has made in both raising watch consciousness and building watch culture globally and believe this initiative further reinforces The Hour Glass as the watch world's leading cultural retail enterprise.

OUTLOOK

The tailwinds driving the market last year have abruptly switched directions and turned into rather turbulent economic headwinds. The force of these headwinds will certainly be testing as we face what we believe to be one of the greatest financial challenges of this new millennium. Despite slowing global growth, volatile stock markets and its dampening impact on consumer sentiment and hence discretionary spending, we intend to use this period of economic uncertainty to augment our strong business and operating fundamentals, enhancing our boutique network over the next 3 years. In this respect, we will invest approximately $25 million in both capital expenditure and increasing working capital over the course of the next 12 months, adding an additional 8 stores in Singapore, Malaysia, Thailand, Australia and Japan. This is the most rapid and profound network expansion programme we have engaged in since listing the business in 1988.

Part of this developmental plan includes a recent joint venture we concluded in Thailand on 1 April 2008. Trading under the name of PMT The Hour Glass, this 50/50 joint venture was signed with Prima Times Co. Ltd, an associate company of Blue River Corporation. Blue River Corporation is one of Thailand's leading jewelers and was founded by the Thamavaranukup family. The venture will leverage on The Hour Glass' status as

DE BETHUNE

De Bethune, a brand synonymous with breathtaking breakthroughs in both functionality and dial treatments, now welcome a new sports model into its cult Power collection. The Big Power SuperSport features a distinctly more sporty style, an all titanium case that guarantees optimal resistance for the most intense activities.

Driven by the movement of the DB22 Power and enriched with a brand-new function that can regulate the speed of the automatic winding system in accordance to the wearer's activities in low-medium-high modes, this radical and clever system is the latest patent filed by De Bethune.

HUBLOT

The Hublot Bullet Bang combines striking good looks and robustness in one great package. The radical combination of ceramic and metals such as tungsten and bronze lend an unusual shade of gold to the Bullet Bang's case and bezel; at the same time, this brand new material is extra-durable and completely scratch resistant.

The limited edition watch (500 pieces) is housed in a 44mm case with 6 titanium H-shaped screws. The sapphire crystal is treated with an anti-reflection coating and the bezel lug and lateral inserts are made from a black composite resin. For the Bullet Bang, Hublot used the calibre HUB44 RAC which is an automatic column-wheel chronograph movement. The watch is water resistant to 100 meters.

GERALD GENTA

The sprightly 80-year-old Mickey Mouse is now enthroned on a Gerald Genta tourbillon regulator, one of the most precious watches ever to be made in his honour. The Octo Ultimate Fantasy is the pinnacle of the watchmaking art and is the engaging result of a marriage between whimsical designing and high luxury mechanical horology.

The Octo collection is the latest addition to the Genta family of complicated watches. This oversized 42.5mm watch has a massive case with a tantalum bezel and an octagonal shape on the outside of the case. This limited numbered edition of 25 includes a 64-hour power reserve function and a perfectly integrated retrograde hour feature.

CHAIRMAN'S STATEMENT

Asia's premier specialty watch retailer and Blue River Corporation's excellent local knowledge of Thailand's luxury retail market. We are confident that PMT The Hour Glass will be Thailand's leading retailer of specialist timepieces, operating four boutiques comprising of three PMT The Hour Glass multi-brand format stores at Gaysorn Shopping Centre, Siam Paragon Shopping Centre and Emporium Shopping Complex, as well as a Chopard mono-brand boutique at Siam Paragon Shopping Centre. I thank our partners, the Thamavaranukups for the confidence and trust they have placed in us. Judging from the smooth and successful business integration effort, it leads me to believe that this will prove to be a great 'together forever' partnership.

A year ago, we had indicated that The Hour Glass had been approached by several international brands to manage their stand-alone boutiques in key Asian cities. I am pleased to report that we have since concluded on several such opportunities and that the following will commence business in FY2009: A Hublot stand-alone flagship store at Starhill Gallery in Kuala Lumpur representing the first of such mono-brand boutiques that we will open in Southeast Asia. In Sydney's prime shopping district of Castlereagh Street, we will be opening Australia's fifth Montblanc boutique operated by The Hour Glass. An A. Lange & Sohne boutique in Ginza, Tokyo is slated to open its doors in the second half of this year. This Lange boutique will be the only one of its kind in the world managed by a third party retailer. In Singapore, we have secured a space for a Rolex flagship store to be located at ION Orchard in addition to a new multi-brand boutique located in the same shopping complex.

We believe The Hour Glass is well positioned to extend our market leadership by doing what we do best; directing our retail marketing and merchandising programmes towards new areas of growth, managing our pricing strategies to ensure margin enhancements, increasing the productivity of our inventory assets, increasing the levels of cash being generated from the business and most importantly, producing more earnings per dollar of net revenue we generate.

At the forefront of our business development initiative is the emphasis we are placing on our human resources. I have tasked senior officers of the group to enhance their efforts in developing the next rung of leaders in the organisation so that over the course of the next 10 years they will have successfully strengthened the management team. As is the culture of the Company, we prefer to achieve this through internal promotions but will not rule out external recruitment as a means of realising this objective. Our senior officers have all committed to rise to this challenge, embracing this direction wholeheartedly. I hope that in a few years, we will be able to report positively on this and that the talent and experience of our management and frontline teams will continue to be the most respected in the industry.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank the management and staff at The Hour Glass, our brand partners, associates and ever faithful clients for what can only be described as an incredible year. It is the deep rooted culture, unyielding commitment, integrity and single mindedness of our whole organisation in striving to extend the market leadership of this unique cultural retail enterprise that has brought us to where we are today. And despite the poor economic conditions that may lie ahead, this passionate desire to lead means that we remain focused, excited about the future, positive about the prospects for our business and the industry we operate in and dedicated to continue delivering sustainable results for the years ahead.

Henry Tay Yun Chwan
Executive Chairman
2 June 2008

FINANCIAL HIGHLIGHTS

	FY2008	FY2007	FY2006	FY2005	FY2004
INCOME STATEMENT	$'000	$'000	$'000	$'000	$'000
Revenue	487,638	407,160	354,547	335,133	320,279
Operating profit	39,478	23,691	14,305	10,173	6,204
Profit after tax	31,481	19,381	12,917	10,102	6,315
EBITDA	42,800	27,295	17,657	13,797	10,062
EBITDAR	50,641	34,243	24,224	20,180	16,341
Dividends (net of tax)	12,006 [1]	10,116	3,809	3,809	6,531
BALANCE SHEET	$'000	$'000	$'000	$'000	$'000
Current assets	196,218	189,402	159,223	148,403	142,942
Current liabilities	55,826	66,902	43,456	44,940	44,119
Net current assets	140,392	122,500	115,767	103,463	98,823
Net assets	169,292	210,387	136,739	130,703	129,114
FINANCIAL RATIOS					
Gross margin (%)	20.0	17.2	16.0	14.9	13.9
Operating margin (%)	8.1	5.8	4.0	3.0	1.9
Net margin (%)	6.5	4.8	3.6	3.0	2.0
Stock turnover (days)	142	154	156	148	152
Stock turnover ratio	2.6	2.4	2.3	2.5	2.4
Debt / equity ratio (%)	8.8	12.5	11.4	13.4	14.8
Net gearing ratio (%)	10.5	18.3	13.1	15.3	17.3
EPS (cents)					
- Basic and Diluted [2]	13.5	8.4	5.7	4.0	2.8
NAV per share (cents)	73.1	187.6	125.6	120.1	118.6
NAV per share (cents) [3]	73.1	93.8	62.8	60.1	59.3

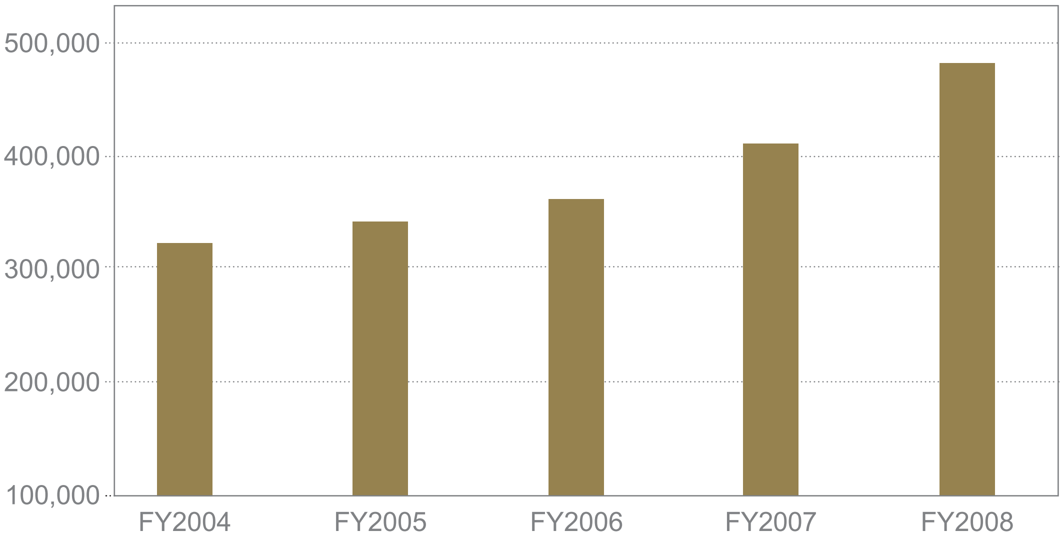
1. Inclusive of the recommended final dividend of 2.00 cents per ordinary share (one-tier) for the financial year ended 31 March 2008 subject to shareholders' approval at the next Annual General Meeting of the Company.

2. For the purpose of comparison, earnings per share ("EPS") for prior corresponding years are adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into two ordinary shares on 18 February 2008.

3. For the purpose of comparison, net asset value per share ("NAV") for prior corresponding years are adjusted retrospectively pursuant to the sub division of every one existing ordinary share into two ordinary shares on 18 February 2008.

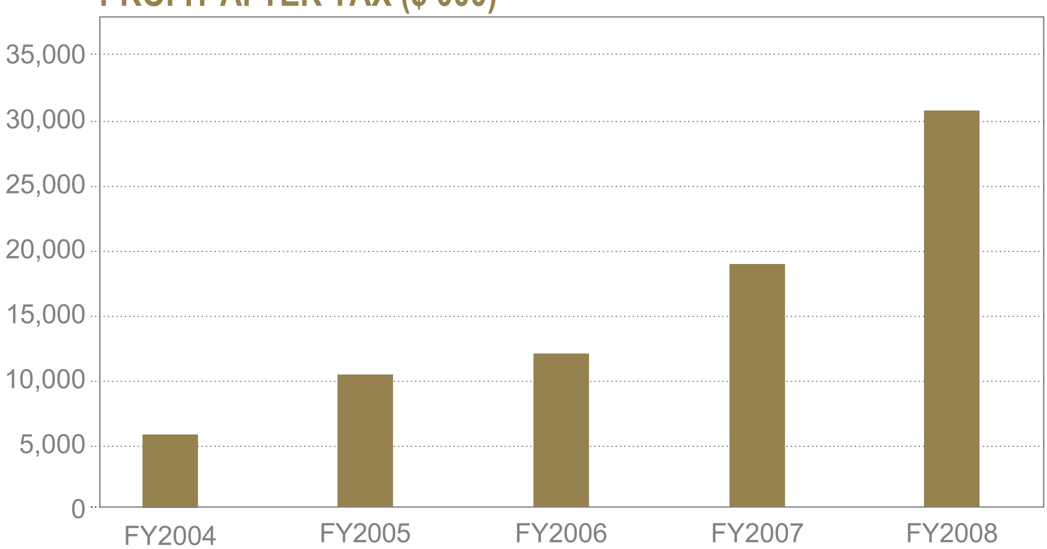
FINANCIAL HIGHLIGHTS

REVENUE ($'000)



FY2004	FY2005	FY2006	FY2007	FY2008
320,279	335,133	354,547	407,160	487,638

PROFIT AFTER TAX ($'000)



FY2004	FY2005	FY2006	FY2007	FY2008
6,315	10,102	12,917	19,381	31,481

CORPORATE GOVERNANCE

The Hour Glass Limited is committed to ensuring a high standard of corporate governance within the Group to protect the interests of its shareholders and maximise long-term shareholder value. This report describes the corporate governance practices and activities of the Company for the financial year ended 31 March 2008.

The Company's corporate governance practices and activities in relation to each of the principles of the Code of Corporate Governance 2005 ***("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 success of the company. The Board works with Management to achieve this and the 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. 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.

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

The Board meets at least semi-annually. From the third quarter ended 31 December 2007, the Board will meet 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 4 times during the financial year. To facilitate the Board's decision-making process, the Company's Articles of Association provides for directors to participate in Board meetings by conference telephone and similar communications equipment, and for Board resolutions to be passed in writing, including by electronic means.

Directors and senior executives are briefed on the Group's operations and furnished with information on the Group's corporate governance practices at the time of appointment, and are routinely updated on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting the Company and/or the Group. Newly appointed Directors are also provided with a formal letter setting out the director's duties and obligations under applicable laws and regulations.

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 duties and powers. In the discharge of its functions, the Board is supported by specialty Board committees that provide independent oversight of management, and which also serve to ensure that there are appropriate checks and balances. These key committees, comprising the Audit Committee and the Remuneration Committee, are made up entirely 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. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

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

CORPORATE GOVERNANCE

The Board has adopted the definition in the Code of what constitutes an independent director in its review of the independence of each director. The independent non-executive members of the Board comprise seasoned professionals with management, financial, accounting, investment, private equity 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, as well as monitoring the performance of management and operating as an appropriate check and balance.

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

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:

NAME OF DIRECTOR	AGE	DATE FIRST APPOINTED AS DIRECTOR	DATE LAST RE-ELECTED AS DIRECTOR
Dr Henry Tay Yun Chwan	64	11 Aug 1979	21 Jul 2006
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	63	11 Aug 1979	20 Jul 2007
Dr Kenny Chan Swee Kheng	55	01 Apr 2004	20 Jul 2007
Mr Michael Tay Wee Jin	33	15 Aug 2005	21 Jul 2006
Mr Owen Phillimore Howell-Price	82	11 Apr 1994	20 Jul 2007
Mr Robert Tan Kah Boh	63	18 Nov 1999	28 Jul 2005
Mr Jason Choo Choon Wai	37	01 Aug 2006	20 Jul 2007
Mr Ariel Kor	33	01 Aug 2006	20 Jul 2007

CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

Dr Henry Tay and his spouse, Mdm Chan Siew Lee (Dato' Dr Jannie Tay) are the founders of The Hour Glass. Dr Henry Tay and Dato' Dr Jannie Tay are regarded as controlling shareholders of the Company, having a collective interest in approximately 62.6% of the Company's issued shares. Dr Henry Tay is the Executive Chairman, and Dato' Dr Jannie Tay is the Executive Vice Chairman. Dr Kenny Chan is the Managing Director of the Company since 1 April 2004, and Mr Michael Tay is Executive Director since 15 August 2005. Mr Michael Tay is the son of Dr Henry Tay and Dato' Dr Jannie Tay, and Dr Kenny Chan is the brother of Dato' Dr Jannie Tay. These four executive directors take an active role in management and overseeing of the Group's operations, providing a division of executive responsibility and authority in the Company.

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

As part of his administrative duties, the Executive Chairman ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Managing Director and Chief Financial Officer. The Executive Chairman encourages constructive relations among members of the Board and between the Board and management 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

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

Based on the present 8-member Board size, of which four of the Board members are independent non-executive directors, the formation of a committee of the board to perform the functions of a Nominating Committee, as recommended by the Code, would be superfluous. Hence, the Board has decided against the formation of a Nominating Committee. Instead, the Board performs the functions that such a committee would otherwise perform, namely, it administers nominations and re-nominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members. The selection of candidates for new appointments to the Board as part of the Board's renewal process are evaluated taking into account various 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.

In line with the recommendation of the Code, the Company's Articles of Association were amended in August 2002 to provide that all directors, including a managing director for the time being of the Company, are to submit themselves for periodic retirement and re-election by shareholders at annual general meetings of the Company. In 2006, the Articles were amended to update the Articles generally and take into account changes to the regulatory framework which included the removal of the concept of par value of shares.

BOARD PERFORMANCE

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

CORPORATE GOVERNANCE

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

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

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

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

ACCESS TO INFORMATION

Principle 6: *In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

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

CORPORATE GOVERNANCE

appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

DISCLOSURE ON REMUNERATION

Principle 9: *Each company should provide clear disclosure of its remuneration policy, 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 executives, and performance.*

During the year, the Company's Remuneration Committee ("***RC***") comprised Mr Owen Price, Mr Robert Tan and Mr Ariel Kor. All of the RC members are independent non-executive directors. The RC is chaired by Mr Owen Price. The RC met 3 times during the financial year.

The RC's terms of reference are primarily 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. Its functions include review of senior executive development and succession, compensation plans and recruitment strategies, and evaluation of executives' performance.

The RC's terms of reference do not include the annual review and recommendation of the fees for non-executive directors of the Company (to be put to shareholders in annual general meeting for approval), which is a Board reserved matter. Such fees are set in accordance with a remuneration framework comprising basic fees, 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 Company's executive directors are under service contracts. Their contract renewals and any revisions are subject to the review and approval of the RC. The Company does not presently operate an employee share option scheme.

The Code recommends that the remuneration of the Company's top five executives who are not directors of the Company be disclosed annually in a remuneration report. The Company believes that the disclosure of remuneration of the individual executives may be disadvantageous to the Group's interests, given the highly competitive industry conditions and the sensitivity and confidentiality of staff remuneration matters. For the financial year under review, other than the four executive directors of the Company whose remuneration is disclosed at the end of this statement, an employee who is the sister of Dato' Dr Jannie Tay and Dr Kenny Chan, received an annual remuneration in excess of $150,000 but below $250,000.

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

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

AUDIT COMMITTEE

Principle 11: *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

INTERNAL CONTROLS

Principle 12: *The Board should ensure that Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

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

The Company recognises that risk analysis and management is, prima facie, a function of management. The Company's approach to risk management focuses on ensuring that appropriate controls are in place to effectively manage those risks. Measures are adopted to manage such risks, and risk management policies are monitored by management, and periodically reviewed and approved by the Board. The internal audit plan is developed in conjunction with the Company's risk management objectives and policies, to confirm the operation of internal controls and to assess the effectiveness and efficiency of the control environment. In addition, the Board requires that any major proposal submitted to the Board for decision be accompanied by a comprehensive risk evaluation and, where required, management's proposed mitigation strategies. The Company's risk management policies and practices are described in note 32 to the accounts, at page 69 of the Annual Report.

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

The activities of the AC include reviewing with the external auditors their (i) annual audit plan, findings, and recommendations to management as well as management's response; (ii) evaluation of the system of internal accounting controls; and (iii) audit report. The AC also reviews the assistance given by management to the external auditors, the scope and results of the internal audit procedures, the balance sheet and profit and loss accounts of the Company and Group, significant financial reporting issues and judgments as well as the periodic and full-year results prior to their submission to the Board, and (where applicable) interested person transactions. The Company commenced quarterly reporting from the third quarter of the financial year (three months ended 31 December 2007) ahead of the mandatory requirement. The AC also recommends the appointment or re-appointment of the external auditors, and takes into consideration the scope and results of the audit and its cost effectiveness (including remuneration and terms of engagement) and the independence of the external auditors. The AC has reviewed and put in place the "whistle blowing" policy and arrangements proposed for staff and others, including procedures for follow up action and independent investigations.

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

During the financial year, the AC met 3 times. The AC has full access to and co-operation of the Company's management and the internal auditors and has full discretion to invite any executive director or officer to attend its meetings. The auditors, both internal and external, have unrestricted access to the AC. Reasonable resources have been made available to the AC to enable it to discharge its duties. The AC will meet the external auditors, and with the internal auditors, without the presence of management, at least annually.

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

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

INTERNAL AUDIT

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

CORPORATE GOVERNANCE

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

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

COMMUNICATION WITH SHAREHOLDERS

Principle 14: *Companies should engage in regular, effective and fair communication with shareholders.*

Principle 15: *Companies should encourage greater shareholders participation at AGMs, 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, half-year and full-year results, material transactions, and other developments relating to the Group requiring disclosure under the corporate disclosure policy of the SGX-ST. Under Rule 705 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company is subject to mandatory quarterly reportings from the financial year commencing 1 April 2008. However, the Board has decided to embark voluntarily on quarterly reporting ahead of the mandatory timeline, starting with the quarter ended 31 December 2007.

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

The Company's main forum for dialogue with shareholders takes place at its AGM, whereat members of the Board, senior management and the external auditors are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask questions regarding the Company. 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 Articles of Association allow a shareholder to appoint one or two proxies to attend and vote at general meetings in his/her stead.

The Company prepares minutes of general meetings and makes these minutes available to shareholders upon their request.

DISCLOSURE OF REMUNERATION

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

SUMMARY COMPENSATION TABLES – FINANCIAL YEAR ENDED 31 MARCH 2008

(I) BREAKDOWN OF REMUNERATION IN PERCENTAGE TERMS

Name	Position	Salary* %	Bonus %	Fees# %	Other benefits %	Total %
Dr. Henry Tay Yun Chwan	*Executive Chairman*	30	61	-	9	100
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	*Executive Vice Chairman*	30	61	-	9	100
Dr. Kenny Chan Swee Kheng	*Managing Director*	23	73	-	4	100
Mr. Michael Tay Wee Jin	*Executive Director*	26	68	-	6	100
Mr. Owen Phillimore-Howell Price	*Independent Director*	-	-	100	-	100
Mr. Robert Tan Kah Boh	*Independent Director*	-	-	100	-	100
Mr. Jason Choo Choon Wai	*Independent Director*	-	-	100	-	100
Mr. Ariel Kor	*Independent Director*	-	-	100	-	100

(II) RANGES OF GROSS REMUNERATION RECEIVED

No. of Directors in remuneration bands	2008	2007
$1,250,000 and above	1	1
$1,000,000 to below $1,250,000	3	-
$750,000 to below $1,000,000	-	2
$500,000 to below $750,000	-	1
$250,000 to below $500,000	-	-
Below $250,000	4	5
Total	8	9

* *Salary includes employer's CPF contribution*

\# *accrued for FY2008*

CORPORATE GOVERNANCE

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS
– FINANCIAL YEAR ENDED 31 MARCH 2008

Board composition & Committees	Board of Directors		Audit Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Dr. Henry Tay Yun Chwan	4	4	NA	NA	NA	NA
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	4	4	NA	NA	NA	NA
Dr. Kenny Chan Swee Kheng	4	4	NA	NA	NA	NA
Mr. Michael Tay Wee Jin	4	3	NA	NA	NA	NA
Mr. Owen Phillimore-Howell Price	4	3	3	2	3	3
Mr. Robert Tan Kah Boh	4	4	3	3	3	3
Mr. Jason Choo Choon Wai	4	3	3	2	NA	NA
Mr. Ariel Kor	4	2	NA	NA	3	1

NA means not applicable.

ADDITIONAL INFORMATION

ETHICAL STANDARDS AND BUSINESS CONDUCT

The Company has developed a code of ethics and business conduct to be observed by all employees of the Group. The code of conduct also deals with subjects such as confidential information and 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 one month before and up to the date of announcement of the Company's half-year and full-year results. During the year, in conjunction with the commencement of quarterly reporting by the Company, this policy was revised to provide that Directors and staff henceforth 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.

CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

Transactions with the Company's interested persons (as that term is defined in the Listing Manual of the SGX-ST) are subject to review and approval by the Board comprising those directors who do not have an interest in the transaction. Where required by the relevant listing rules of the SGX-ST, the AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interests of the Company and shareholders, before making its recommendation to the Board for endorsement. The Company's disclosure in accordance with Rule 907 of the Listing Manual of the SGX-ST in respect of interested person transactions for the financial year ended 31 March 2008 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the year under review (excluding transactions less than $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Amstay Pte Ltd (associate of Dr Henry Tay Yun Chwan and Dato' Dr Jannie Tay)	$349,275*	Not applicable – the Company does not have a shareholders' mandate pursuant to Rule 920

**Gross rental in respect of 2-year lease of office premises at 12th floor, Tong Building, Singapore, commencing January 2008, leased from Amstay Pte Ltd.*

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of The Hour Glass Limited (the "Company") and its subsidiary companies (collectively the "Group") for the financial year ended 31 March 2008 and the balance sheet and statement of changes in equity of the Company as at 31 March 2008.

Directors

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

Dr Henry Tay Yun Chwan	(Executive Chairman)
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	(Executive Vice Chairman)
Dr Kenny Chan Swee Kheng	(Managing Director)
Mr Michael Tay Wee Jin	(Executive Director)
Mr Owen Phillimore Howell-Price	
Mr Robert Tan Kah Boh	
Mr Jason Choo Choon Wai	
Mr Ariel Kor	

Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

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

	Shareholdings registered in the name of or beneficially held by directors		Shareholdings in which the directors are deemed to have an interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Hour Glass Limited				
Henry Tay Yun Chwan	8,955,138	18,687,048	59,037,413	123,072,058
Chan Siew Lee	1,543,557	3,217,768	59,037,413	123,072,058
Kenny Chan Swee Kheng	446,422	892,844	73,141	146,282
Michael Tay Wee Jin	10,449	542,944	–	–
Owen Phillimore Howell-Price	104,487	231,462	–	–

There was no change in any of the abovementioned Directors' interests between the end of the financial year and 21 April 2008.

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

Except as disclosed in this report, no Director who held office at the end of the financial year had an interest in 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.

Directors' contractual benefits

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

Share options

(i) No options to take up unissued shares in the Company or its subsidiary companies have been granted during the financial year.

(ii) No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary companies.

(iii) As at the end of the financial year, there were no unissued shares of the Company or its subsidiary companies under option.

Audit Committee

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

Mr Robert Tan Kah Boh (Chairman)

Mr Owen Phillimore Howell-Price

Mr Jason Choo Choon Wai

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

(a) the evaluation of the Group's system of internal accounting controls;

(b) the Group's financial and operating results;

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors;

(d) the audit plan of the external auditors, including the nature and scope of the audit before the audit commenced;

(e) audit report submitted by external auditors;

(f) the scope and results of internal audit procedures; and

(g) the co-operation given by management to the external and internal auditors.

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

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

Auditors

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

On behalf of the Board of Directors,

Henry Tay Yun Chwan
Executive Chairman

Kenny Chan Swee Kheng
Managing Director

Singapore
2 June 2008

STATEMENT BY DIRECTORS PURSUANT TO SECTION 201(15)

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

(i) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and the results of the business, changes in equity and cash flow of the Group and the 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.

On behalf of the Board of Directors,

Henry Tay Yun Chwan
Executive Chairman

Kenny Chan Swee Kheng
Managing Director

Singapore
2 June 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

We have audited the accompanying financial statements of The Hour Glass Limited (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 33 to 75, which comprise the balance sheets of the Group and the Company as at 31 March 2008, the statements of changes in equity of the Group and the Company, and the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes 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 profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and the results, changes in equity and cash flow of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Public Accountants and Certified Public Accountants
Singapore
2 June 2008

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 $'000	2007 $'000
Revenue	4	487,638	407,160
Other income	5	2,130	2,035
Total revenue		489,768	409,195
Cost of goods sold		390,002	336,932
Salaries and employees benefits		32,207	23,934
Depreciation of property, plant and equipment and investment properties	12,13	2,438	2,290
Selling and promotion expenses		10,281	9,036
Rental expenses		7,841	6,948
Finance costs	6	883	1,303
Foreign exchange gain		(85)	(510)
Other operating expenses	7	6,723	5,571
Total costs and expenses		450,290	385,504
Operating profit	8	39,478	23,691
Exceptional item		–	467
Profit before taxation		39,478	24,158
Taxation	9	(7,997)	(4,777)
Profit for the year		31,481	19,381
Attributable to:			
Equity holders of the Company		30,530	18,644
Minority interests		951	737
		31,481	19,381
Earnings per share (cents)			
Basic and diluted	11	13.46	8.43

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

BALANCE SHEETS AS AT 31 MARCH 2008

		Group		Company	
	Note	2008	2007	2008	2007
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	12	16,982	16,307	10,995	11,072
Investment properties	13	9,465	2,916	3,600	839
Investment in subsidiary companies	14	–	–	19,959	19,191
Investment in an associated company	15	109	–	–	–
Investment securities	16	8,448	72,121	8,448	72,121
Other receivables	17	664	887	664	887
Deferred tax assets	18	232	1,582	–	485
		35,900	93,813	43,666	104,595
Current assets					
Stocks	19	151,650	142,254	72,559	67,801
Trade debtors	20	9,940	10,499	4,078	4,202
Other debtors	21	5,438	3,727	2,690	2,168
Dividend receivable from a subsidiary company		–	–	–	3,912
Other receivables	17	–	5,513	–	5,513
Prepaid operating expenses		417	391	218	260
Amounts due from subsidiary companies	22	–	–	6,323	8,790
Fixed deposits with banks	31	7,789	5,842	1,501	1,233
Cash and bank balances	31	20,984	21,176	11,186	10,595
		196,218	189,402	98,555	104,474
Less : Current liabilities					
Loans and borrowings	23	14,879	26,315	–	15,500
Finance lease creditors		5	–	5	–
Trade creditors	24	12,750	17,885	3,231	6,746
Other creditors	25	21,632	17,027	14,323	11,974
Amounts due to subsidiary companies	22	–	–	398	535
Provision for taxation		6,560	5,675	4,198	3,196
		55,826	66,902	22,155	37,951
Net current assets		140,392	122,500	76,400	66,523
Non-current liabilities					
Provision	24	141	201	–	–
Deferred tax liabilities	26	406	14	85	–
		(547)	(215)	(85)	–
Net assets		175,745	216,098	119,981	171,118
Equity attributable to equity holders of the Company					
Share capital	27	65,022	59,306	65,022	59,306
Reserves	28	104,270	151,081	54,959	111,812
		169,292	210,387	119,981	171,118
Minority interests		6,453	5,711	–	–
Total equity		175,745	216,098	119,981	171,118

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 2008

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
	Share capital $'000 (Note 27)	**Foreign currency translation reserve** $'000	**Fair value adjustment reserve** $'000	**Revenue reserve** $'000	**Total reserves** $'000	**Minority interests** $'000	**Total equity** $'000
Group							
Balance as at 1 April 2006	56,725	4,452	–	75,562	80,014	5,092	141,831
Unrealised foreign currency translation adjustment	–	(358)	–	–	(358)	2	(356)
Net gain on fair value changes during the year	–	–	56,590	–	56,590	–	56,590
Net (loss)/income recognised directly in equity	–	(358)	56,590	–	56,232	2	56,234
Profit for the year	–	–	–	18,644	18,644	737	19,381
Total recognised income and expense for the year	–	(358)	56,590	18,644	74,876	739	75,615
Payment of dividend by a subsidiary company	–	–	–	–	–	(120)	(120)
Dividends on ordinary shares less tax (Note 10)	–	–	–	(3,809)	(3,809)	–	(3,809)
Issuance of new shares pursuant to scrip dividend scheme	2,581	–	–	–	–	–	2,581
Balance as at 31 March 2007	59,306	4,094	56,590	90,397	151,081	5,711	216,098
Balance as at 1 April 2007							
- as previously reported	59,306	4,094	56,590	90,397	151,081	5,711	216,098
- effect of adopting FRS 40 (Note 2.3)	–	–	–	4,426	4,426	–	4,426
- as restated	59,306	4,094	56,590	94,823	155,507	5,711	220,524
Unrealised foreign currency translation adjustment	–	(606)	–	–	(606)	(8)	(614)
Net loss on fair value changes during the year	–	–	(63,673)	–	(63,673)	–	(63,673)
Net loss recognised directly in equity	–	(606)	(63,673)	–	(64,279)	(8)	(64,287)
Profit for the year	–	–	–	30,530	30,530	951	31,481
Total recognised income and expense for the year	–	(606)	(63,673)	30,530	(33,749)	943	(32,806)
Payment of dividend by a subsidiary company	–	–	–	–	–	(201)	(201)
Dividends on ordinary shares less tax (Note 10)	–	–	–	(17,488)	(17,488)	–	(17,488)
Issuance of new shares pursuant to scrip dividend scheme	5,716	–	–	–	–	–	5,716
Balance as at 31 March 2008	65,022	3,488	(7,083)	107,865	104,270	6,453	175,745

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 2008

	Share capital $'000 (Note 27)	Fair value adjustment reserve $'000	Revenue reserve $'000	Total reserves $'000	Total equity $'000
Company					
Balance as at 1 April 2006	56,725	–	46,586	46,586	103,311
Net gain on fair value changes during the year	–	56,590	–	56,590	56,590
Net income recognised directly in equity	–	56,590	–	56,590	56,590
Profit for the year	–	–	12,445	12,445	12,445
Total recognised income and expense for the year	–	56,590	12,445	69,035	69,035
Dividends on ordinary shares less tax (Note 10)	–	–	(3,809)	(3,809)	(3,809)
Issuance of new shares pursuant to scrip dividend scheme	2,581	–	–	–	2,581
Balance as at 31 March 2007	59,306	56,590	55,222	111,812	171,118
Balance as at 1 April 2007					
- as previously reported	59,306	56,590	55,222	111,812	171,118
- effect of adopting FRS 40 (Note 2.3)	–	–	1,608	1,608	1,608
- as restated	59,306	56,590	56,830	113,420	172,726
Net loss on fair value changes during the year	–	(63,673)	–	(63,673)	(63,673)
Net loss recognised directly in equity	–	(63,673)	–	(63,673)	(63,673)
Profit for the year	–	–	22,700	22,700	22,700
Total recognised income and expense for the year	–	(63,673)	22,700	(40,973)	(40,973)
Dividends on ordinary shares less tax (Note 10)	–	–	(17,488)	(17,488)	(17,488)
Issuance of new shares pursuant to scrip dividend scheme	5,716	–	–	–	5,716
Balance as at 31 March 2008	65,022	(7,083)	62,042	54,959	119,981

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	2008 $'000	2007 $'000
Profit before taxation	39,478	24,158
Adjustments for:		
Dividend income	–	(943)
Finance costs	883	1,303
Interest income	(370)	(326)
Depreciation of property, plant and equipment and investment properties	2,438	2,290
Gain on disposal of plant and equipment	(6)	(129)
Net fair value gain on investment property	(848)	–
Foreign currency translation adjustment	(529)	(692)
Amortisation of club memberships	–	11
Exceptional item	–	(467)
Operating profit before working capital changes	41,046	25,205
Increase in stocks	(9,396)	(14,781)
Increase in debtors	(1,152)	(2,150)
(Increase)/decrease in prepayments	(26)	13
(Decrease)/increase in creditors	(590)	11,419
Decrease in short-term receivable	5,513	–
Decrease in long-term receivables	323	308
Cash generated from operations	35,718	20,014
Income taxes paid	(6,821)	(3,509)
Interest expense paid	(883)	(1,303)
Interest income received	370	326
Net cash flows from operating activities	28,384	15,528
Cash flows from investing activities:		
Dividend income	–	943
Purchase of investment securities	–	(15,531)
Proceeds from disposal of property, plant and equipment	62	600
Purchase of property, plant and equipment	(2,594)	(2,979)
Investment in an associated company	(109)	–
Net cash used in investing activities	(2,641)	(16,967)
Cash flows from financing activities:		
Proceeds from obligations under finance lease	15	–
Repayment of obligations under finance lease	(10)	–
Proceeds from bank term loans	11,465	15,500
Repayment of bank term loans	(22,861)	(4,840)
Dividends paid to shareholders	(17,488)	(3,809)
Proceeds from issue of shares pursuant to scrip dividend scheme	5,716	2,581
Dividend paid to minority shareholders of subsidiary company	(201)	(120)
Net cash (used in)/provided by financing activities	(23,364)	9,312
Net increase in cash and cash equivalents	2,379	7,873
Effects of exchange rate changes	(624)	74
Cash and cash equivalents at beginning of year	27,018	19,071
Cash and cash equivalents at end of year (Note 31)	28,773	27,018

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008

1. Corporate information

The Hour Glass Limited ("the Company") is a limited liability company incorporated 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 subsidiary companies (collectively, the "Group") are those of investment holding companies, retailing and distribution of watches and jewellery, and investment in properties.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$").

2.2 Future changes in accounting policies

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

Reference	Description	Effective for annual period beginning on or after
FRS 1	Presentation of Financial Statements - Revised presentation	1 January 2009
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 112	Service Concession Arrangements	1 January 2008
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 114	FRS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Directors expect that the adoption of the above pronouncements will have no impact to the financial statements in the period of initial application, except for FRS 108 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2.3 Change in accounting policy

On 1 April 2007, the Group adopted FRS 40 Investment Property which is effective for annual periods beginning on or after 1 January 2007.

Prior to 1 April 2007, investment properties were accounted for as long term investments at cost less accumulated depreciation and any impairment losses.

As a result of adopting FRS 40, investment properties are measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

2.3 Change in accounting policy (cont'd)

This change in accounting policy has been accounted for prospectively from 1 April 2007 in accordance to the transitional provision of FRS 40. The effects of adopting FRS 40 and the change in the accounting for deferred tax liability on the surplus arising from the revaluation of the investment properties of the Group as at 1 April 2007 are as follows :

	Increase
	$'000
Investment properties	5,986
Deferred tax liabilities	1,560
Revenue reserve	4,426

The adoption of FRS 40 has resulted in an increase in the Group's profit net of tax for the year ended 31 March 2008 by $690,000. This arises from net fair value gain on investment properties of $848,000 recognised in "other income" and deferred tax liabilities of $158,000 recognised in "taxation".

The adoption of FRS 40 has resulted in an increase in the Group's basic and diluted earnings per share for the financial year ended 31 March 2008 by 0.30 cents.

2.4 Functional foreign currency

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Selling prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

2.5 Subsidiary companies

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.6 Basis of consolidation

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

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

Acquisitions of subsidiary companies are accounted for by applying the purchase method. Subsidiary companies 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.

2.7 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.8 Associated companies

An associated company is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company. Goodwill relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associated company's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associated company in the period in which the investment is acquired.

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

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

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and 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:

2.9 Property, plant and equipment (cont'd)

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

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

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

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

2.10 Investment properties

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the income statement 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 gains or losses on the retirement or disposal of an investment property are recognised in the income statement 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, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment 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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets. In assessing value in use, the estimated future cash flow expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. 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 the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.12 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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.

A financial asset is derecognised where the contractual rights to receive cash flow from the asset have expired. On derecognition of a financial asset, 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 equity is recognised in the income statement.

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

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.25.

(b) *Loans and receivables*

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. Gains and losses are recognised in the income statement 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 bank balances and fixed deposits with banks
- Trade and other receivables, including amounts due from subsidiary companies.

(c) *Available-for-sale financial assets*

The Group classifies its investment securities as available-for-sale financial assets.

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary items and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.13 Impairment of financial assets

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

(a) *Assets carried at amortised cost*

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 cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

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

2.13 Impairment of financial assets (cont'd)

impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset 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.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment loss in respect of equity instruments are not recognised in the income statement.

2.14 Inventories

Inventories are stated at the lower of cost (specific identification method) and net realisable value.

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

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, 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.

2.16 Other receivables

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

2.17 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.18 Borrowing costs

Borrowing costs are recognised in the income statement as incurred.

2.19 Provisions

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

2.20 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2.21 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense in the income statement 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 where the Group retains 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 2.22(b).

2.22 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. Revenue is measured at the fair value of consideration received or receivable.

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

(b) Rental income

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

2.22 Revenue (cont'd)

(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.

2.23 Income taxes

(a) Current tax

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

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) Deferred tax

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

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

- Where the deferred tax 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 temporary differences associated with investments in subsidiary companies where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

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

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

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

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity.

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation

2.23 Income taxes (cont'd)

authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

2.24 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.25 Derivative financial instruments

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

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

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

3. Significant accounting judgements and estimates

The preparation of the Group's 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 reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the 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 :

3.1 Judgements made in applying accounting policies (cont'd)

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Deferred tax assets	232	1,582	–	485
Provision for taxation	(6,560)	(5,675)	(4,198)	(3,196)
Deferred tax liabilities	(406)	(14)	(85)	–

3.2 Key sources of estimation uncertainty

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

(a) *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 5 years, except for freehold and leasehold premises which are depreciated over 50 years. The carrying amount of the Group's property, plant and equipment at 31 March 2008 was $16,982,000 (2007: $16,307,000). 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.

(b) *Impairment of loans and receivables*

The Group assesses at each balance sheet date 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 balance sheet date is disclosed in Note 20 to the financial statements.

(c) *Allowances for inventories*

Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. 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 inventory has been made in the financial statements.

4. Revenue

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

5. Other income

	Group	
	2008	**2007**
	$'000	$'000
Investment income	–	943
Rental income	564	515
Interest income	370	326
Gain on disposal of property, plant and equipment	6	129
Net fair value gain on investment properties	848	–
Others	342	122
	2,130	2,035

6. Finance costs

	Group 2008 $'000	Group 2007 $'000
Interest on bank term loans	874	1,282
Interest on bank overdrafts	9	21
	883	1,303

7. Other operating expenses

	Group 2008 $'000	Group 2007 $'000
Facilities cost	2,909	2,320
Professional fees	903	800
General administrative expenses	2,911	2,451
	6,723	5,571

8. Operating profit

This is determined after charging the following :

	Group 2008 $'000	Group 2007 $'000
Salaries and employees benefits (including executive directors):		
- salaries, bonuses and other costs	30,269	22,331
- state provident funds	1,888	1,553
- provision for retirement gratuity	50	50
Directors' fees	249	164
Non audit fees paid to :		
- auditors of the Company	35	39
- other auditors	16	29
Amortisation of club memberships	–	11
Provision for doubtful debts	21	63

9. Taxation

	Group 2008 $'000	Group 2007 $'000
Provision for taxation in respect of results for the year :		
Current taxation	8,107	5,603
Deferred taxation	203	(220)
Over provision in respect of previous years :		
Current taxation	(278)	(4)
Deferred taxation	(35)	(602)
	7,997	4,777

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

	Group 2008 $'000	Group 2007 $'000
Profit before taxation	39,478	24,158
Taxation at statutory rate of 18% (2007 : 18%)	7,106	4,348
Adjustments :		
Expenses not deductible for tax purposes	275	573
Effect of different tax rates in other countries	1,151	1,007
Benefits from previously unrecognised deferred tax assets	(10)	(141)
Deferred tax assets not recognised	58	47
Unabsorbed losses utilised	(9)	(18)
Non-taxable income	(44)	(273)
Tax exempt income and incentive	(215)	(94)
Over provision in respect of previous years	(313)	(606)
Effect of reduction in tax rate	–	(42)
Others	(2)	(24)
Taxation charge for the year	7,997	4,777

As at 31 March 2008, certain subsidiary companies have unabsorbed tax losses of approximately $705,000 (2007 : $757,000) available for set-off against future taxable profits of the subsidiary companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiary companies operate.

10. Dividends

	Group 2008 $'000	Group 2007 $'000
- First and final dividend for 2007 : 1.25 cents (2006 : 1.25 cents) per ordinary share less tax of 18% (2007 : 20%)	1,150	1,088
- Bonus dividend for 2007 : 9.75 cents (2006 : 3.125 cents) per ordinary share less tax of 18% (2007 : 20%)	8,966	2,721
- One-time special interim dividend for 2008 : 8.00 cents (2007 : nil) per ordinary share less tax of 18% (2007 : nil)	7,372	–
	17,488	3,809

The Directors have recommended a final dividend of 2.00 cents per ordinary share (one-tier) amounting to $4,634,000 ("FY2008 Dividend") be paid for the financial year ended 31 March 2008. This is subject to the approval of the shareholders at the next Annual General Meeting of the Company.

The Company's scrip dividend scheme under which shareholders may elect to receive dividends in the form of new shares in lieu of cash will apply to the FY2008 Dividend.

11. Earnings per share

	Group 2008 $'000	Group 2007 $'000
Profit after deducting minority interests used in calculating earnings per share	30,530	18,644
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	226,879	221,164

For the purposes of comparison, earnings per share for prior year are adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into two ordinary shares on 18 February 2008.

12. Property, plant and equipment

	Freehold premises $'000	Leasehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Group					
Cost					
At 1 April 2006	15,356	2,811	18,249	1,259	37,675
Additions	–	–	1,471	1,508	2,979
Disposals/write-offs	–	–	(2,247)	(1,146)	(3,393)
Foreign currency translation adjustment	204	(196)	304	–	312
At 31 March 2007 and 1 April 2007	15,560	2,615	17,777	1,621	37,573
Additions	–	–	2,485	109	2,594
Disposals/write-offs	–	–	(4,940)	(113)	(5,053)
Reclassification from investment properties	662	–	–	–	662
Foreign currency translation adjustment	135	(225)	190	(2)	98
At 31 March 2008	16,357	2,390	15,512	1,615	35,874
Accumulated depreciation and impairment losses					
At 1 April 2006	4,247	1,801	15,099	682	21,829
Depreciation charge for the year	310	25	1,605	269	2,209
Disposals/write-offs	–	–	(2,236)	(686)	(2,922)
Foreign currency translation adjustment	54	(126)	222	–	150
At 31 March 2007 and 1 April 2007	4,611	1,700	14,690	265	21,266
Depreciation charge for the year	327	21	1,768	322	2,438
Disposals/write-offs	–	–	(4,888)	(109)	(4,997)
Reclassification from investment properties	171	–	–	–	171
Foreign currency translation adjustment	37	(146)	124	(1)	14
At 31 March 2008	5,146	1,575	11,694	477	18,892
Net carrying value					
At 31 March 2008	11,211	815	3,818	1,138	16,982
At 31 March 2007	10,949	915	3,087	1,356	16,307

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

	Cost
	$'000
(a) Freehold premises	
Singapore	
114 square metres shop unit at Peninsula Plaza, situated at 111 North Bridge Road	4,569
638 square metres office unit at 302 Orchard Road, #11-01 Tong Building	7,664
Australia	
356 square metres shop/office unit at 70 Castlereagh Street, Sydney	3,249
318 square metres shop unit at 252 Collins Street, Melbourne	688
Malaysia	
116 square metres office unit at Suite 12-2, 12th Floor, Wisma UOA II 21 Jalan Pinang, Kuala Lumpur	187
	16,357
(b) Leasehold premises	
Hong Kong	
201.9 square metres office unit at 1416 & 1416A Starhouse, No. 3 Salisbury Road, Kowloon (lease term, 999 years from 25 July 1864)	2,390

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

	Freehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost				
At 1 April 2006	12,233	9,354	936	22,523
Additions	–	916	1,293	2,209
Disposals/write-offs	–	(2,215)	(892)	(3,107)
At 31 March 2007 and 1 April 2007	12,233	8,055	1,337	21,625
Additions	–	1,094	41	1,135
Disposals/write-offs	–	(3,295)	(44)	(3,339)
At 31 March 2008	12,233	5,854	1,334	19,421
Accumulated depreciation				
At 1 April 2006	3,465	8,279	383	12,127
Depreciation charge for the year	244	607	216	1,067
Disposals/write-offs	–	(2,209)	(432)	(2,641)
At 31 March 2007 and 1 April 2007	3,709	6,677	167	10,553
Depreciation charge for the year	244	701	264	1,209
Disposals/write-offs	–	(3,292)	(44)	(3,336)
At 31 March 2008	3,953	4,086	387	8,426
Net carrying value				
At 31 March 2008	8,280	1,768	947	10,995
At 31 March 2007	8,524	1,378	1,170	11,072

13. Investment properties

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
As at 1 April				
- as previously reported	2,916	2,861	839	866
- effect on adopting FRS 40	5,986	–	1,961	–
- as restated	8,902	2,861	2,800	866
Net gains from fair value adjustments recognised in income statement	848	–	800	–
Depreciation	–	(81)	–	(27)
Reclassification to property, plant and equipment net of depreciation	(491)	–	–	–
Foreign currency translation adjustment	206	136	–	–
As at 31 March	9,465	2,916	3,600	839
Income statement				
Rental income from investment properties	550	515	303	264
Direct operating expenses arising from investment properties that generated rental income	175	165	30	26

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on latest valuations at balance sheet date. Valuations are performed by accredited independent valuers with recent experience in the location and category of the properties being valued.

Transfer to property, plant and equipment

On 1 April 2007, the Group transferred the office unit that was held as investment property to owner-occupied property.

The investment properties held by the Group as at 31 March 2008 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
42 square metres unit, at Centrepoint situated at 176 Orchard Road, Singapore	Shop	Leasehold	70 years
1,027 square metres unit at 252 Collins Street, Melbourne, Australia	Shop and offices	Freehold	N/A

14. Investment in subsidiary companies

	Company	
	2008	**2007**
	$'000	$'000
Unquoted shares, at cost	20,459	20,459
Impairment loss	(500)	(1,268)
	19,959	19,191

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

	Cost to Company	
	2008	**2007**
Name of subsidiary company	$'000	$'000
Dynasty Watch Pte Ltd	500	500
Glajz-THG Pte Ltd	990	990
The Hour Glass Sdn Bhd	430	430
The Hour Glass (HK) Limited	10,261	10,261
The Hour Glass (Australia) Pty Ltd	4,646	4,646
The Hour Glass Japan Ltd	3,630	3,630
Time Master Enterprises Limited	*	*
The Hour Glass Holding (Thailand) Co Ltd	2	2
	20,459	20,459

* Denotes amount less than $1,000

Details of the subsidiary companies as at 31 March are :

Name of company	**Country of incorporation and place of business**	**Percentage of equity held by the Group**	
		2008	**2007**
		%	**%**
Held by the Company			
Retailing and distribution of watches, jewellery and related products			
① Dynasty Watch Pte Ltd	Singapore	100	100
① Glajz-THG Pte Ltd	Singapore	60	60
② The Hour Glass Sdn Bhd	Malaysia	95	95
② The Hour Glass (HK) Limited	Hong Kong	100	100
② The Hour Glass (Australia) Pty Ltd	Australia	100	100
③ The Hour Glass Japan Ltd	Japan	100	100

14. Investment in subsidiary companies (cont'd)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group 2008 %	2007 %
Investment in properties			
② Time Master Enterprises Limited	Hong Kong	100	100
Investment holding			
② ④ The Hour Glass Holding (Thailand) Co Ltd	Thailand	49	49
Held by subsidiary companies			
Retailing and distribution of watches and related products			
② THG (HK) Limited	Hong Kong	100	100
② ④ The Hour Glass (Thailand) Co Ltd	Thailand	49	49

① *Audited by Ernst & Young, Singapore.*

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

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

④ *The Group holds a 98.97% controlling interest in the subsidiary companies through its voting rights.*

15. Investment in an associated company

	Company 2008 $'000	2007 $'000
Unquoted shares, at cost	109	–

Details of the associated company as at 31 March are :

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2008 %	2007 %
Held by subsidiary company				
① THG Prima Times	Thailand	Retailing and distribution of watches and related products	50	–

① *Not audited as newly incorporated and no business activity as at financial year end.*

15. Investment in an associated company (cont'd)

The summarised financial information of the associated company, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2008	**2007**
	$'000	$'000
Assets and liabilities:		
Total assets	218	–

16. Investment securities

	Group and Company	
	2008	**2007**
	$'000	$'000
Available-for-sale financial assets :		
Quoted equity shares		
At cost	15,531	15,531
Fair value adjustment	(7,083)	56,590
	8,448	72,121

The fair value adjustment is due to the (decrease)/increase in the market price of the investment.

17. Other receivables

		Group and Company	
		2008	**2007**
		$'000	$'000
Receivable pursuant to the disposal of subsidiary companies	(a)	–	5,513
Goodwill compensation	(b)	996	1,183
		996	6,696
Current portion of receivable pursuant to the disposal of subsidiary companies		–	(5,513)
Current portion of goodwill compensation (Note 21)		(332)	(296)
		664	887

(a) This relates to the proceeds receivable of 4,500,000 Swiss Francs from Bulgari International Corporation N.V. in year 2007 for the sale of the Swiss subsidiary companies. The amount has been received during the year.

(b) This relates to the goodwill compensation receivable from a principal for giving up distribution rights in certain territories/countries in the Asia Pacific region. The goodwill compensation is receivable in eight equal instalments of 250,000 Swiss Francs per annum until year 2011.

18. Deferred tax assets

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
As at 1 April				
- as previously reported	1,582	874	485	–
- effect on adopting FRS 40	(1,210)	–	(353)	–
- as restated	372	874	132	–
Under recognised deferred tax assets in respect of previous years	35	417	–	417
Recognised in income statement	(175)	234	(132)	68
Foreign currency translation adjustment	–	57	–	–
As at 31 March	232	1,582	–	485
Deferred tax assets arise as a result of :				
Differences in depreciation for tax purposes	(46)	676	–	(75)
Provisions	258	939	–	560
Unrealised foreign exchange gain/(loss)	20	(33)	–	–
	232	1,582	–	485

19. Stocks

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Finished goods				
- at cost	110,276	100,779	54,950	56,299
- at net realisable value	41,374	41,475	17,609	11,502
Total finished goods at lower of cost and net realisable value	151,650	142,254	72,559	67,801
Inventories written down charged to the income statement	7,737	8,576	3,942	3,972

During the financial year, the Group and the Company wrote-back $6,989,000 and $4,839,000 (2007: $12,013,000 and $7,158,000) of inventories respectively which were included in cost of goods sold in the income statement, as the inventories previously written down were sold above net realisable value during the year.

20. Trade debtors

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Trade and other debtors				
Current				
Trade debtors	9,940	10,499	4,078	4,202
Other debtors (Note 21)	5,438	3,727	2,690	2,168
Amounts due from subsidiary companies	–	–	6,323	8,790
Other receivable	–	5,513	–	5,513
Dividend receivable from a subsidiary company	–	–	–	3,912
	15,378	19,739	13,091	24,585
Non-current				
Other receivable (Note 17)	664	887	664	887
Total trade and other receivables (current and non-current)	16,042	20,626	13,755	25,472
Add: Cash and cash equivalents (Note 31)	28,773	27,018	12,687	11,828
Total loans and receivables	44,815	47,644	26,442	37,300

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

Receivables that are past due but not impaired

The Group has trade debtors amounting to $1,990,000 (2007: $3,210,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows :

	Group	
	2008	**2007**
	$'000	$'000
Trade debtors past due:		
Lesser than 30 days	883	1,399
30 to 60 days	594	358
61 to 90 days	318	343
91 to 120 days	21	129
More than 120 days	174	981
	1,990	3,210

20. Trade debtors (cont'd)

Receivables that are impaired

The Group's trade debtors that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows :

	Group	
	Individually impaired	
	2008	2007
	$'000	$'000
Trade debtors – nominal amounts	103	148
Allowance for impairment	(103)	(135)
	–	13
Movement in allowance accounts :		
At 1 April	135	245
Charge for the year	21	63
Written off	(53)	(173)
At 31 March	103	135

Trade debtors that are individually determined to be impaired at the balance sheet date 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.

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

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Australian Dollar	529	331	–	–
Swiss Francs	–	195	–	21
Singapore Dollar	169	262	–	–

21. Other debtors

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Rental and other deposits	2,541	2,016	569	502
Recoverables and sundry debtors	2,533	1,395	1,764	1,351
Staff loans	32	20	25	19
Current portion of goodwill compensation (Note 17)	332	296	332	296
	5,438	3,727	2,690	2,168
Other debtors are stated after deducting allowance for impairment	523	572	–	–
Movement in allowance accounts :				
At 1 April	572	615	–	–
Foreign currency translation adjustment	(49)	(43)	–	–
At 31 March	523	572	–	–

22. Amounts due from/(to) subsidiary companies

	Company	
	2008	2007
	$'000	$'000
Amounts due from subsidiary companies		
- trade	1,210	1,716
- non-trade	5,145	7,106
Allowance for impairment	(32)	(32)
	6,323	8,790
Amounts due to subsidiary companies		
- trade	(398)	(535)

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

Non-trade balances with subsidiary companies are unsecured, non-interest bearing and repayable on demand except for balances with a subsidiary company, whose outstanding balance of $1,200,000 (2007 : $1,430,000) bears interest at rates 4.0% (2007 : 2.0%) per annum.

23. Loans and borrowings

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Unsecured borrowings	14,879	26,315	–	15,500

There were no loans and borrowings denominated in foreign currencies, which differed from the functional currencies of the companies within the Group.

Interest bearing loans and borrowings

The Group's unsecured borrowings comprise:

(i) Loan of $12,209,000 (RM28,500,000) [2007 : $7,870,000 (RM18,000,000)] is repayable in April 2008. Interest is charged at rates ranging from 4.63% to 5.01% (2007 : 4.70% to 5.15%) per annum.

(ii) Loan of $872,000 (Baht20,000,000) [2007 : $1,732,000 (Baht40,000,000)] is repayable on demand. Interest is charged at rates ranging from 4.65% to 6.12% (2007 : 5.80% to 6.80%) per annum.

(iii) Loan of $694,000 (JPY50,000,000) [2007 : Nil] is repayable in April 2008. Interest is charged at rates ranging from 2.14% to 2.31% (2007 : Nil%) per annum.

(iv) Loan of $1,104,000 (USD800,000) [2007 : $1,213,000 (USD800,000)] is repayable in September 2008. Interest is charged at rates ranging from 4.03% to 6.90% (2007 : 5.30% to 7.00%) per annum.

(v) Loan of $Nil [2007 : SGD15,500,000] was repaid in June 2007.

The unsecured borrowings of certain subsidiary companies are covered by corporate guarantees by the Company and minority shareholders.

24. Trade creditors

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Trade and other creditors (current)				
Trade creditors	12,750	17,885	3,231	6,746
Other creditors (Note 25)	21,632	17,027	14,323	11,974
Finance lease creditors	5	–	5	–
Amounts due to subsidiary companies (Note 22)	–	–	398	535
	34,387	34,912	17,957	19,255
Other creditors (non-current)				
Provision	141	201	–	–
	34,528	35,113	17,957	19,255
Add : Loans and borrowings (Note 23)	14,879	26,315	–	15,500
Total financial liabilities carried at amortised cost	49,407	61,428	17,957	34,755

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

Singapore Dollar	1,332	1,209	–	–
United States Dollar	51	34	51	34
Swiss Francs	2,734	2,025	1,095	1,081
Others	243	79	60	–

25. Other creditors

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Deposits from customers	6,482	5,213	3,241	3,326
Forward currency contract	–	205	–	205
Sundry creditors	119	1,224	–	1,093
Accruals	12,999	10,058	9,445	7,023
Others	2,032	327	1,637	327
	21,632	17,027	14,323	11,974

26. Deferred tax liabilities

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
As at 1 April				
- as previously reported	14	185	–	185
- effect of adopting FRS 40	350	–	–	–
- as restated	364	185	–	185
Overprovision in respect of previous year	–	(185)	–	(185)
Charged to income statement	28	14	85	–
Foreign currency translation adjustment	14	–	–	–
As at 31 March	406	14	85	–

Deferred tax liabilities arise as a result of :

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Differences in depreciation for tax purposes	(645)	14	153	–
Revaluations of investment properties to fair value	1,765	–	497	–
Unrealised foreign exchange loss	(21)	–	–	–
Provisions	(693)	–	(565)	–
	406	14	85	–

27. Share capital

	Group and Company 2008 $'000	Group and Company 2007 $'000
Issued and fully paid:		
Balance at beginning of year : 112,150,184 (2007 : 108,842,023) ordinary shares	59,306	56,725
Issue of 3,704,226 (2007 : 3,308,161) ordinary shares #	5,716	2,581
115,854,410 ordinary shares pursuant to a sub-division of one existing ordinary share into two ordinary shares	–	–
Balance at end of year : 231,708,820 (2007 : 112,150,184) ordinary shares	65,022	59,306

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.

In July 2006, the Company implemented a scrip dividend scheme (the "Scheme") which enabled shareholders to elect to receive new ordinary shares credited as fully paid in lieu of cash on dividends declared. During the year under review, 3,704,226 new ordinary shares were issued in lieu of cash dividends pursuant to the Scheme.

28. Reserves

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Revenue reserve	107,865	90,397	62,042	55,222
Foreign currency translation reserve	3,488	4,094	–	–
Fair value adjustment reserve	(7,083)	56,590	(7,083)	56,590
Total reserves	104,270	151,081	54,959	111,812

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.

Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

29. Commitments and contingencies

(a) Capital commitments

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

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Expenditure for property, plant and equipment	2,792	–	–	–
Exhibition expenditure	–	651	–	651
	2,792	651	–	651

(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 as at 31 March but not recognised as receivables, are as follows:

Not later than one year	419	450	306	303
Later than one year but not later than five years	589	646	332	638
	1,008	1,096	638	941

29. Commitments and contingencies (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 as at 31 March but not recognised as liabilities, are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Not later than one year	7,157	6,306	2,562	3,090
Later than one year but not later than five years	10,139	6,301	637	2,431
Later than five years	2,126	–	–	–
	19,422	12,607	3,199	5,521

30. Segment information

Reporting format

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

Geographical segments

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

Business segment

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

Allocation basis and transfer pricing

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

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

30. Segment information (cont'd)

Geographical segments

The following table presents revenue, capital expenditure and certain asset information regarding the Group's geographical segments as at and for the years ended 31 March 2008 and 2007.

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Group $'000
2008					
Segment revenue :					
Sales to external customers	401,866	85,772	487,638	–	487,638
Intersegment sales	55	646	701	(701)	–
Other income	8,380	1,561	9,941	(7,811)	2,130
Total revenue	410,301	87,979	498,280	(8,512)	489,768
Segment result :					
Segment results	35,465	12,519	47,984	(8,506)	39,478
Exceptional item					–
Profit before taxation					39,478
Taxation					(7,997)
Profit for the year					31,481
Other segment information :					
Segment assets	198,139	33,747	231,886	–	231,886
Unallocated corporate assets					232
					232,118
Segment liabilities	41,105	8,302	49,407	–	49,407
Unallocated corporate liabilities					6,966
					56,373
Capital expenditure for the year	2,457	137	2,594	–	2,594
Depreciation	2,210	228	2,438	–	2,438

30. Segment information (cont'd)

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Group $'000
2007					
Segment revenue :					
Sales to external customers	328,269	78,891	407,160	–	407,160
Intersegment sales	229	428	657	(657)	–
Other income	6,522	130	6,652	(4,617)	2,035
Total revenue	335,020	79,449	414,469	(5,274)	409,195
Segment result :					
Segment results	19,631	8,683	28,314	(4,623)	23,691
Exceptional item					467
Profit before taxation					24,158
Taxation					(4,777)
Profit for the year					19,381
Other segment information :					
Segment assets	250,898	30,735	281,633	–	281,633
Unallocated corporate assets					1,582
					283,215
Segment liabilities	50,163	11,265	61,428	–	61,428
Unallocated corporate liabilities					5,689
					67,117
Capital expenditure for the year	2,847	132	2,979	–	2,979
Depreciation and amortisation	2,066	235	2,301	–	2,301

31. Cash and cash equivalents

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Cash and bank balances	20,984	21,176	11,186	10,595
Fixed deposits with banks	7,789	5,842	1,501	1,233
	28,773	27,018	12,687	11,828

Cash and bank balances and fixed deposits with banks earn interest at floating rates based on daily bank deposit rates ranging from 0.30% to 5.70% (2007 : 0.40% to 5.90%) per annum. Fixed deposits with banks are made for varying periods of between one day and six months 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	
	2008	**2007**
	$'000	$'000
United States Dollar	338	327
Swiss Francs	277	1,005
Singapore Dollar	1,009	485
Australian Dollar	933	–

32. 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.

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 risks arises primarily from their 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 manage interest cost using floating rate debts and to obtain the most favourable interest rates available.

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

As at the balance sheet date, the sensitivity analysis for the interest rate risk demonstrates that the fluctuation of interest rates on the floating rate loans and borrowings has no significant impact on the profit net of tax.

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

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 the Group entities, primarily Swiss Francs (CHF) and Australian Dollar (AUD).

The Group and the Company also hold cash and cash equivatants denominated in foreign curriences for working capital purposes. At the balance sheet date, such foreign currency balances amount to $2,557,000 and $1,502,000 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 Australian Dollar (AUD), Hong Kong Dollar (HKD), United States Dollar (USD) and Japanese Yen (JPY). 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 reasonably possible change in the CHF and AUD exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax :

	Group	
	2008 Profit net of Tax	**2007 Profit net of Tax**
	$'000	$'000
CHF		
- strengthened 8% (2007 : 1%)	(87)	8
- weakened 8% (2007 : 1%)	87	(8)
AUD		
- strengthened 1% (2007 : 2%)	11	5
- weakened 1% (2007 : 2%)	(11)	(5)

Other price risks

Other price risks is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to marketable securities price. The investment in Gems TV Holdings Ltd, which is listed on the Singapore Exchange Securities Trading Limited has been classified in the consolidated balance sheet as available-for-sales financial assets through fair value adjustment reserve.

The Group has in place a set of internal controls to manage its market price risk arising from investments in marketable securities. Despite the weak performance of the investee company during the period, the key fundamentals of the investee company remain in place. Barring any unforeseen circumstances, management expects the investee company to be able to ride out the present difficult trading conditions it happen to be in.

Sensitivity analysis for equity price risk

At the balance sheet date, if the market price of the investment securities had been 10% (2007 : 10%) higher/lower with all other variables held constant, the Group's fair value adjustment reserve in equity would have been $845,000 (2007 : $7,212,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

32. 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 2008, the Group has available cash and cash equivalents totalling approximately $28.8 million (31 March 2007: $27.0 million) 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 he obtained from short-term loans where necessary.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2008			2007		
	1 year or less $'000	**1 to 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Total** $'000
Group						
Trade and other payables	34,382	141	34,523	34,912	201	35,113
Loans and borrowings	14,879	–	14,879	26,315	–	26,315
Finance lease creditors	5	–	5	–	–	–
	49,266	141	49,407	61,227	201	61,428
Company						
Trade and other payables	17,952	–	17,952	19,255	–	19,255
Loans and borrowings	–	–	–	15,500	–	15,500
Finance lease creditors	5	–	5	–	–	–
	17,957	–	17,957	34,755	–	34,755

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 (including investment securities, 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 balance sheet date, 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 balance sheet.

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

33. Fair value of financial instruments

Fair values

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

Financial instruments carried at fair value

The Group has carried its other receivables, and its derivative financial instrument, at their fair value as required by FRS 39.

Financial instruments whose carrying amounts approximate fair values

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

Derivative financial instrument

Derivative financial instrument as at 31 March is as follows:

	Group and Company			
	2008		2007	
	Notional amount	Fair value	Notional amount	Fair value
	$'000	$'000	$'000	$'000
Forward currency contract	869	869	5,405	5,200

34. Related party transactions

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

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

(ii) it is subject to common control or common significant influence.

(a) Sale and purchase of goods and services

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

	Sale of goods $'000	Rendering of services $'000	Purchase of goods $'000	Rental expense $'000
2008				
Directors of the Company	321	–	–	–
Directors of the subsidiary companies	538	–	–	–
Director-related companies	–	*	50	161

* Denotes amount less than $1,000

34. Related party transactions (cont'd)

	Sale of of goods	Rendering of services	Purchase of goods	Rental expense
	$'000	$'000	$'000	$'000
2007				
Directors of the Company	428	–	–	–
Directors of the subsidiary companies	144	–	–	–
Director-related companies	–	9	87	123

(b) Compensation of key management personnel

	Group	
	2008	**2007**
	$'000	$'000
Short-term employee benefits	8,018	5,907
Provident Fund contributions	107	93
Total compensation paid to key management personnel	8,125	6,000

Short-term employee benefits paid to the key management personnel comprised :

- Directors of the Company	5,349	3,544
- Other key management personnel	2,776	2,456
	8,125	6,000

35. Capital management

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.

The Group monitors capital based on the Group net gearing ratio, which is the net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other creditors, provision, finance lease creditors, less cash and cash equivalents. Capital includes equity attributable to the equity holders less fair value adjustment reserve.

	Group	
	2008	**2007**
	$'000	$'000
Loans and borrowings (Note 23)	14,879	26,315
Trade and other creditors (Note 24 and 25)	34,382	34,912
Provision	141	201
Finance lease creditors	5	–
Less : Cash and cash equivalents (Note 31)	(28,773)	(27,018)
Net debt	20,634	34,410
Equity attributable to the equity holders	169,292	210,387
Fair value adjustment reserve	7,083	(56,590)
Total capital	176,375	153,797
Capital and net debt	197,009	188,207
Net gearing ratio	10.5%	18.3%

36. Events after balance sheet date

(a) Subsequent to the financial year end, the Group and the Company entered into several commercial leases for the opening of new boutiques in Singapore and Japan. These leases are non-cancellable within the lease period and have varying terms, escalation clauses and renewal rights. Total lease commitments not recognised as liabilities amounted to $9.8 million.

(b) In April 2008, a subsidiary company purchased a property for own use at $2,792,000. A term loan of $1,954,000 was obtained and was secured by a legal mortgage of this property executed in favour of the bank.

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2008 were authorised for issue in accordance with a resolution of the Directors on 2 June 2008.

STATISTICS OF SHAREHOLDINGS AS AT 9 JUNE 2008

Number of Shares : 231,708,820
Class of Shares : Ordinary
Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	117	6.38	52,569	0.02
1,000 - 10,000	1,170	63.83	5,793,438	2.50
10,001 - 1,000,000	524	28.59	22,862,449	9.87
1,000,001 and above	22	1.20	203,000,364	87.61
Total :	**1,833**	**100.00**	**231,708,820**	**100.00**

PUBLIC FLOAT

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 9 June 2008, approximately 31.5% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

SUBSTANTIAL SHAREHOLDERS
(AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

	No. of Shares	
Name	**Direct**	**Deemed**
TYC Investment Pte Ltd	95,908,974	-
Key Hope Investment Limited	15,247,310	-
Swanson Pte. Ltd.	11,915,774	-
Dr Henry Tay Yun Chwan	18,687,048	123,072,058 ①
Mdm Chan Siew Lee	3,217,768	123,072,058 ①
Siong Lim Private Limited	9,622,000	1,016,000 ②
Kambau Pte. Ltd.	-	10,638,000 ③

① Dr Henry Tay Yun Chwan's and Mdm Chan Siew Lee's deemed interests arise from their interest in TYC Investment Pte Ltd, Key Hope Investment Limited and Swanson Pte Ltd.

② Siong Lim Private Limited is, pursuant to the Companies Act, Chapter 50 of Singapore, deemed to be interested in the shares of The Hour Glass Limited held by Raffles Investments (1993) Pte Ltd.

③ Kambau Pte. Ltd. is, pursuant to the Companies Act, Chapter 50 of Singapore, deemed to be interested in the shares of The Hour Glass Limited held by Siong Lim Private Limited and Raffles Investments (1993) Pte Ltd.

TWENTY LARGEST SHAREHOLDERS AS AT 9 JUNE 2008

No.	Name	No. of Shares	%
1	TYC Investment Pte Ltd	73,866,542	31.88
2	DBS Nominees Pte Ltd	26,983,514	11.65
3	Key Hope Investment Limited	15,247,310	6.58
4	Hong Leong Finance Nominees Pte Ltd	14,399,732	6.21
5	United Overseas Bank Nominees Pte Ltd	12,911,496	5.57
6	HSBC (Singapore) Nominees Pte Ltd	11,225,718	4.84
7	Siong Lim Private Limited	9,622,000	4.15
8	Oversea-Chinese Bank Nominees Pte Ltd	8,383,642	3.62
9	Swanson Pte Ltd	5,381,212	2.32
10	Phillip Securities Pte Ltd	5,180,478	2.24
11	Citibank Nominees S'pore Pte Ltd	3,214,562	1.39
12	Teo Cheng Tuan Donald	3,160,000	1.36
13	OCBC Nominees Singapore Pte Ltd	2,583,352	1.11
14	Raffles Nominees Pte Ltd	1,522,094	0.66
15	Ong Yek Siang	1,316,988	0.57
16	UOB Kay Hian Pte Ltd	1,283,124	0.55
17	Tan Sheau Yen Helen	1,254,000	0.54
18	Chia Kum Ho	1,200,000	0.52
19	Henry Tay Yun Chwan	1,141,208	0.49
20	DBS Vickers Securities (S) Pte Ltd	1,063,092	0.46
	Total :	**200,940,064**	**86.71**

THE HOUR GLASS LIMITED
(Incorporated in the Republic of Singapore)
(Co. Reg. No. 197901972D)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of the Company will be held at Singapore Marriott Hotel, Legacy Suite, Level 2, 320 Orchard Road, Singapore 238865, on Friday, 18 July 2008 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS:

1. To receive the Directors' Report, Auditors' Report and Financial Statements for the financial year ended 31 March 2008.

2. To approve the payment of a Final Dividend of 2 cents per ordinary share (one-tier) for the financial year ended 31 March 2008.

3. To re-elect Dr Henry Tay Yun Chwan, a Director retiring by rotation under Article 99 of the Company's Articles of Association.

4. To re-elect Mr Michael Tay Wee Jin, a Director retiring by rotation under Article 99 of the Company's Articles of Association.

5. To re-elect Mr Robert Tan Kah Boh, a Director retiring under Article 99 of the Company's Articles of Association.
   (Mr Robert Tan Kah Boh, the Chairman of the Company's Audit Committee, is an independent Director.)

6. To re-appoint Mr Owen Phillimore Howell-Price as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.
   (Mr Owen Phillimore Howell-Price, a member of the Company's Audit Committee, is an independent Director.)

7. To approve Directors' fees for non-executive Directors of $199,000 for the financial year ended 31 March 2008. (2007: $152,274)

8. To re-appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:

   (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company;

   (ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under (i) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting at the time this Resolution is passed, and (2) any subsequent bonus issue, consolidation or subdivision of shares,

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

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

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 (the **"Act"**), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (**"Shares"**) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a **"Market Purchase"**) on the Singapore Exchange Securities Trading Limited (**"SGX-ST"**); and/or

(ii) off-market purchases (each an **"Off-Market Purchase"**) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

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

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

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

(c) in this Resolution:

"Prescribed Limit" means that number of issued Shares representing 10% of the issued Shares of the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares); and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 110% of the Average Closing Price,

where:

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

"date of the making of the offer" means the day on which the Company makes an offer for the purchase of Shares from shareholders stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

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

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

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

"That pursuant to Section 161 of the Companies Act, Cap. 50, authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares of the Company as may be required to be allotted and issued pursuant to The Hour Glass Limited Scrip Dividend Scheme."

BY ORDER OF THE BOARD

Christine Chan
Company Secretary

1 July 2008
Singapore

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

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

Additional information on items of special business

Item 9 This Ordinary Resolution is to empower the Directors to issue new shares, from the date of this Annual General Meeting up to the date of the next Annual General Meeting, up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which not more than 20% may be issued other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options or vesting of share awards that have been issued or granted (provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual) and which are outstanding or subsisting at the time that this Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

Item 10 This Ordinary Resolution is to renew, effective until the next Annual General Meeting, the Share Purchase Mandate for the Company to make purchases or acquisitions of its issued ordinary shares. The Company intends to use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance purchases or acquisitions of its shares. For illustrative purposes only, the financial effects of an assumed purchase or acquisition by the Company, of 10% of its issued ordinary shares as at 9 June 2008 , at a purchase price equivalent to the Maximum Price per share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited accounts of the Group and the Company for the financial year ended 31 March 2008, and certain other assumptions, are set out in the Company's letter to shareholders dated 1 July 2008 accompanying the Annual Report 2008.

Item 11 This Ordinary Resolution, if passed, will authorise the Directors to issue shares in the Company pursuant to The Hour Glass Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

PROXY FORM
ANNUAL GENERAL MEETING

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

IMPORTANT:
1. *For investors who have used their CPF monies to buy THE HOUR GLASS LIMITED shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.*
2. *This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.*
3. *CPF investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.*

I/We, ____(Name)
of____(Address)
being a member/members of **THE HOUR GLASS LIMITED** hereby appoint:

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS [%]

and/or (delete as appropriate)

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS [%]

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 18 July 2008, and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO.	RESOLUTIONS	TO BE USED ON A SHOW OF HANDS		TO BE USED IN THE EVENT OF A POLL	
		FOR*	AGAINST*	NUMBER OF VOTES FOR**	NUMBER OF VOTES AGAINST**
	ORDINARY BUSINESS:				
1	Adoption of Reports and Financial Statements				
2	Declaration of Dividends				
3	Re-election of Dr Henry Tay Yun Chwan				
4	Re-election of Mr Michael Tay Wee Jin				
5	Re-election of Mr Robert Tan Kah Boh				
6	Re-appointment of Mr Owen Phillimore Howell-Price				
7	Approval of Directors' Fees for non-executive Directors				
8	Re-appointment of Auditors				
	SPECIAL BUSINESS:				
9	Approval of general share issue mandate				
10	Renewal of share purchase mandate				
11	Authority to issue shares under The Hour Glass Scrip Dividend Scheme				

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

Dated this ____________________ day of _______________________ 2008.

TOTAL NO. OF SHARES HELD	

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

IMPORTANT : PLEASE READ NOTES OVERLEAF

Fold Flip

3rd Fold

Affix
Postage
Stamp

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

2nd Fold

1st Fold

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares entered against his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 302 Orchard Road #11-01, Tong Building, Singapore 238862 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

OPERATIONS DIRECTORY

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(Opening in second half of FY2009)

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THE HOUR GLASS

Contemporary Horological Art