THE HOUR GLASS

ANNUAL REPORT 2009

Contents

PATEK PHILIPPE LADIES NAUTILUS

Three years after the successful launch of the new men's Nautilus collection that marked the 30th year anniversary of this cult watch, Patek Philippe presents the new Nautilus collection for ladies. The latest interpretation of the feminine Nautilus comes in white or rose gold with or without a diamond-set bezel and a choice of silvery white or charcoal gray dial. The exclusive dial design of the original Nautilus, the archetype of the casually elegant watch for go-getting people with active lifestyles, has been refined for even greater feminine appeal.

These elegant timepieces are worthy heirs to Patek Philippe's legendary Nautilus line, born in the 20th century and continues into the 21st century.

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	Group 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 Jason Choo Choon Wai	Independent Non-Executive Director
Mr Ariel Kor	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
Telephone: (65) 6787 2288
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.
3 Church Street #08-01, Samsung Hub,
Singapore 049483

AUDITORS

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

PRINCIPAL BANKERS

DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
The Hongkong and Shanghai 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 luxury Burberry fashion brand in the Asia Pacific region.

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.

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 Asia 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.

ROLEX OYSTER PERPETUAL DATEJUST

The hallmark Oyster Perpetual Datejust Rolesor has taken a whimsical turn to a feminine side. The new Rolex Datejust 36 mm is adorned with a stylized floral design that is both sophisticated and modern, available in both white and yellow gold bezels in a variety of hued dials. Featuring for the first time, a bezel set with 52 brilliant-cut diamonds, the dials combine a spirit of classic refinement and creative reverie. Waterproof to a depth of 100 meters with movement entirely designed and manufactured by Rolex with a power reserve of 48 hours, the Datejust is available on an Oyster bracelet fitted with an Oysterclasp and Easylink extension link, or a Jubilee bracelet with a Crownclasp.

BOARD OF DIRECTORS

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
GROUP MANAGING DIRECTOR

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

A graduate of Monash University with a MBBS (Honours), Dr Chan has over 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 marketing and merchandising and corporate communications. He is also 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 also serves on the board of Mercy Relief, a Singapore based international humanitarian development and relief organisation.

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

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.

A. LANGE & SÖHNE RICHARD LANGE POUR LE MÉRITE

The Richard Lange Pour Le Mérite is an exceptional expression of micro-mechanical virtuosity. The fusée-and-chain transmission, a mechanism very rarely integrated in wristwatches optimizes the efficiency and accuracy of the watch to a higher plane. Its movement reflects the ultimate degree of precision in watchmaking ingenuity. The 2009 version features 915 individual parts, with a case in platinum limited to 50pcs and pink gold in 200pcs that is 40.5mm in diameter. The Richard Lange "Pour le Mérite", like many historic Lange pocket watches, also features a radiant white enamel dial protected by the anti-reflection coated sapphire-crystal glass befitting the key functional objective of a contemporary observation watch of unsurpassed quality.

BOARD OF DIRECTORS

MR ROBERT TAN KAH BOH
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Robert Tan was appointed to the Board of The Hour Glass Limited on 18 November 1999. 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 the Non-Executive Chairman of Gems TV Holdings Limited and in addition, is also Chairman and Director of Lonsdale Capital Pte Ltd.

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.

BREGUET
LA TRADITION

Unique in the history of watchmaking and symbolic of Breguet's own origins, the emblematic Tradition 7027 design returns in a two-color version. Its now-celebrated caliber 507DR displays the entire movement, built on either side of the mainplate though mostly on the front of the plate. Its pink gold case holds on movement that emphasizes its bridges and bars, in particular the escapement's, fitted with its celebrated old-style "pare-chute" in hand-beveled steel.

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

For the financial year ended 31st March 2009, the Group posted a 57% drop in net profit after tax to $13.4 million on a 10% decrease in revenue to $439.9 million. On both counts, the performance was appreciably off the stellar results posted over the corresponding year.

A principal contributor to this weaker-than-expected profitability was a one-off, non-cash, impairment loss of $14.1 million in the investment in Gems TV Holdings Ltd, a company listed on the Singapore Exchange. With this impairment charge, it is unlikely that this investment will have a further negative impact on the Company's profitability. Excluding this one time charge, net profit after tax from continuing operations would have declined by just 13% to $27.5 million. Nonetheless, this result has blemished our streak of 25 quarters of profitable growth recorded over the past six and a half years.

Despite these challenging economic conditions, the Group continued to strengthen its balance sheet liquidity, generating $16.4 million of free cash flow for the year with the Group's cash and cash equivalents increasing from $28.8 million a year earlier to $42.1 million. Although group inventory was reduced by 4% to $146.0 million, this result is considered far from satisfactory as it did not keep up with the pace of sales declines. Our debt-to-equity ratio remains at a conservative 8.5% and overall, the consolidated net assets increased by $13.6 million to $182.9 million; or 78.86 cents per ordinary share.

Following this year of performance contraction, the Board of Directors recommends a first and final dividend of 2.50 cents per share amounting to a net disbursement of $5.8 million.

BUSINESS REVIEW

What a stark contrast a year can be. During the past twelve months, the world's economies have been in precipitous decline and few industries have been spared from this financial avalanche. The Swiss watch industry is no exception as it faces its most perilous crisis since the quartz revolution of the 1970s. This time around, technological innovation is not the essence of the problem – credit and capacity are.

Decades of under-investment in production facilities and capital equipment had led to an imbalance between the supply and demand of luxury and specialty watches, especially on the back of easy credit, rising global equities and appreciating asset prices over the past five years. Consumers, especially in the newly emerging markets of East Asia and Eastern Europe had been increasing their wealth by the millions and many were prepared to spend a greater proportion of it on luxury goods, and in particular, watches.

Accordingly, brand owners and manufactures responded to this emerging super cycle in watch consumption by embarking on ambitious capacity expansion programmes to play catch up with demand predicated on vertiginous top-line trajectories. And what were once considered healthy production bottlenecks, very rapidly turned into huge albatrosses around their necks.

They are not the only ones at fault. In part, they were cheered on by supremely confident distributors and retailers who far too often, were either ordering or pushed into ordering much more product than they required as a means to secure a higher share of the production output. This "game" carried on year after year and continued right through to the annual watch fairs in April 2008 where many in the industry still believed that the crisis would not impair demand in this particular sector; and sure enough, the majority of the watch brands booked record orders at those fairs. As late as August 2008, a local industry veteran publicly predicted that growth would continue at a rate of 10-15% per annum for the next five years. Our Annual Report that year can attest that this was a view we clearly did not share at The Hour Glass.

In October 2008, Lehman Brothers collapsed. There was a knee jerk reaction by consumers, retailers and distributors alike which resulted in purchasing coming to an abrupt halt. Suddenly, the only thing channel merchants wanted to do was to de-stock. But de-stocking in a market of declining demand is extremely challenging and arguably, several months on, the industry is learning to live with this new paradigm.

HUBLOT
GOLD KING POWER

Reminiscent of the original fusion between rubber and gold of the first Hublot watches, its current lines, with a design pushed to the extreme, reflect the fusion between power and elegance. Traditional and avant-gardist, combining on its dial additional elements and cut-outs, the King Power also owes its name to the red gold from which it is made – a new alloy developed for Hublot and used by the brand for the first time which is redder, tougher and more intense.

The King Power comes with a self-winding mechanical split-seconds foudroyante chronograph, Hublot HUB 4144 calibre.

CHAIRMAN'S STATEMENT

OUTLOOK

That the luxury goods industry is bullet-proof to any form of economic contraction is all but a myth. This industry relies largely on a feel good factor, the wealth effect extended by surging stock markets and a rising property market. The fast and heavy flow of easy money has disappeared and its return is not foreseeable in the near to mid term. Watch buyers are clearly under stress as this crisis has disproportionately affected the rich, with many pools of clients especially from the financial sector evaporating overnight. It would be an understatement to declare that the go-go days of the industry are all but over for now and with a chronic lack of visibility in the global economy; we believe that the luxury and specialty watch retail business may continue to experience at least another 3 to 4 successive quarters of sales and margin deterioration, perhaps even longer. Export statistics released by the Federation Horlogerie Suisse, the governing body responsible for the Swiss watch industry, points to a record 24.3% decline in Swiss watch exports from January to April 2009 with many of the major watch markets such as Japan and the United States recording drops of 25% to 42%. Singapore fared no better with Swiss watch imports in that period declining by 36.5%.

We are already seeing extreme casualties emerging from this economic war against excess and credit. In Switzerland, a handful of smaller, new-to-market brands and component manufacturers are shuttering their workshops whilst others are seeking bankruptcy protection. Even larger, more established manufacturers are rightsizing their operations and many putting their factories on two to three day work weeks. Recent announcements by major watch producers point to year-on-year sales contractions of up to 25% for the month of April 2009 because of declining wholesale activity as their retail partners continue to crimp purchasing. In the retail distribution channels, one of East Asia's largest watch companies has already fallen into receivership and is in the process of being liquidated. In Japan, several of its oldest watch businesses have declared bankruptcy with others soon to follow. One must note that these same Japanese watch companies survived two world wars and the bursting of the Japanese bubble in 1990 but were not as fortunate in this Great Recession.

Against this backdrop, it is no surprise that neither growth, nor recovery, is in our management's vocabulary. It is also highly probable that even after having experienced this 10% decline in revenues, the Group may continue to face sales and margin contractions in the new financial year till consumer sentiment and confidence improves and the global inventory overhang is cleared.

Whatever the outcome will be and whatever the evolving paradigms and operating environments that The Hour Glass will exist in, one thing is clear. The Hour Glass will survive this episode and will emerge a far stronger company and organisation. At a time when industry consensus was to purchase more merchandise, as early as April 2008, management prudently reduced its forward orders, began the process of de-stocking and raising our cash hoard. This meant that we were containing and reducing inventory in what was still considered a buoyant market and that allowed us to accelerate the process of cash generation.

By acting early, it has placed us in an extremely favourable position to continue with market development efforts such as enhancing our premium retail network and brand portfolio. This includes the addition of two new stores in Singapore - namely a 1,200 sqft multi-brand concept store "L'Atelier" and a 1,200 sqft standalone Rolex mono-brand boutique at the soon to open luxury shopping centre ION Orchard plus, the relocation of a 1,000 sqft multi-brand store from Peninsula Plaza to Orchard Central in Singapore. L'Atelier is envisioned to set a new watermark in the world's specialty watch retail landscape with its unique merchandising philosophy and client service offering. We have been working on this project for over two years now and are excited with the prospect of its opening. The Hour Glass has also been fortunate to have been approached by more brands than it can accommodate, seeking to develop new business partnerships and extend existing ones. One such brand is A. Lange & Söhne and we are delighted to announce our new collaboration for the Singapore market.

Notwithstanding, in the face of abundant opportunities we are realistic in acknowledging that we have limited

HARRY WINSTON OPUS 9

Diamonds serve an important function in Opus 9 - time telling. Unconventionally, the time is displayed by two parallel diamond chains for hours and minutes. 33 baguette-cut stones are perfectly set into the brass chain to ensure movement, while maintaining their brilliance.

Opus 9 is the essence of the first time collaboration between watchmaker Jean-Marc Wiederrecht and designer Eric Giroud combining precise engineering, inspired architecture and the world's finest diamonds to come up with yet another fascinating accomplishment for the groundbreaking iconic Opus series.

resources and will remain prudent and selective in our merchandising approach; engaging only if we determine that our objectives are aligned with the brand owner and its management, and that the cash returns from the brand will be attractive and sustainable in the long term. This is particularly the case with our continued emphasis in building ever strong relationships with our independent partner brands - Patek Philippe and Rolex. These are partners who have proven over multiple decades their timeless values - emphasis on product integrity and unwavering commitment towards market leadership. Values which we understand, appreciate and admire.

The Hour Glass is also prepared to consolidate in order to grow. We will continue to shed yield deficient brands and under-performing business units from our portfolio, build our cash reserves and prepare ourselves for a period of compression and protracted economic recovery. To this end, we recently transferred back the distribution of the Gerald Genta and Daniel Roth brand in Hong Kong over to the Bulgari Group as we continue to focus on our specialty watch retail business.

Whilst doing all this, we will push forward with our organisational development initiatives by recruiting and training the next generation of leaders. I had previously expressed that this was one of our long term objectives because in this business, it takes approximately five to seven years of on-the-job training to prepare an individual for a middle management retail position. I am delighted to report that our senior managers and officers have already begun rooting out potential talent and this process of rejuvenation and renewal is well underway. We place a lot of emphasis on creating a strong and disciplined team dynamic and we are proud of the fact that in the industry, The Hour Glass is not known as an organisation with a handful of champion sales people but rather, as an organisation backed by a championship team.

It goes without saying that all this would not have been possible without the appropriate corporate soul in place and it pleases me that 30 years after our inception, The Hour Glass' culture of familial care still resonates deeply within the organisation. At our recent annual dinner, we conducted an auction of donated items and appealed for outright cash donations in order to raise funds for The Hour Glass Fund to aid the families of our employees that may have fallen on hard times. In a span of one hour, we raised $150,000 from directors, management and staff. The sense of generosity and desire to help made it a remarkably heart warming experience. As this project is still in its infancy, I will no doubt provide updates of it in the next Chairman's Statement.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank our 310 associates around the region for their dedication and drive. I am proud of our team for their sense of urgency, for having the gumption and tenacity to seize this crisis by the horns, committing to see the Group through this period of uncertainty and even going as far as voluntarily foregoing annual salary increases to ensure the Group's survival. For that, I would like to reciprocate by ensuring that we will do whatever it takes to defend their jobs and livelihoods.

I would like to take this opportunity to thank Mr Ariel Kor for serving as a Board member. Though he was on the board for only one term, Ariel brought with him several fresh perspectives on the business and we wish him well with his relocation from London to Jerusalem.

In closing, I extend our gratitude to our clients, brand partners, business associates and shareholders for their ongoing support and trust for without which, the past thirty years would have been peppered with a much stonier path. I am certain that though the leadership of The Hour Glass will continue to be challenged in the decades to come, the foundations we have laid and the institution we have built will ensure that the Group will continue to progress and prosper as the watch world's leading cultural retail enterprise.

Henry Tay Yun Chwan
Executive Chairman
1 June 2009

KEY EXECUTIVES

NG SIAK YONG
CHIEF FINANCIAL OFFICER
THE HOUR GLASS LIMITED

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

BENEDICT TEO TSU CHUNG
GROUP GENERAL MANAGER
THE HOUR GLASS LIMITED

Mr Teo joined The Hour Glass Limited as the Group General Manager in March 2007. He is responsible for developing brand partnerships and evaluating new business. Mr Teo graduated with a Bachelor degree in Accountancy from the National University of Singapore.

AMANDA CHUAN LI CHOO
GROUP HUMAN RESOURCE MANAGER
THE HOUR GLASS LIMITED

Ms Chuan joined the Company in February 1996 as HR Officer and was promoted to the position of Group Human Resource Manager on February 2000. She is responsible for the overall human resource management and development strategies of the Group. Ms Chuan graduated from the University of Wollongong with a Masters Degree in Science (Honours).

SINGAPORE
LIM HOCK THIAM
GENERAL MANAGER - SALES & OPERATIONS
THE HOUR GLASS LIMITED

Mr Lim joined the Company in February 1995 as Senior Accountant and was promoted twice first to Senior Brand Manager on February 1998 and then to General Manager - Wholesale on October 1999. In April 2004, he was re-designated to General Manager - Sales & Operations and is currently responsible for the retail business in Singapore. Mr Lim holds a Bachelor of Economics from Monash University, Australia.

MALAYSIA
YON SHEE GUAN
GENERAL MANAGER
THE HOUR GLASS SDN BHD

Mr Yon joined The Hour Glass Sdn Bhd in April 1991 as a Finance and Admin Manager prior to becoming appointed the company's General Manager in 2007. He has overall responsibility for the management of the Malaysian operations. Mr Yon graduated with a Bachelor of Commerce from the University of Canterbury, New Zealand.

THAILAND
KANITTA SAISUK
DIRECTOR
THE HOUR GLASS (THAILAND) CO LTD

Ms Saisuk joined The Hour Glass (Thailand) Co Ltd in November 2003 as Assistant Marketing Manager and was re-designated to Retail Manager in April 2005. Since our joint venture with Prima Times Co Ltd in April 2008, she assumed the position of Sales & Marketing Director. In April 2009, she was made a Director of The Hour Glass (Thailand) Co Ltd. Ms Saisuk holds a Bachelor of Arts Degree (Honours) from Chulalongkorn University, Thailand.

KEY EXECUTIVES

HONG KONG
CHUNG WAI YANG
MANAGING DIRECTOR
THE HOUR GLASS (HK) LIMITED

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

MAY LAM YUK KWAN
COUNTRY MANAGER
THE HOUR GLASS (HK) LIMITED

Ms Lam joined the company in June 2006 and was responsible for the brand management division in Hong Kong. She oversaw business development and sales activities for the Gerald Genta and Daniel Roth brand in Hong Kong and Macau. Ms Lam graduated with a Bachelor degree in Business Management from the University of Ohio, USA.

AUSTRALIA
LIDIA EMMI
GENERAL MANAGER
THE HOUR GLASS (AUSTRALIA) PTY LTD

Ms Emmi joined The Hour Glass (Australia) Pty Ltd in March 1994 and is responsible for the day-to-day operations of our Australia business unit. Ms Emmi holds a Bachelor degree in Commerce from James Cook University, Australia and is a member of the Institute of Certified Practicing Accountants in Australia.

JAPAN
ATSUSHI MOMOI
DIRECTOR & GENERAL MANAGER
THE HOUR GLASS JAPAN LTD

Mr Momoi joined The Hour Glass (Australia) Pty Ltd in November 1988 and was subsequently transferred to Japan to establish The Hour Glass Japan Ltd in July 1996. With more than 20 years of experience in the retail and wholesale distribution of luxury and specialty watches, he is responsible for the strategic planning, business development and sales and marketing of the company.

PARTNERSHIPS
NARUN THAMAVARANUKUP
MANAGING DIRECTOR
THG PRIMA TIMES CO LTD

Mr Thamavaranukup's family has been involved in retailing luxury timepieces in Thailand for the last 10 years through Prima Times Company Limited, a business he has been directing since 2006. The Thamavaranukups also own and manage Blue River Corporation, a manufacturer, wholesaler and retailer of high jewellery. Mr Thamavaranukup is responsible for the overall development of the Thai market and overseeing day-to-day operations of our joint venture company trading under the name "PMT The Hour Glass". Prior to joining his family retail business, Mr Thamavaranukup was an associate at a leading investment bank in Hong Kong. He holds a Masters Degree in Chemistry from Oxford University.

JOHN GLAJZ
MANAGING DIRECTOR
GLAJZ-THG PTE LTD

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

FINANCIAL HIGHLIGHTS

INCOME STATEMENT	FY2009 $'000	FY2008 $'000	FY2007 $'000	FY2006 $'000	FY2005 $'000
Revenue	439,916	487,638	407,160	354,547	335,133
Operating profit [1]	35,533	39,478	23,691	14,305	10,173
Profit after tax	13,436	31,481	19,381	12,917	10,102
EBITDA [1]	38,867	42,429	26,969	17,460	13,714

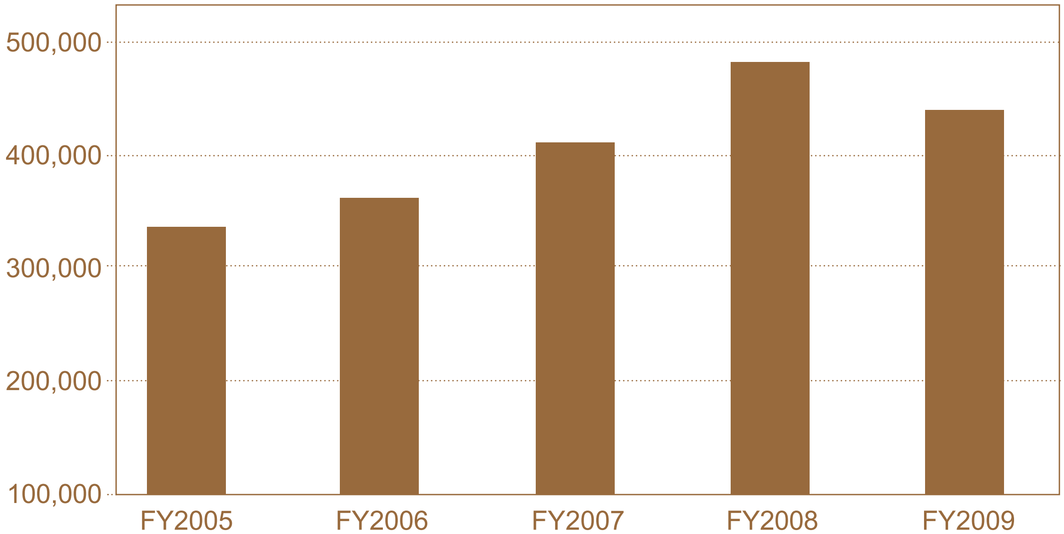
BALANCE SHEET	$'000	$'000	$'000	$'000	$'000
Net current assets	160,875	140,392	122,500	115,767	103,463
Net assets	182,902	169,292	210,387	136,739	130,703
Cash and cash equivalents	42,117	28,773	27,018	19,071	15,084
Free cash flow [2]	16,437	25,790	12,549	1,789	8,750

FINANCIAL RATIOS					
Gross margin (%)	21.5	20.0	17.2	16.0	14.9
Operating margin (%) [1]	8.1	8.1	5.8	4.0	3.0
Net margin (%) [1]	6.3	6.5	4.6	3.3	2.2
Stock turnover ratio	2.4	2.6	2.4	2.3	2.5
Debt / equity ratio (%)	8.5	8.8	12.5	11.4	13.4
EPS (cents) - Basic and Diluted [1,3]	11.6	13.5	8.2	5.1	2.7
NAV per share (cents) [4]	78.9	73.1	93.8	62.8	60.1

1. *Excluding exceptional item.*
2. *Free cash flow refers to net cash flows from operating activities less purchase of property, plant and equipment in the cash flow statement.*
3. *For the purpose of comparison, earnings per share ("EPS") for prior corresponding periods are adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into two ordinary shares on 18 February 2008.*
4. *For the purpose of comparison, net asset value per share ("NAV") for prior corresponding periods are adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into two ordinary shares on 18 February 2008.*

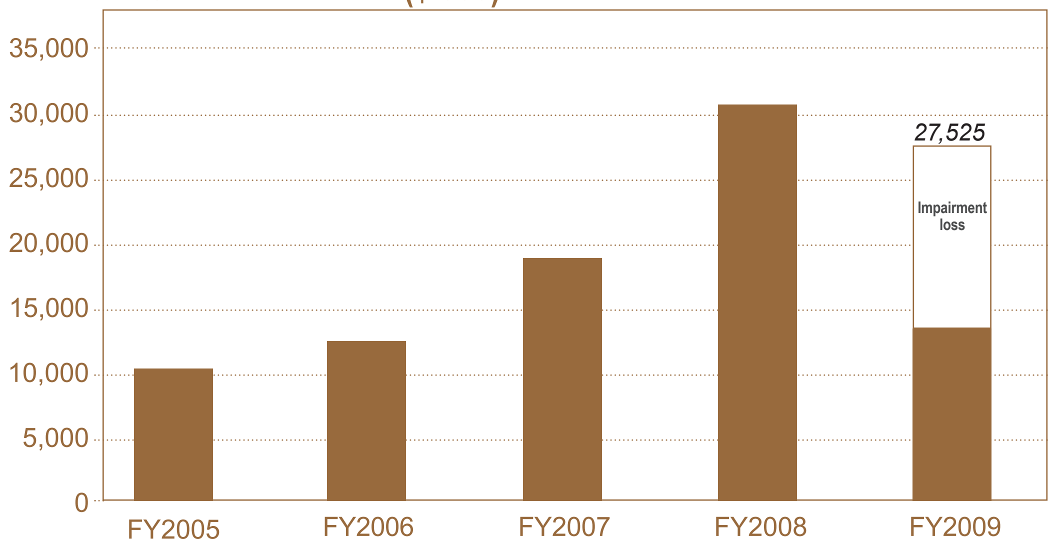
FINANCIAL HIGHLIGHTS

REVENUE ($'000)



FY2005	FY2006	FY2007	FY2008	FY2009
335,133	354,547	407,160	487,638	439,916

PROFIT AFTER TAX ($'000)



FY2005	FY2006	FY2007	FY2008	FY2009
10,102	12,917	19,381	31,481	13,436

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 2009.

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 four times a year. In addition to scheduled Board meetings, ad hoc meetings are convened as and when circumstances require. The Board met 5 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 will be 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.*

CORPORATE GOVERNANCE

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

The Board has adopted the definition in the Code of what constitutes an independent director in its review of the independence of each director. The independent non-executive members of the Board comprise seasoned professionals with management, financial, accounting, 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	65	11 Aug 1979	18 Jul 2008
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	64	11 Aug 1979	20 Jul 2007
Dr Kenny Chan Swee Kheng	56	01 Apr 2004	20 Jul 2007
Mr Michael Tay Wee Jin	34	15 Aug 2005	18 Jul 2008
Mr Owen Phillimore Howell-Price	83	11 Apr 1994	18 Jul 2008
Mr Robert Tan Kah Boh	64	18 Nov 1999	18 Jul 2008
Mr Jason Choo Choon Wai	38	01 Aug 2006	20 Jul 2007
Mr Ariel Kor	34	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 62.5% 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 Group Managing Director of the Company , and Mr Michael Tay is Executive Director. 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 Group 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 Group 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. The Company's Articles of Association 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.

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.*

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

CORPORATE GOVERNANCE

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.*

CORPORATE GOVERNANCE

LEVEL AND MIX OF REMUNERATION

Principle 8: *The level of remuneration should be 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 twice 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.

For the financial year under review, the level and mix of the annual remuneration of the 4 executive directors and the level of remuneration of the Group's top 11 key executives (who are not also directors), are disclosed at the end of this statement. During the year, 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.

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. All directors are provided with quarterly management accounts.

The Company recognises that risk analysis and management is, *prima facie*, a function of management.

CORPORATE GOVERNANCE

The Company's approach to risk management focuses on ensuring that appropriate controls are in place to effectively manage those risks. Measures are adopted to manage such risks, and risk management policies are monitored by management, and periodically reviewed and approved by the Board. The internal audit plan is developed in conjunction with the Company's risk management objectives and policies, to confirm the operation of internal controls and to assess the effectiveness and efficiency of the control environment. In addition, the Board requires that any major proposal submitted to the Board for decision be accompanied by a comprehensive risk evaluation and, where required, management's proposed mitigation strategies. The Company's risk management policies and practices are described in note 35 to the accounts, at page 72 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 formalised in its terms of reference, which include the statutory functions of an audit committee as prescribed under the Companies Act of Singapore and applicable listing rules of the SGX-ST.

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 quarterly and full-year results prior to their submission to the Board, and (where applicable) interested person transactions. If a firm other than the external auditors is appointed as auditors of any unlisted Singapore-incorporated subsidiary or significant associated company, the AC together with the Board would have to be satisfied that it would not compromise the standard and effectiveness of the Company's audit by the external auditors. 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 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 4 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 Company has in place a "whistle blowing" policy for staff and others. The AC oversees this policy, including procedures for follow up action and independent investigations.

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.*

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,

CORPORATE GOVERNANCE

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

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

CORPORATE GOVERNANCE

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 2009

(I) BREAKDOWN OF DIRECTORS' REMUNERATION IN PERCENTAGE TERMS AND IN BANDS OF $250,000

Name	Position	Salary* %	Bonus %	Fees# %	Other benefits %	Total %
Above $1,250,000						
Dr Kenny Chan Swee Kheng	*Group Managing Director*	24	72	-	4	100
Mr Michael Tay Wee Jin	*Executive Director*	24	71	-	5	100
$1,000,000 to below $1,250,000						
Dr Henry Tay Yun Chwan	*Executive Chairman*	31	59	-	10	100
$750,000 to below $1,000,000						
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	*Executive Vice Chairman*	31	60	-	9	100
Below $250,000						
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

** Salary includes employer's CPF contribution*
 # accrued for FY2009

(II) KEY EXECUTIVES OF THE GROUP

Name of Company	Name	Position
The Hour Glass Limited	Mr Ng Siak Yong	Chief Financial Officer
The Hour Glass Limited	Mr Teo Tsu Chung Benedict	Group General Manager
The Hour Glass Limited	Ms Amanda Chuan Li Choo	Group Human Resource Manager
The Hour Glass Limited	Mr Lim Hock Thiam	General Manager – Sales & Operations
The Hour Glass Sdn Bhd	Mr Yon Shee Guan	General Manager
The Hour Glass (Thailand) Co Ltd	Ms Kanitta Saisuk	Director
The Hour Glass (HK) Limited	Mr Chung Wai Yang	Managing Director
The Hour Glass (HK) Limited	Ms May Lam Yuk Kwan	Country Manager
The Hour Glass (Australia) Pty Ltd	Ms Lidia Emmi	General Manager
The Hour Glass Japan Ltd	Mr Atsushi Momoi	Director & General Manager
Glajz-THG Pte Ltd	Mr John Glajz	Managing Director

CORPORATE GOVERNANCE

(III) RANGES OF GROSS REMUNERATION RECEIVED IN BANDS OF $250,000

No. of key executives in remuneration bands	2009
Above $500,000	2
$250,000 to below $500,000	4
Below $250,000	5

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

– FINANCIAL YEAR ENDED 31 MARCH 2009

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	5	5	NA	NA	NA	NA
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	5	4	NA	NA	NA	NA
Dr Kenny Chan Swee Kheng	5	5	NA	NA	NA	NA
Mr Michael Tay Wee Jin	5	5	NA	NA	NA	NA
Mr Owen Phillimore-Howell Price	5	5	4	4	2	2
Mr Robert Tan Kah Boh	5	5	4	4	2	2
Mr Jason Choo Choon Wai	5	4	4	3	NA	NA
Mr Ariel Kor	5	1	NA	NA	2	0

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 two weeks before the release of the Company's results for each of the first three quarters of its financial year and one month before and up to the date of announcement of the Company's full year results. Staff are cautioned against dealing while in possession of material price sensitive non-public information. They are also encouraged not to deal on considerations of a short-term nature.

INTERESTED PERSON TRANSACTIONS

Transactions with the Company's interested persons (as that term is defined in the Listing Manual of the SGX-ST) are subject to review and approval by the Board comprising those directors who do not have an interest in the transaction. Where required by the relevant listing rules of the SGX-ST, the AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interests of the Company and shareholders, before making its recommendation to the Board for endorsement. During the financial year under review, no transaction was conducted with any interested person which amounted to $100,000 or more, and the Company did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual.

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 subsidiaries (collectively the "Group") for the financial year ended 31 March 2009 and the balance sheet and statement of changes in equity of the Company as at 31 March 2009.

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	(Group 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 subsidiaries) 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	18,687,048	18,687,048	123,072,058	123,072,058
Chan Siew Lee	3,217,768	3,252,902	123,072,058	123,072,058
Kenny Chan Swee Kheng	892,844	908,499	146,282	149,626
Michael Tay Wee Jin	542,944	555,354	–	–
Owen Phillimore Howell-Price	231,462	231,462	–	–

There was no change in any of the above-mentioned Directors' interests between the end of the financial year and 21 April 2009.

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 subsidiaries held by the Company.

Except as disclosed in this report, no other 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 subsidiaries have been granted during the financial year.

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

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

Audit Committee

The Audit Committee comprises 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 four meetings during the financial year. The Audit Committee has full access to and co-operation from management. The external and internal auditors have unrestricted access to the Audit Committee. The Committee 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 reappointment of Ernst & Young LLP, 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 LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Henry Tay Yun Chwan
Executive Chairman

Kenny Chan Swee Kheng
Group Managing Director

Singapore
1 June 2009

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 2009 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
Group Managing Director

Singapore
1 June 2009

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 subsidiaries (collectively, the "Group") set out on pages 35 to 77, which comprise the balance sheets of the Group and the Company as at 31 March 2009, 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 2009 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP
Public Accountants and Certified Public Accountants
Singapore
1 June 2009

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 $'000	2008 $'000
Revenue	4	439,916	487,638
Other income	5	1,992	2,130
Total revenue		441,908	489,768
Cost of goods sold		345,442	390,002
Salaries and employees benefits		29,217	32,207
Depreciation of property, plant and equipment	13	2,724	2,438
Selling and promotion expenses		11,157	10,281
Rental expenses		8,922	7,841
Finance costs	6	862	883
Foreign exchange gain		(166)	(85)
Other operating expenses	7	8,340	6,723
Total costs and expenses		(406,498)	(450,290)
Share of results of an associate		123	-
Operating profit	8	35,533	39,478
Exceptional item	9	(14,089)	-
Profit before taxation		21,444	39,478
Taxation	10	(8,008)	(7,997)
Profit for the year		13,436	31,481
Attributable to:			
Equity holders of the Company		12,797	30,530
Minority interests		639	951
		13,436	31,481
Earnings per share (cents)			
Basic and diluted	12	5.52	13.46

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

BALANCE SHEETS AS AT 31 MARCH 2009

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Non-current assets					
Property, plant and equipment	13	17,704	16,982	9,897	10,995
Investment properties	14	7,332	9,465	3,600	3,600
Investment in subsidiaries	15	–	–	19,959	19,959
Investment in an associate	16	236	109	–	–
Loan to an associate	17	2,109	–	–	–
Investment security	18	1,030	8,448	1,030	8,448
Other receivable	19	316	664	316	664
Deferred tax assets	20	974	232	–	–
		29,701	35,900	34,802	43,666
Current assets					
Stocks	21	145,957	151,650	72,603	72,559
Trade debtors	22	7,498	9,940	3,215	4,078
Other debtors	23	7,467	5,438	3,897	2,690
Prepaid operating expenses		496	417	248	218
Amount due from an associate	24	3,797	–	–	–
Amounts due from subsidiaries	25	–	–	7,762	6,323
Fixed deposits with banks	34	15,769	7,789	6,471	1,501
Cash and bank balances	34	26,348	20,984	19,426	11,186
		207,332	196,218	113,622	98,555
Less : Current liabilities					
Loans and borrowings	26	15,511	14,879	–	–
Finance lease creditors		–	5	–	5
Trade creditors	27	7,394	12,750	2,588	3,231
Other creditors	28	17,480	21,632	9,766	14,323
Amounts due to subsidiaries	25	–	–	17	398
Provision for taxation		6,072	6,560	4,237	4,198
		46,457	55,826	16,608	22,155
Net current assets		160,875	140,392	97,014	76,400
Non-current liabilities					
Provisions	27	130	141	–	–
Deferred tax liabilities	29	744	406	33	85
		(874)	(547)	(33)	(85)
Net assets		189,702	175,745	131,783	119,981
Equity attributable to equity holders of the Company					
Share capital	30	65,206	65,022	65,206	65,022
Reserves	31	117,696	104,270	66,577	54,959
		182,902	169,292	131,783	119,981
Minority interests		6,800	6,453	–	–
Total equity		189,702	175,745	131,783	119,981

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 2009

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
	Share capital $'000 (Note 30)	**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 2007	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	–	–	–	–	–	(201)	(201)
Dividends on ordinary shares less tax (Note 11)	–	–	–	(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
Balance as at 1 April 2008	65,022	3,488	(7,083)	107,865	104,270	6,453	175,745
Unrealised foreign currency translation adjustment	–	(1,408)	–	–	(1,408)	(12)	(1,420)
Net loss on fair value changes during the year	–	–	(7,418)	–	(7,418)	–	(7,418)
Net loss recognised directly in equity	–	(1,408)	(7,418)	–	(8,826)	(12)	(8,838)
Profit for the year	–	–	–	12,797	12,797	639	13,436
Total recognised income and expense for the year	–	(1,408)	(7,418)	12,797	3,971	627	4,598
Recognised in the income statement on impairment loss of investment security	–	–	14,089	–	14,089	–	14,089
Payment of dividend by a subsidiary	–	–	–	–	–	(280)	(280)
Dividends on ordinary shares - one-tier (Note 11)	–	–	–	(4,634)	(4,634)	–	(4,634)
Issuance of new shares pursuant to scrip dividend scheme	184	–	–	–	–	–	184
Balance as at 31 March 2009	65,206	2,080	(412)	116,028	117,696	6,800	189,702

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2009

	Share capital $'000 (Note 30)	Fair value adjustment reserve $'000	Revenue reserve $'000	Total reserves $'000	Total equity $'000
Company					
Balance as at 1 April 2007	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 11)	–	–	(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
Balance as at 1 April 2008	65,022	(7,083)	62,042	54,959	119,981
Net loss on fair value changes during the year	–	(7,418)	–	(7,418)	(7,418)
Net loss recognised directly in equity	–	(7,418)	–	(7,418)	(7,418)
Profit for the year	–	–	9,581	9,581	9,581
Total recognised income and expense for the year	–	(7,418)	9,581	2,163	2,163
Recognised in the income statement on impairment loss of investment security	–	14,089	–	14,089	14,089
Dividends on ordinary shares -one-tier (Note 11)	–	–	(4,634)	(4,634)	(4,634)
Issuance of new shares pursuant to scrip dividend scheme	184	–	–	–	184
Balance as at 31 March 2009	65,206	(412)	66,989	66,577	131,783

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 2009

	2009 $'000	2008 $'000
Profit before taxation	21,444	39,478
Adjustments for:		
Finance costs	862	883
Interest income	(252)	(370)
Depreciation of property, plant and equipment	2,724	2,438
Gain on disposal of property, plant and equipment	(266)	(6)
Fair value loss/(gain) on investment properties	1,086	(848)
Foreign currency translation adjustment	(306)	(529)
Exceptional item	14,089	–
Share of results of an associate	(123)	–
Operating profit before working capital changes	39,258	41,046
Decrease/(increase) in stocks	5,693	(9,396)
Decrease/(increase) in debtors	878	(1,152)
Increase in prepaid operating expenses	(79)	(26)
Decrease in creditors	(9,519)	(590)
Increase in amount due from an associate	(3,797)	–
Increase in loan to an associate	(2,109)	–
Decrease in short-term receivable	–	5,513
Decrease in long-term receivable	334	323
Cash generated from operations	30,659	35,718
Income taxes paid	(9,429)	(6,821)
Interest expense paid	(862)	(883)
Interest income received	252	370
Net cash flows from operating activities	20,620	28,384
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	502	62
Purchase of property, plant and equipment	(4,183)	(2,594)
Investment in an associate	–	(109)
Net cash used in investing activities	(3,681)	(2,641)
Cash flows from financing activities:		
Proceeds from obligations under finance lease	–	15
Repayment of obligations under finance lease	(5)	(10)
Proceeds from bank term loans	3,946	11,465
Repayment of bank term loans	(3,314)	(22,861)
Dividends paid to shareholders	(4,634)	(17,488)
Proceeds from issue of shares pursuant to scrip dividend scheme	184	5,716
Dividend paid to minority shareholders of a subsidiary	(280)	(201)
Net cash used in financing activities	(4,103)	(23,364)
Net increase in cash and cash equivalents	12,836	2,379
Effects of exchange rate changes	508	(624)
Cash and cash equivalents at beginning of year	28,773	27,018
Cash and cash equivalents at end of year (Note 34)	42,117	28,773

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

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 subsidiaries (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 "$") and all values in the tables are rounded to the nearest thousand ($'000) as indicated, unless otherwise stated.

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

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 – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	 1 January 2009 1 January 2009
FRS 23	Borrowing Costs	1 January 2009
FRS 27	Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	Financial Instruments: Recognition and Measurement – Amendments relating to: – Reclassification of Financial Assets – Eligible Hedged Items	 1 July 2008 1 July 2009
FRS 39 and INT FRS 109	Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives	30 June 2009
FRS 101	First-time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	Shared-based paymemt – Vesting Conditions and Cancellations	1 January 2009
FRS 107	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008

2.2 Future changes in accounting policies (cont'd)

Reference	Description	Effective for annual period beginning on or after
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118	Transfers of Assets from Customers	1 July 2009
–	Improvements to FRS	1 January 2009, unless otherwise stated

The Directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 108 Operating Segments

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 and results of the Group when implemented in 2010.

2.3 Functional and 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 subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the 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 operations, 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 foreign operation.

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 cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

2.4 Subsidiaries

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 subsidiaries are accounted for at cost less any impairment losses.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied 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 subsidiaries are accounted for by applying the purchase method. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.6 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries 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.

2.7 Associate

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

The Group's investment in associate is accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate'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 results of the associate in the period in which the investment is acquired.

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

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

2.8 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.

2.8 Property, plant and equipment (cont'd)

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:

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.

2.9 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 2.8 up to the date of change in use.

2.10 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.

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

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.

2.11 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 right to receive cash flow from the asset has 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 subsidiaries and an associate.

(c) Available-for-sale financial assets

The Group classifies its investment security 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.

2.12 Impairment of financial assets

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

2.12 Impairment of financial assets (cont'd)

(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 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 financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(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.

2.13 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.

2.14 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.

2.15 Other receivable

Other receivable relates to goodwill compensation from a principal. Other receivable is carried at amortised cost using the effective interest method.

2.16 Government grants

When the grant relates to an expense item, it is recognised in the income statement over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Grants related to income is presented as a credit in the income statement, by deducting against the related expenses.

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 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.

(c) Long service leave

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

2.21 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.

2.21 Leases (cont'd)

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.

(c) Interest income

Interest income is recognised using the effective interest method.

2.23 Income taxes

(a) Current tax

Current tax assets and liabilities 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;
- In respect of temporary differences associated with investments in subsidiaries and associate 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; and
- 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.

2.23 Income taxes (cont'd)

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

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

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

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

Income taxes

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Deferred tax assets	974	232	–	–
Provision for taxation	(6,072)	(6,560)	(4,237)	(4,198)
Deferred tax liabilities	(744)	(406)	(33)	(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 2009 was $17,704,000 (2008: $16,982,000). 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 22 to the financial statements.

3.2. Key sources of estimation uncertainty (cont'd)

(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	
	2009	**2008**
	$'000	$'000
Rental income	557	564
Interest income	252	370
Management fee	331	–
Gain on disposal of property, plant and equipment	266	6
Fair value gain on investment properties	–	848
Others	586	342
	1,992	2,130

6. Finance costs

	Group	
	2009	**2008**
	$'000	$'000
Interest on bank term loans	849	874
Interest on bank overdrafts	13	9
	862	883

7. Other operating expenses

	Group	
	2009	**2008**
	$'000	$'000
Facilities cost	2,316	2,909
Professional fees	1,572	903
Fair value loss on investment properties	1,086	–
General administrative expenses	3,366	2,911
	8,340	6,723

8. Operating profit

This is determined after charging the following :

	Group	
	2009	**2008**
	$'000	$'000
Salaries and employees benefits (including executive directors):		
- salaries, bonuses and other costs	27,252	30,269
- state provident funds	1,915	1,888
- provision for retirement gratuity	50	50
Directors' fees	246	249
Non audit fees paid to auditors of the Company	66	35
Provision for doubtful debts	91	21

9. Exceptional item

The exceptional item relates to an impairment loss on an investment security (Note 18).

10. Taxation

	Group	
	2009	**2008**
	$'000	$'000
Provision for taxation in respect of results for the year:		
Current taxation	7,388	8,107
Deferred taxation	(388)	203
Over/(under) provision in respect of previous years:		
Current taxation	963	(278)
Deferred taxation	45	(35)
	8,008	7,997

10. Taxation (cont'd)

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

	Group	
	2009	**2008**
	$'000	$'000
Profit before taxation	21,444	39,478
Tax at the domestic rates applicable to profits in the country where the Group operates	3,646	7,106
Adjustments:		
Expenses not deductible for tax purposes	2,849	275
Effect of different tax rates in other countries	706	1,151
Benefits from previously unrecognised deferred tax assets	–	(10)
Deferred tax assets not recognised	–	58
Benefits from previously unrecognised tax	(34)	(9)
Non-taxable income	(121)	(44)
Tax exempt income and incentive	(52)	(215)
Under/(over) provision in respect of previous years	1,008	(313)
Effect of reduction in tax rate	(5)	–
Share of results of an associate	(21)	–
Others	32	(2)
Taxation charge for the year	8,008	7,997

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the Year of Assessment 2010 onwards from 18% for the Year of Assessment 2009. The corporate income tax rate applicable to Malaysian subsidiary of the Group was reduced to 25% for the Year of Assessment 2010 onwards from 26% for the Year of Assessment 2009. The corporate income tax rate applicable to Hong Kong subsidiaries of the Group was reduced to 16.5% for the Year of Assessment 2010 onwards from 17.5% for the Year of Assessment 2009.

As at 31 March 2009, certain subsidiaries have unabsorbed tax losses of approximately $503,000 (2008: $705,000) available for set-off against future taxable profits of the subsidiaries 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 subsidiaries operate.

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

11. Dividends

	Group	
	2009	**2008**
	$'000	$'000
Declared and paid during the year		
One-tier tax-exempt first and final dividend in respect of the year ended 31 March 2008: 2.00 cents per ordinary share paid (31 March 2007: 1.25 cents per ordinary share less tax of 18%)	4,634	1,150
One-tier tax-exempt first and final dividend in respect of the year ended 31 March 2008: Nil cents per ordinary share paid (31 March 2007: 9.75 cents per ordinary share less tax of 18%)	–	8,966
One-tier tax-exempt one-time special interim dividend in respect of the year ended 31 March 2009: Nil cents per ordinary share paid (31 March 2008: 8.00 cents per ordinary share less tax of 18%)	–	7,372
	4,634	17,488
Proposed but not recognised as a liability as at 31 March		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- final dividend in respect of the year ended 31 March 2009: 2.50 cents per ordinary share (31 March 2008: 2.00 cents per ordinary share)	5,798	4,634

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 FY2009 Dividend.

12. Earnings per share

	Group	
	2009	**2008**
	$'000	$'000
Profit after deducting minority interests used in calculating earnings per share	12,797	30,530
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	231,821	226,879

13. Property, plant and equipment

	Freehold premises $'000	Leasehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Group					
Cost:					
At 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 and 1 April 2008	16,357	2,390	15,512	1,615	35,874
Additions	2,436	–	1,747	–	4,183
Disposals/write-offs	(267)	–	(852)	–	(1,119)
Foreign currency translation adjustment	(683)	251	(797)	(2)	(1,231)
At 31 March 2009	17,843	2,641	15,610	1,613	37,707
Accumulated depreciation:					
At 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 and 1 April 2008	5,146	1,575	11,694	477	18,892
Depreciation charge for the year	366	23	2,013	322	2,724
Disposals/write-offs	(81)	–	(802)	–	(883)
Foreign currency translation adjustment	(208)	165	(685)	(2)	(730)
At 31 March 2009	5,223	1,763	12,220	797	20,003
Net carrying value:					
At 31 March 2009	12,620	878	3,390	816	17,704
At 31 March 2008	11,211	815	3,818	1,138	16,982

13. 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	
283 square metres shop unit at Lot 4, 70 Castlereagh Street, Sydney	2,424
389 square metres office unit at Lot 21, 70 Castlereagh Street, Sydney	2,436
318 square metres shop unit at 252 Collins Street, Melbourne	568
Malaysia	
116 square metres office unit at Suite 12-2, 12th Floor, Wisma UOA II 21 Jalan Pinang, Kuala Lumpur	182
	17,843
(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)	2,641

As the prepaid land lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of land and building as finance leases in property, plant and equipment.

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

	Freehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 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 and 1 April 2008	12,233	5,854	1,334	19,421
Additions	–	377	–	377
Disposals/write-offs	–	(42)	–	(42)
At 31 March 2009	12,233	6,189	1,334	19,756
Accumulated depreciation:				
At 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 and 1 April 2008	3,953	4,086	387	8,426
Depreciation charge for the year	245	963	267	1,475
Disposals/write-offs	–	(42)	–	(42)
At 31 March 2009	4,198	5,007	654	9,859
Net carrying value:				
At 31 March 2009	8,035	1,182	680	9,897
At 31 March 2008	8,280	1,768	947	10,995

14. Investment properties

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
As at 1 April	9,465	8,902	3,600	2,800
(Loss)/gain from fair value adjustments recognised in income statement	(1,086)	848	–	800
Reclassification to property, plant and equipment net of depreciation	–	(491)	–	–
Foreign currency translation adjustment	(1,047)	206	–	–
As at 31 March	7,332	9,465	3,600	3,600
Income statement				
Rental income from investment properties	557	550	306	303
Direct operating expenses arising from investment properties that generated rental income	157	175	31	30

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on latest valuations near to 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 2009 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	69 years
1,027 square metres unit at 252 Collins Street, Melbourne, Australia	Shop and offices	Freehold	N/A

15. Investment in subsidiaries

	Company	
	2009	**2008**
	$'000	$'000
Unquoted shares, at cost	20,459	20,459
Allowance for impairment loss	(500)	(500)
	19,959	19,959

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

	Cost to Company	
	2009	**2008**
Name of subsidiary	$'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 subsidiaries as at 31 March are:

Name of company	**Country of incorporation and place of business**	**Percentage of equity held by the Group**	
		2009	**2008**
		%	**%**
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

15. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group	
		2009	**2008**
		%	%
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 subsidiaries			
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 LLP, Singapore.*

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

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

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

16. Investment in an associate

	Company	
	2009	**2008**
	$'000	$'000
Unquoted shares, at cost	109	109
Share of post-acquisition reserves	123	–
Exchange difference	4	–
	236	109

Details of the associate as at 31 March are:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2009	**2008**
			%	%
Held by subsidiary				
① THG Prima Times Co Ltd	Thailand	Retailing and distribution of watches and related products	50	50

① *Audited by Total Audit Solutions, Thailand.*

16. Investment in an associate (cont'd)

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

	Group	
	2009	**2008**
	$'000	$'000
Assets and liabilities:		
Total assets	14,852	218
Total liabilities	14,379	–
Results:		
Revenue	23,566	–
Profit for the year	246	–

17. Loan to an associate

Loan to an associate is unsecured, and is not expected to be repaid within the next twelve months. Interest is chargeable at Thailand's minimum lending rate ("MLR"), which approximates 6.50% per annum during the year.

18. Investment security

	Group and Company	
	2009	**2008**
	$'000	$'000
Available-for-sale financial assets:		
Quoted equity shares		
At cost	15,531	15,531
Fair value loss transferred to equity	(412)	(7,083)
Allowance for impairment loss	(14,089)	–
	1,030	8,448

Movements in allowance for impairment loss during the year are as follows:

As at 1 April	–	–
Charged to income statement (Note 9)	14,089	–
As at 31 March	14,089	–

19. Other receivable

	Group and Company 2009	2008
	$'000	$'000
Goodwill compensation	632	996
Current portion of goodwill compensation (Note 23)	(316)	(332)
	316	664

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.

20. Deferred tax assets

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
As at 1 April	232	372	–	132
(Over)/under recognised deferred tax assets in respect of previous years	(47)	35	–	–
Recognised in income statement	766	(175)	–	(132)
Foreign currency translation adjustment	23	–	–	–
As at 31 March	974	232	–	–
Deferred tax assets arise as a result of:				
Differences in depreciation for tax purposes	673	(46)	–	–
Provisions	292	258	–	–
Unrealised foreign exchange gain	9	20	–	–
	974	232	–	–

21. Stocks

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Finished goods				
- at cost	96,079	110,276	48,245	54,950
- at net realisable value	49,878	41,374	24,358	17,609
Total finished goods at lower of cost and net realisable value	145,957	151,650	72,603	72,559
Inventories written down charged to the income statement	8,785	7,737	4,842	3,942

During the financial year, the Group and the Company wrote-back $8,453,000 and $5,799,000 (2008: $6,989,000 and $4,839,000) 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.

22. Trade debtors

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Trade and other debtors				
Current				
Trade debtors	7,498	9,940	3,215	4,078
Other debtors (Note 23)	7,467	5,438	3,897	2,690
Amount due from an associate (Note 24)	3,797	–	–	–
Amounts due from subsidiaries (Note 25)	–	–	7,762	6,323
	18,762	15,378	14,874	13,091
Non-current				
Other receivable (Note 19)	316	664	316	664
Loan to an associate (Note 17)	2,109	–	–	–
	2,425	664	316	664
Total trade and other receivables (current and non-current)	21,187	16,042	15,190	13,755
Add: Cash and cash equivalents (Note 34)	42,117	28,773	25,897	12,687
Total loans and receivables	63,304	44,815	41,087	26,442

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

22. Trade debtors (cont'd)

Receivables that are past due but not impaired

The Group has trade debtors amounting to $1,969,000 (2008: $1,990,000) 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	
	2009	**2008**
	$'000	$'000
Trade debtors past due:		
Lesser than 30 days	281	883
30 to 60 days	761	594
61 to 90 days	61	318
91 to 120 days	183	21
More than 120 days	683	174
	1,969	1,990

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	
	2009	**2008**
	$'000	$'000
Trade debtors – nominal amounts	207	103
Allowance for impairment	(194)	(103)
	13	–
Movement in allowance accounts:		
At 1 April	103	135
Charge for the year	91	21
Written off	–	(53)
At 31 March	194	103

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.

22. Trade debtors (cont'd)

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	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Australian Dollar	289	529	–	–
Singapore Dollar	113	169	–	–

23. Other debtors

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Rental and other deposits	4,280	2,541	1,883	569
Recoverables and sundry debtors	2,833	2,533	1,662	1,764
Staff loans	38	32	36	25
Current portion of goodwill compensation (Note 19)	316	332	316	332
	7,467	5,438	3,897	2,690
Other debtors are stated after deducting allowance for impairment	578	523	–	–
Movement in allowance accounts:				
At 1 April	523	572	–	–
Foreign currency translation adjustment	55	(49)	–	–
At 31 March	578	523	–	–

The Group and the Company have recognised the Jobs Credit grant which amounted to $119,000 (2008: $Nil) in other debtors. The grant is receivable on 30 June 2009.

24. Amount due from an associate

	Group	
	2009	**2008**
	$'000	$'000
Amount due from an associate - trade	3,797	–

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

25. Amounts due from/(to) subsidiaries

	Company	
	2009	**2008**
	$'000	$'000
Amounts due from subsidiaries		
- trade	2,834	1,210
- non-trade	4,928	5,145
Allowance for impairment	–	(32)
	7,762	6,323
Amounts due to subsidiaries		
- trade	(17)	(398)

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

Non-trade balances with subsidiaries are unsecured, non-interest bearing and repayable on demand except for balance with a subsidiary, whose outstanding balance of $1,050,000 (2008: $1,200,000) bears interest at 4.0% (2008: 4.0%) per annum.

26. Loans and borrowings

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Unsecured borrowings	15,511	14,879	–	–

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 loans and borrowings comprise :

(i) Loan of $10,197,000 (RM24,500,000) [2008: $12,209,000 (RM28,500,000)] is repayable in April 2009. Interest is charged at rates ranging from 3.15% to 4.85% (2008: 4.63% to 5.01%) per annum.

(ii) Loan of $675,000 (Baht16,000,000) [2008: $872,000 (Baht20,000,000)] is repayable on demand. Interest is charged at rates ranging from 4.00% to 5.70% (2008: 4.65% to 6.12%) per annum.

(iii) Loan of $4,639,000 (JPY300,000,000) [2008: $694,000 (JPY50,000,000)] is repayable in April 2009. Interest is charged at rates ranging from 2.10% to 2.42% (2008: 2.14% to 2.31%) per annum.

(iv) Loan of $Nil [2008: $1,104,000 (USD800,000)] was repaid in March 2009.

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

27. Trade creditors

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade and other creditors (current)				
Trade creditors	7,394	12,750	2,588	3,231
Other creditors (Note 28)	17,480	21,632	9,766	14,323
Finance lease creditors	–	5	–	5
Amounts due to subsidiaries (Note 25)	–	–	17	398
	24,874	34,387	12,371	17,957
Other creditors (non-current)				
Provisions	130	141	–	–
	25,004	34,528	12,371	17,957
Add : Loans and borrowings (Note 26)	15,511	14,879	–	–
Total financial liabilities carried at amortised cost	40,515	49,407	12,371	17,957

Trade creditors/other creditors

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

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

	Group 2009	Group 2008	Company 2009	Company 2008
Singapore Dollar	87	1,332	–	–
United States Dollar	367	51	367	51
Swiss Francs	114	2,734	97	1,095
Others	54	243	16	60

28. Other creditors

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deposits from customers	4,679	6,482	1,338	3,241
Sundry creditors	–	119	–	–
Accruals	11,682	12,999	7,842	9,445
Others	1,119	2,032	586	1,637
	17,480	21,632	9,766	14,323

29. Deferred tax liabilities

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
As at 1 April	406	364	85	–
Recognised in income statement	378	28	(52)	85
Foreign currency translation adjustment	(40)	14	–	–
As at 31 March	744	406	33	85
Deferred tax liabilities arise as a result of:				
Differences in depreciation for tax purposes	110	(645)	110	153
Revaluations of investment properties to fair value	1,180	1,765	469	497
Unrealised foreign exchange loss	–	(21)	–	–
Provisions	(546)	(693)	(546)	(565)
	744	406	33	85

30. Share capital

	Group and Company	
	2009	**2008**
	$'000	**$'000**
Issued and fully paid:		
Balance at beginning of year:		
231,708,820 (2008: 112,150,184) ordinary shares	65,022	59,306
Issue of 210,108 (2008: 3,704,226) ordinary shares #	184	5,716
Balance at end of year:		
231,918,928 (2008: 231,708,820) ordinary shares	65,206	65,022

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

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, 210,108 new ordinary shares were issued in lieu of cash dividends pursuant to the Scheme.

31. Reserves

	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Revenue reserve	116,028	107,865	66,989	62,042
Foreign currency translation reserve	2,080	3,488	–	–
Fair value adjustment reserve	(412)	(7,083)	(412)	(7,083)
Total reserves	117,696	104,270	66,577	54,959

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.

32. 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 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Expenditure for property, plant and equipment	1,306	2,792	1,306	–

(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 14. 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	514	419	306	306
Later than one year but not later than five years	451	589	26	332
	965	1,008	332	638

32. 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	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Not later than one year	10,104	7,157	5,243	2,562
Later than one year but not later than five years	15,309	10,139	9,200	637
Later than five years	1,146	2,126	–	–
	26,559	19,422	14,443	3,199

33. Segment information

Reporting format

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

Geographical segments

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

Business segment

The Group comprises only one business segment which is the retailing and distribution of watches and jewellery. 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.

33. 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 2009 and 2008.

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Group $'000
2009					
Segment revenue:					
Sales to external customers	367,805	72,111	439,916	–	439,916
Intersegment sales	40	1,332	1,372	(1,372)	–
Other income	12,998	80	13,078	(11,086)	1,992
Total revenue	380,843	73,523	454,366	(12,458)	441,908
Segment results:					
Segment results	35,871	10,665	46,536	(11,126)	35,410
Share of results of an associate					123
Exceptional item					(14,089)
Profit before taxation					21,444
Taxation					(8,008)
Profit for the year					13,436
Other segment information:					
Segment assets	198,036	38,023	236,059	–	236,059
Unallocated corporate assets					974
					237,033
Segment liabilities	29,177	11,338	40,515	–	40,515
Unallocated corporate liabilities					6,816
					47,331
Capital expenditure for the year	4,097	86	4,183	–	4,183
Depreciation	2,652	72	2,724	–	2,724

33. Segment information (cont'd)

	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 results:					
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

34. Cash and cash equivalents

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Cash and bank balances	26,348	20,984	19,426	11,186
Fixed deposits with banks	15,769	7,789	6,471	1,501
	42,117	28,773	25,897	12,687

Cash and bank balances and fixed deposits with banks earn interest at floating rates based on daily bank deposit rates. 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:

United States Dollar	212	338	172	302
Swiss Francs	1,284	277	419	267
Hong Kong Dollar	5,880	–	5,880	–
Singapore Dollar	184	1,009	–	–
Australian Dollar	–	933	–	933

35. 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, credit risk and other price 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 risk arises primarily from its loans and borrowings and its investment portfolio in fixed deposits. The Group's borrowings are predominantly denominated in floating rates and are expected to be repriced at intervals of less than one year from the financial year end. At present, the Group's policy is to 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, if the interest of the floating rate loans and borrowings had been 100 (2008: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been $107,000 (2008: $108,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances amount to $7,560,000 and $6,471,000 (2008: $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 the Australian Dollar (AUD), Hong Kong Dollar (HKD), United States Dollar (USD), Japanese Yen (JPY), Malaysian Ringgit (MYR) and Thai Baht (BAHT). The Group's net investments in foreign operations are not hedged as they are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the CHF, AUD and HKD exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax.

	Group	
	2009 Profit net of tax	**2008 Profit net of tax**
	$'000	$'000
CHF		
- strengthened 1% (2008: 8%)	19	(87)
- weakened 1% (2008: 8%)	(19)	87
AUD		
- strengthened 7% (2008: 1%)	16	11
- weakened 7% (2008: 1%)	(16)	(11)
HKD		
- strengthened 5% (2008: 6%)	259	–
- weakened 5% (2008: 6%)	(259)	–

Other price risk

Other price risk 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 risk. The Group's investment in a company listed on the Singapore Exchange Securities Trading Limited, has been classified in the consolidated balance sheet as available-for-sales financial assets.

Under FRS 39, an equity investment is considered to be impaired when there is a significant or prolonged decline in fair value below its cost. The impairment losses are required to be transferred from fair value adjustment reserve to the income statement.

Any impairment loss recognised in respect of such equity instruments cannot be reversed through the income statement in subsequent periods. Subsequent increase in fair value must be recorded in fair value adjustment reserve in accordance with FRS 39.

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

The Group has in place a set of internal controls to manage its market price risk arising from investments in marketable security. During the financial year, the Group and the Company had recognised an impairment loss on this investment of $14,089,000 (2008: $Nil) for the Group and the Company as the fair value of the investment had declined significantly over a prolonged period. This has been included in exceptional item in the income statement.

Sensitivity analysis for equity price risk

At the balance sheet date, if the market price of the investment security had been 10% (2008: 10%) higher/lower with all other variables held constant, the Group's fair value adjustment reserve in equity would have been $103,000 (2008: $845,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

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 2009, the Group has available cash and cash equivalents totalling approximately $42.1 million (31 March 2008: $28.8 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 be 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.

	2009			**2008**		
	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	24,864	130	24,994	34,282	141	34,423
Loans and borrowings	15,576	–	15,576	15,085	–	15,085
Finance lease creditors	–	–	–	5	–	5
	40,440	130	40,570	49,372	141	49,513
Company						
Trade and other payables	12,371	–	12,371	17,952	–	17,952
Finance lease creditors	–	–	–	5	–	5
	12,371	–	12,371	17,957	–	17,957

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.

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the 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.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (investment security) and Note 22 (trade debtors).

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

36. 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 receivable, and its derivative financial instrument, at their fair values 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) subsidiaries, amount due from an associate, 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			
	2009		2008	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
	$'000	$'000	$'000	$'000
Forward currency contract	–	–	869	869

37. 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	Management fees received $'000	Interest income $'000	Purchase of goods $'000	Rental expense $'000
2009						
Associate	6,860	34	331	9	1,198	–
Directors of the Company	528	–	–	–	–	–
Directors of the subsidiaries	6	–	–	–	–	–
Director-related companies	–	–	–	–	26	191
2008						
Associate	–	–	–	–	–	–
Directors of the Company	321	–	–	–	–	–
Directors of the subsidiaries	538	–	–	–	–	–
Director-related companies	–	*	–	–	50	161

** Denotes amount less than $1,000*

(b) Compensation of key management personnel

	Group 2009 $'000	Group 2008 $'000
Short-term employee benefits	8,735	8,018
Provident Fund contributions	121	107
Total compensation paid to key management personnel	8,856	8,125
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	5,521	5,349
- Other key management personnel	3,335	2,776
	8,856	8,125

38. 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.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2009 were authorised for issue in accordance with a resolution of the Directors on 1 June 2009.

STATISTICS OF SHAREHOLDINGS AS AT 9 JUNE 2009

Number of Shares : 231,918,928

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	119	6.40	52,773	0.02
1,000 - 10,000	1,187	63.82	5,882,718	2.54
10,001 - 1,000,000	533	28.65	22,974,651	9.91
1,000,001 and above	21	1.13	203,008,786	87.53
Total :	**1,860**	**100.00**	**231,918,928**	**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 2009, approximately 36.1% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

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

	No. 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 (*)
Mdm Chan Siew Lee	3,252,902	123,072,058 (*)

(*) 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.

TWENTY LARGEST SHAREHOLDERS AS AT 9 JUNE 2009

No.	Name	No. of Shares	%
1	TYC Investment Pte Ltd	73,866,542	31.85
2	Henry Tay Yun Chwan	18,687,048	8.06
3	Key Hope Investment Limited	15,247,310	6.57
4	Hong Leong Finance Nominees Pte Ltd	14,923,732	6.43
5	United Overseas Bank Nominees Pte Ltd	12,659,199	5.46
6	HSBC (Singapore) Nominees Pte Ltd	10,712,044	4.62
7	Siong Lim Private Limited	9,622,000	4.15
8	DBS Nominees Pte Ltd	9,256,445	3.99
9	Oversea-Chinese Bank Nominees Pte Ltd	8,383,642	3.61
10	Swanson Pte Ltd	5,381,212	2.32
11	Citibank Nominees S'pore Pte Ltd	5,316,356	2.29
12	Phillip Securities Pte Ltd	5,145,164	2.22
13	Teo Cheng Tuan Donald	3,160,000	1.36
14	OCBC Nominees Singapore Pte Ltd	2,484,187	1.07
15	Ong Yek Siang	1,460,988	0.63
16	Tan Sheau Yen Helen	1,254,000	0.54
17	Chia Kum Ho	1,200,000	0.52
18	Raffles Nominees Pte Ltd	1,116,056	0.48
19	DBS Vickers Securities (S) Pte Ltd	1,072,561	0.46
20	Jen Shek Chuen	1,044,300	0.45
	Total :	**201,992,786**	**87.08**

OPERATIONS DIRECTORY

THE HOUR GLASS

SINGAPORE

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

GLAJZ – THG PTE LTD
391 Orchard Road #21-04
Ngee Ann City Tower B
Singapore 238874
Tel: (65) 6734 2033
Fax: (65) 6737 5138
Email: info@glajz.com

BOUTIQUES
NGEE ANN CITY
391 Orchard Road #01-02
Singapore 238872
Tel: (65) 6734 2420
Fax: (65) 6734 6269
Email: nac@thehourglass.com

TANG PLAZA
320 Orchard Road Ground Floor
Singapore 238865
Tel: (65) 6235 7198
Fax: (65) 6734 6319
Email: tp@thehourglass.com

ION ORCHARD
2 Orchard Turn #03-06
Singapore 238801
Tel: (65) 6509 9268
Fax: (65) 6509 9020
Email: ion@thehourglass.com

RAFFLES HOTEL ARCADE
328 North Bridge Road #01-14/15
Singapore 188719
Tel: (65) 6334 3241
Fax: (65) 6337 3997
Email: rh@thehourglass.com

SINGAPORE

MILLENIA WALK
9 Raffles Boulevard #01-27
Singapore 039596
Tel: (65) 6339 4870
Fax: (65) 6339 9034
Email: mw@thehourglass.com

LUCKY PLAZA
304 Orchard Road #01-36A
Singapore 238863
Tel: (65) 6733 1262
Fax: (65) 6738 3622
Email: lp@thehourglass.com

ORCHARD CENTRAL
181 Orchard Road #01-06
Singapore 238896
Tel: (65) 6337 8309
Fax: (65) 6337 3356
Email: oc@thehourglass.com

ROLEX BOUTIQUES
RAFFLES HOTEL ARCADE
328 North Bridge Road #01-13
Singapore 188719
Tel: (65) 6334 3241
Fax: (65) 6337 3997
Email: rh@thehourglass.com

ION ORCHARD
2 Orchard Turn #01-02
Singapore 238801
Tel: (65) 6509 9282
Fax: (65) 6509 9080
Email: rol.ion@thehourglass.com

MALAYSIA

CORPORATE OFFICE
THE HOUR GLASS SDN BHD
Suite 12-2, 12th Floor Wisma UOA II
21 Jalan Pinang
50450 Kuala Lumpur
Tel: (60) 3-2161 3228
Fax: (60) 3-2163 7133
Email: info@thehourglass.com

BOUTIQUES
PAVILION KL SHOPPING MALL
Lot 2.41, Level 2
168 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: (60) 3-2148 8930
Fax: (60) 3-2148 8932
Email: pavilion@thehourglass.com

LOT 10 SHOPPING CENTRE
Unit G1, Ground Floor
50 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (60) 3-2144 1620
Fax: (60) 3-2145 7211
Email: lot10@thehourglass.com

MID VALLEY CITY, THE GARDENS
Lot G-240, Ground Floor
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: (60) 3-2287 7830
Fax: (60) 3-2287 7832
Email: midvalley@thehourglass.com

PARKSON GRAND SURIA KLCC
Lot HG01A, Ground Floor
Suria KLCC
50088 Kuala Lumpur
Tel: (60) 3-2164 6388
Fax: (60) 3-2164 2388
Email: klcc@thehourglass.com

HUBLOT BOUTIQUE
STARHILL GALLERY
Lot UG15(B), Adorn Floor
181 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: (60) 3-2148 0830
Fax: (60) 3-2148 0832
Email: hublot.kl@thehourglass.com

OPERATIONS DIRECTORY

HONG KONG

CORPORATE OFFICE
THE HOUR GLASS (HK) LIMITED
1416 Star House
3 Salisbury Road
Tsim Sha Tsui, Kowloon
Tel: (852) 2375 8280
Fax: (852) 2375 8285
Email: tst@thehourglass.com

BOUTIQUE
IMPERIAL HOTEL
Shop D, 32-34 Nathan Road
Tsim Sha Tsui, Kowloon
Tel: (852) 2369 9122
Fax: (852) 2739 2510
Email: tst@thehourglass.com

JAPAN

CORPORATE OFFICE
THE HOUR GLASS JAPAN LTD
Daini-Uruwashi Building
1st Floor 8-5-12
Ginza Chuo-ku Tokyo
104-0061 Japan
Tel: (81) 3-5537 7888
Fax: (81) 3-5537 1181
Email: ginza@thehourglass.com

BOUTIQUE
DAINI-URUWASHI BUILDING
1st floor 8-5-12
Ginza Chuo-ku Tokyo
104-0061 Japan
Tel: (81) 3-5537 7888
Fax: (81) 3-5537 1181
Email: ginza@thehourglass.com

A. LANGE & SÖHNE BOUTIQUE
MIKUNI GINZA BUILDING
1st floor 6-7-19
Ginza Chuo-ku Tokyo
104-0061 Japan
Tel: (81) 3-3573 7788
Fax: (81) 3-3573 7771
Email: tokyo@lange-soehne.com

AUSTRALIA

CORPORATE OFFICE
THE HOUR GLASS (AUSTRALIA) PTY LTD
Culinan House Level 6
70 Castlereagh Street
Sydney New South Wales 2000
Tel: (61) 2-9232 7775
Fax: (61) 2-9221 4516
Email: syd2@thehourglass.com

BOUTIQUES
SYDNEY
CULINAN HOUSE
142 King Street
Sydney New South Wales 2000
Tel: (61) 2-9221 2288
Fax: (61) 2-9221 4551
Email: syd2@thehourglass.com

MELBOURNE
THE HOUR GLASS BUILDING
252 Collins Street
Melbourne Victoria 3000
Tel: (61) 3-9650 6988
Fax: (61) 3-9650 6933
Email: melb2@thehourglass.com

GOLD COAST
Shop 7-8 Le Boulevard
Elkhorn Avenue Surfers Paradise
Gold Coast Queensland 4217
Tel: (61) 7-5592 3104
Fax: (61) 7-5592 0486
Email: goldc@thehourglass.com

MONTBLANC BOUTIQUES
SYDNEY
115-117 King Street
Sydney New South Wales 2000
Tel: (61) 2-9231 5671
Fax: (61) 2-9231 1803
Email: montblanc.sy@thehourglass.com

75 Castlereagh Street
Ground floor
Sydney New South Wales 2000
Tel: (61) 2-9233 3927
Fax: (61) 2-9235 3938
Email: montblanc.cas@thehourglass.com

MELBOURNE
175-177 Collins Street
Melbourne Victoria 3000
Tel: (61) 3-9663 5077
Fax: (61) 3-9663 0277
Email: montblanc.mel@thehourglass.com

BRISBANE
Queens Plaza
Shop 12 Edward Street
Brisbane Queensland 4000
Tel: (61) 7-3012 9150
Fax: (61) 7-3012 9170
Email: montblanc.bri@thehourglass.com

THAILAND

CORPORATE OFFICE
THE HOUR GLASS (THAILAND) CO LTD
999 Gaysorn 6th Floor, Unit 6A-2
Ploenchit Road, Lumpini Pathumwan
Bangkok 10330
Tel: (66) 2-656 1781
Fax: (66) 2-656 1783

THG PRIMA TIMES CO LTD
989 Siam Tower 19th Floor, Unit A
Rama 1 Road, Pathumwan
Bangkok 10330
Tel: (66) 2-658 0599
Fax: (66) 2-658 0593
Email: info@pmtthehourglass.com

BOUTIQUES
PMT THE HOUR GLASS
GAYSORN
999 Gaysorn 2nd Floor, Unit 2F-03
Ploenchit Road
Bangkok 10330
Tel: (66) 2-656 1212
Fax: (66) 2-656 1213
Email: info@pmtthehourglass.com

SIAM PARAGON
991 Siam Paragon M F/L, Room 42
Rama 1 Road
Bangkok 10330
Tel: (66) 2-129 4777
Fax: (66) 2-129 4781
Email: info@pmtthehourglass.com

EMPORIUM
622 Emporium G F/L, Room 31
Sukhumvit Road
Bangkok 10110
Tel: (66) 2-664 8886
Fax: (66) 2-664 8885
Email: info@pmtthehourglass.com

CHOPARD BOUTIQUE
SIAM PARAGON
991 Siam Paragon M F/L, Room 41
Rama 1 Road
Bangkok 10330
Tel: (66) 2-129 4777
Fax: (66) 2-129 4781
Email: info@pmtthehourglass.com

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