THE HOUR GLASS

ANNUAL REPORT 2010

Contents

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 Philip Eng Heng Nee (Appointed on 1 October 2009)	Independent Non-Executive Director
Mr Ariel Kor (Retired on 17 July 2009)	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 Philip Eng Heng Nee (Appointed on 1 October 2009)	
Mr Ariel Kor (Retired on 17 July 2009)	

COMPANY SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

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

SHARE REGISTRAR

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

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

BOARD OF DIRECTORS

Seated:
Dato' Dr Jannie Tay

Standing From left:
Mr Michael Tay, Dr Henry Tay, Mr Robert Tan, Mr Owen Howell-Price, Mr Jason Choo, Dr Kenny Chan, Mr Philip Eng

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 in 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 retail of Burberry 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 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 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 serves as the President of the Asean Business Forum, Chairman of the Commonwealth Business Women Leaders 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") in 2004. UNESCAP's mandate is to foster cooperation between its members in order to promote economic and social development in the Asia Pacific region. Having previously served on the Women's Leadership Board of the John F. Kennedy School of Government, Harvard University and the United Nations Office for Project Services, she was named as one of the 50 Leading Women Entrepreneurs of the World in 1997. In 2009, Dato' Dr Tay was the first woman to receive Enterprise Asia's APEA Woman Entrepreneur of The Year Award.

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.

BOARD OF DIRECTORS

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

A graduate of Monash University with a MBBS (Honours), Dr Chan has over 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 distributors and agents of Burberry, covering a territory that stretched from Korea to New Zealand.

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 a member of the international advisory board of Harry Winston Rare Timepieces as well as a member of the Steering Committee and fine watch ambassador for the Fondation de la Haute Horlogerie. Mr Tay also serves on the board of the Singapore Tyler Print Institute and Mercy Relief, an international humanitarian development and relief organisation located in Singapore.

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

BOARD OF DIRECTORS

MR OWEN PHILLIMORE HOWELL-PRICE
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

MR ROBERT TAN KAH BOH
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

MR JASON CHOO CHOON WAI
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Choo is a Non-Executive Chairman of Gems TV Holdings Limited and Chairman of Lonsdale Capital Pte Ltd. Mr Choo is a graduate of Colorado College where he obtained a Bachelor of Arts degree in Economics.

MR PHILIP ENG HENG NEE
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Eng is the Non-Executive Chairman of mDR Limited and Frasers Centrepoint Asset Management Ltd. Mr Eng is also Deputy Chairman of MCL Land Limited. He is a director of several local and regional companies including NTUC Income, Chinese Development Assistance Council, SingHealth, OpenNet Pte Ltd, Hup Soon Global Corporation Limited, Hektar Asset Management Sdn Bhd and Commissioner of PT Adira Dinamika Multi Finance Tbk, Indonesia. Mr Eng is also Singapore's Ambassador to Greece and High Commissioner to Cyprus. He spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director.

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

KEY EXECUTIVES

SINGAPORE

MR 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.

MS 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 in 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 of Science (Honours).

MS WONG MEI LING
MANAGING DIRECTOR (SINGAPORE)
THE HOUR GLASS LIMITED

Ms Wong joined the Company in October 2009 and is responsible for leading the growth and development of The Hour Glass' Singapore business unit. Ms Wong holds a Bachelor of Arts in Economics and Psychology from the University of Sydney, Australia.

MR LIM HOCK THIAM
GENERAL MANAGER
THE HOUR GLASS LIMITED

Mr Lim joined the Company in February 1995 as Senior Accountant and was promoted twice first to Senior Brand Manager in February 1998 and then to General Manager - Wholesale in October 1999. In April 2010, he was re-designated to General Manager and is currently responsible for the business in Singapore. Mr Lim holds a Bachelor of Economics from Monash University, Australia.

MALAYSIA

MR 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 Malaysia operations. Mr Yon graduated with a Bachelor of Commerce from the University of Canterbury, New Zealand.

THAILAND

MS 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
MR CHUNG WAI YANG
MANAGING DIRECTOR (HONG KONG)
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.

AUSTRALIA
MS 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
MR 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
MR 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.

MR 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, which he has been involved 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 Thailand 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.

FINANCIAL HIGHLIGHTS

	FY2010	FY2009	FY2008	FY2007	FY2006
INCOME STATEMENT	$'000	$'000	$'000	$'000	$'000
Revenue	483,662	439,916	487,638	407,160	354,547
Operating profit [1]	41,685	35,533	39,478	23,691	14,305
Profit after tax	33,478	13,436	31,481	19,381	12,917
EBITDA [1]	45,142	38,928	42,446	26,986	17,477

BALANCE SHEET	$'000	$'000	$'000	$'000	$'000
Net assets	216,543	182,902	169,292	210,387	136,739
Cash and cash equivalents	50,452	42,117	28,773	27,018	19,071
Free cash flow [2]	14,962	16,437	25,790	12,549	1,789

FINANCIAL RATIOS					
Gross margin (%)	20.1	21.5	20.0	17.2	16.0
Operating margin (%) [1]	8.6	8.1	8.1	5.8	4.0
Net margin (%) [1]	6.9	6.3	6.5	4.6	3.3
Stock turn ratio	2.4	2.4	2.6	2.4	2.3
Debt / equity ratio (%)	6.6	8.5	8.8	12.5	11.4
Earnings per share (cents) [1,3]	14.1	11.6	13.5	8.2	5.1
Net asset value per ordinary share (cents) [4]	92.6	78.9	73.1	93.8	62.8

1 *Excluding exceptional item.*

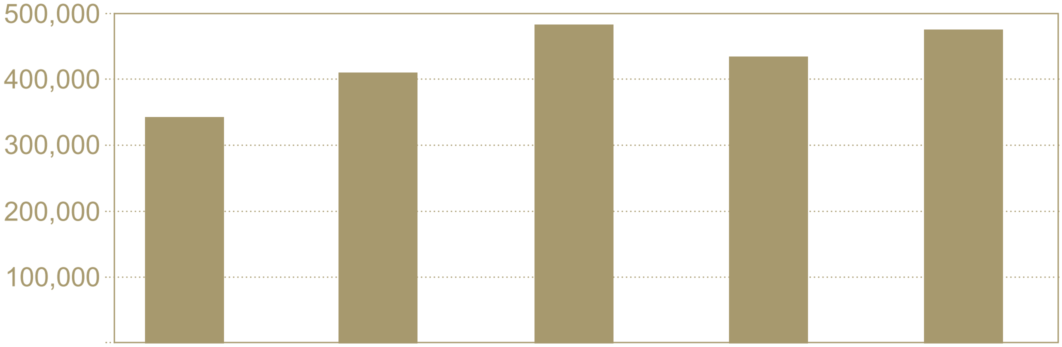
2 *Free cash flow refers to net cash flows from operating activities less purchase of property, plant and equipment in the cash flow statement.*

3 *For the purpose of comparison, earnings per share 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 ordinary share 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.*

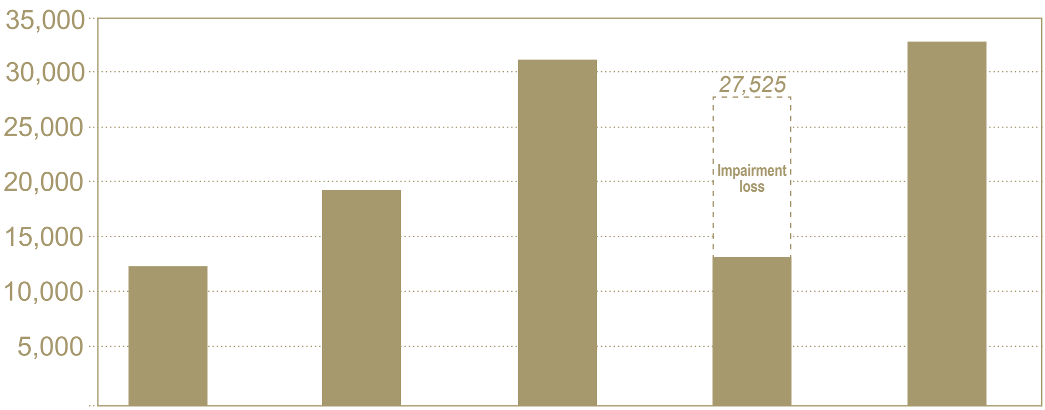
FINANCIAL HIGHLIGHTS

REVENUE ($'000)



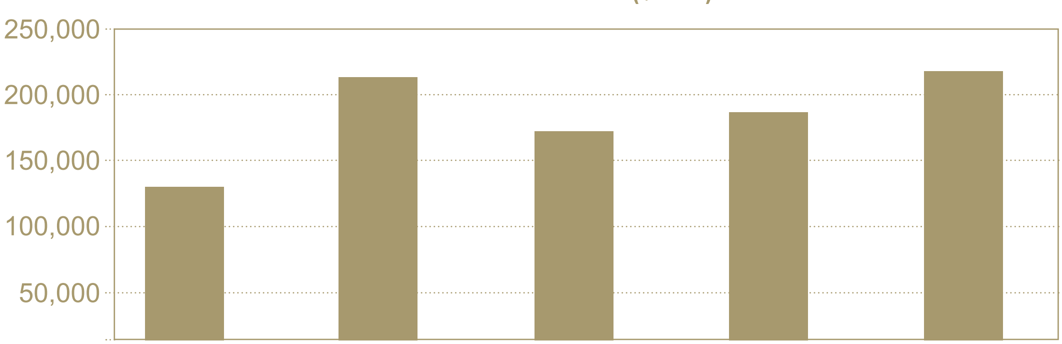
FY2006	FY2007	FY2008	FY2009	FY2010
354,547	**407,160**	**487,638**	**439,916**	**483,662**

PROFIT AFTER TAX ($'000)



FY2006	FY2007	FY2008	FY2009	FY2010
12,917	**19,381**	**31,481**	**13,436**	**33,478**

NET ASSETS ($'000)



FY2006	FY2007	FY2008	FY2009	FY2010
136,739	**210,387**	**169,292**	**182,902**	**216,543**

HOUR VISION

Advancing the culture of watch collecting throughout the world

ENTERPRISE MISSION

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

BUSINESS MISSION

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

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

I am delighted to report that for the financial year ended 31 March 2010, the Group delivered its most profitable set of results since its incorporation. Sales grew by a credible 10% to $483.7 million whilst net profit after tax leapt by 149% to a record $33.5 million from the year before.

The Group's cash generating capabilities remained positive by producing an additional $15.0 million in free cash flow despite having re-invested $18.7 million back into our business. Our balance sheet remained robust with cash and cash equivalents growing to $50.5 million and, in keeping with tradition, continued to maintain an ultra conservative capital structure by further reducing our leverage profile, ending the year in a net cash position of $36.3 million and a debt-to-equity ratio of 6.6%. Year-end inventory levels grew in tandem with sales by 9% to $159.0 million and inventory turnover maintained at 2.4 times, our 5 year mean. On a consolidated net asset basis, we increased our corporate net worth by $33.6 million to $216.5 million or 92.56 cents per ordinary share. All this was achieved on the back of the worst global economic environment of our generation.

In light of the Group's sterling financial and operating performance, the Board of Directors recommends a first and final dividend of 3.50 cents per ordinary share amounting to $8.2 million.

BUSINESS REVIEW

In 2009, Swiss watch manufacturers reported exports of CHF13.2 billion registering its steepest ever decline of 22% from the historical peak of CHF17.0 billion in 2008, in a year that has to be viewed and analysed as two distinctly contrasting halves.

The first six months of 2009 saw the world's watch industry consumed in a cycle of global de-stocking, where fear and uncertainty preyed over the future of the Swiss watch industry rendering it to a virtual state of paralysis. At the height of the watchmaking crisis, manufacturers had acted by slashing their production output, some by as much as fifty percent, trimming payrolls and on aggregate, placing a fifth of the manufacturing sector's 40,000 workers on temporary employment. Many distributors also stopped pushing third party retailers to accept their outstanding orders even though they themselves were beginning to amass a stockpile of product out of concern over the credit worthiness of these retail partners. In markets such as the United States, the stronger brands cleaned up their distribution, reducing their wholesale network by as much as thirty percent. It was during this period that every luxury brand CEO expressed a similar emotion on their business performance - one of suffering.

But almost as quickly as world stock markets dove into a coordinated freefall, governments throughout reacted by pump priming their economies, swiftly injecting liquidity into the global financial markets and reflating assets. As fear gradually dissipated and doomsday prophesies were laid by the wayside, market and consumer sentiment turned for the better and thus began this spectacular second-half recovery rush. Consumers, particularly in Asia, were all too eager to shed their cloaks of austerity and promptly sprinted to retail stores to do what they intuitively do best - shop. Inventories in channel retailers were replenished and almost as if it never even happened, business reverted back to pre-crisis levels.

To say that this dramatic V shaped rebound was nothing short of unimaginable would belie the severity of the crisis on the luxury goods market and in particular, the Swiss watch industry. The effects of which continue to haunt its traditional large consumer markets of the United States, Europe and Japan in addition to the 400 plus businesses operating in its component and movement manufacturing sector. Many of these producers still have capital equipment sitting idle and they remain hopeful that their excess capacity will be filled by Christmas of 2010.

Our financial prudence meant that throughout this highly volatile period, The Hour Glass operated in a state of total calm and were one of the few companies in the sector still able to deploy capital. In this regard, two new boutiques were opened in Singapore, three stores were relocated to even more prime retail locations and an additional three

CHAIRMAN'S STATEMENT

boutiques were refurbished. All these stores have already contributed positively to our cashflows and profitability.

OUTLOOK

This is the fourth financial crisis our Group has faced in a little over a decade - the 1997 Asian Financial Crisis, the bursting of the tech bubble in 2001, SARS in 2003 and the Great Global Recession of 2008. And just when the bulls began burnishing their horns, we are once more confronted with further market volatility that threatens to derail the pace of global growth. This has undoubtedly been exacerbated by the impending implementation of austerity measures by governments worldwide, European sovereign debt fears, a politically unstable and stagnating Japanese economy, civil unrest in Thailand, the pricking of the Chinese asset bubble and a protracted US economic recovery. Therefore, it comes as no surprise that consumer confidence is eroding and sentiment continues to remain fragile in Switzerland's watch sector.

Despite all these macro-environmental challenges, we are fortunate that The Hour Glass is anchored in the world's most dynamic and prosperous region. What is evident is that there has been a seismic shift in market emphasis towards Asia and more importantly, its cohort of luxury hungry Chinese consumers. A recent blue paper on China's commercial development by the Chinese Academy of Social Sciences stated that luxury spending in China would grow from USD $9.4 billion in 2009 to USD $14.6 billion by 2014 to become the world's leading luxury market. The Chinese have contributed richly to the global luxury sector by purchasing items not only within their own borders but also when they travel overseas. Luxury watch retailers from Dubai to Switzerland have benefited enormously, as do we in the markets of Australia, Singapore and Hong Kong. Newly rich by distinction, these Mainland consumers are happy to flaunt their wealth. They are characterised by their desire to have the best that life can offer and they all want it now. If this is the present generation's attitude, we cannot wait for their offspring to come of age. This clearly bodes well for the future of our business.

With all this in mind, it begs the question of where The Hour Glass' destiny lies in servicing the Chinese luxury watch buyer. We opine that for the next decade, the majority of the Mainland Chinese will continue shopping for luxury watches outside of China. This is due to a combination of factors such as the higher duties and taxes imposed on luxury goods in China itself and the prestige of bringing home a premium holiday souvenir. We are cognizant that this propensity to purchase out of country will diminish over time. Hence, we have set ourselves a target of entering China when market conditions are ripe for a group like ours to effectively apply our business model and extract a reasonable rate of return on capital employed.

In the 30 year history of The Hour Glass, the one thing we have tried to avoid at all costs is retail and marketing monotony. The past decade had thrown up several moments of horological rupture - the global watch exposition Tempus and more recently, L'Atelier, our new specialty watch boutique concept: both examples heralded by the world watch community as industry defining ideas. The next milestone challenge for The Hour Glass as a multi-brand, multi-category luxury retailer is to differentiate ourselves by dramatically out-behaving and out-conceptualising our competition rather than merely outperforming them in terms of offering consumers more products at better prices. We recognise that a key driver of our success is our passion. We are passionate about product and passionate about how we go about promoting it. Passionate in proposing works of art, design and craft that are seamlessly interwoven into objects that can withstand the turbulence of time; Desirous of changing the way people appreciate luxury products and changing the manner in which they consider watches. Passionate about the development of retail environments soaked in an atmosphere flavoured by coffee, culture and conversation and which are then layered by the creation of extraordinary customer experiences. With this, we introduce Malmaison by The Hour Glass. Located at the new luxury retail podium - Knightsbridge on Orchard Road in Singapore, Malmaison is set to be The Hour Glass' most distinctive project to date and will be positioned as

CHAIRMAN'S STATEMENT

Asia's premier luxury emporium. We will be revealing more on this unique retail opportunity towards the end of 2010.

I would like to conclude by highlighting some key organisational values and operating tenets that The Hour Glass' management team adheres to. Some principles that are not so obvious and some that may be. It is invariably easier to start with the things we won't do. We are not in the business of generating short term market excitement and don't have ambitions to present ourselves as the biggest watch retailer in the world. We don't want to be the company that carries the widest selection of brands nor do we have the desire to hold the title as an operator with the most number of stores. We plan to be in this business for the long haul and believe in the merits of long range planning, ensuring that our business and financial goals reflect this creed. We aspire to be the best in class. To deliver the highest degree of customer service and to do so in the most consistent manner. To be regarded as a model employer and a dependable business partner. Financially, this translates into our goal of building an enduring and profitable business that assumes a moderate risk profile generating constant, sustainable long term returns and cashflows through the careful allocation of capital investments back into our business. By sticking to these time honoured guiding principles, we are certain that good things will follow.

ACKNOWLEDGEMENTS

I would like to welcome Mr Philip Eng, who joined the Board on 1 October 2009. Philip brings with him an in-depth understanding of the luxury industry as well as a wealth of business experience, including 23 years as Group Managing Director of Jardine Cycle & Carriage. I am certain that he will provide us with valuable insights and counsel in the years to come.

On behalf of the Board of Directors, I would also like to express our gratitude to our clients, business partners and shareholders for their overwhelming show of support during the course of the year. Our associates and management team led by our Group Managing Director Kenny have also stayed focused during these challenging times, continuing to create long-term value in a deliberate and logical fashion. And if ever they are put to the test once again, I am confident that this battle hardened team will stand and deliver.

Henry Tay Yun Chwan
Executive Chairman
31 May 2010

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 2010.

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 4 times during the financial year. To facilitate the Board's decision-making process, the Company's Articles of Association provides for directors to participate in Board meetings by conference telephone and similar communications equipment, and for Board resolutions to be passed in writing, including by electronic means.

Directors and senior executives are briefed on the Group's operations and furnished with information on the Group's corporate governance practices at the time of appointment, and are routinely updated on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting the Company and/or the Group. Newly appointed Directors 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	66	11 Aug 1979	18 Jul 2008
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	65	11 Aug 1979	20 Jul 2007
Dr Kenny Chan Swee Kheng	57	01 Apr 2004	17 Jul 2009
Mr Michael Tay Wee Jin	35	15 Aug 2005	18 Jul 2008
Mr Owen Phillimore Howell-Price	84	11 Apr 1994	17 Jul 2009
Mr Robert Tan Kah Boh	65	18 Nov 1999	18 Jul 2008
Mr Jason Choo Choon Wai	39	01 Aug 2006	17 Jul 2009
Mr Philip Eng Heng Nee	64	01 Oct 2009	–

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. 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.*

Mr Philip Eng was appointed to the Board on 1 October 2009 and he is an independent non-executive Director. 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 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 who retired from the Board on 17 July 2009. Mr Philip Eng who was appointed to the Board on 1 October 2009, joined the RC concurrently as a member. All of the RC members are independent non-executive directors. The RC is chaired by Mr Owen Price. The RC met three times during the financial year.

The RC's terms of reference are primarily to review, determine and recommend to the Board, the framework of remuneration, terms of engagement, compensation and benefits for senior executives, including the executive directors of the Company. Its functions include review of senior executive development and succession, compensation plans and recruitment strategies, and evaluation of executives' performance.

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

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

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 12 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 more than $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

CORPORATE GOVERNANCE

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. 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 36 to the accounts, at page 75 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.

CORPORATE GOVERNANCE

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, 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.

The fees proposed to be paid to Non-executive Directors for FY2010 have been determined based on the same formula applied in the previous year as follows:

	FY2010 PROPOSED FEE $
NON-EXECUTIVE DIRECTORS	
Basic fee	20,000
CHAIRMAN	
Audit Committee	40,000
Remuneration Committee	15,000
MEMBER	
Audit Committee	15,000
Remuneration Committee	5,000
ATTENDANCE FEE FOR EACH BOARD MEETING	2,000

SUMMARY COMPENSATION TABLES – FINANCIAL YEAR ENDED 31 MARCH 2010

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

Name	Position	Salary* %	Bonus# %	Fees# %	Other benefits %	Total %
Above $1,500,000						
Dr Kenny Chan Swee Kheng	*Group Managing Director*	23	74	-	3	100
Mr Michael Tay Wee Jin	*Executive Director*	23	72	-	5	100
$1,000,000 to below $1,250,000						
Dr Henry Tay Yun Chwan	*Executive Chairman*	29	61	-	10	100
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	*Executive Vice Chairman*	30	61	-	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
Mr Philip Eng Heng Nee^	*Independent Director*	-	-	100	-	100

** Salary includes employer's CPF contribution.*
 # Accrued for FY2010.
@ Mr Ariel Kor retired from the Board on 17 July 2009.
^ Mr Philip Eng Heng Nee was appointed to the Board on 1 October 2009.

CORPORATE GOVERNANCE

(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	Ms Amanda Chuan Li Choo	Group Human Resource Manager
The Hour Glass Limited	Mr Teo Tsu Chung Benedict^	Group General Manager
The Hour Glass Limited	Ms Wong Mei Ling*	Managing Director (Singapore)
The Hour Glass Limited	Mr Lim Hock Thiam	General Manager
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 (Hong Kong)
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

** Ms Wong Mei Ling joined on 1 October 2009.*
^ Mr Teo Tsu Chung Benedict resigned on 30 September 2009.
@ Ms May Lam Yuk Kwan resigned on 31 August 2009.

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

No. of key executives in remuneration bands	FY2010
Above $500,000	2
$250,000 to below $500,000	3
Below $250,000	7

The above includes remuneration paid to key executives who had resigned or joined the Group during the year.

CORPORATE GOVERNANCE

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS
– FINANCIAL YEAR ENDED 31 MARCH 2010

Board composition & Committees	Board of Directors		Audit Committee		Remuneration Committee	
	No. of meetings held *	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held *	No. of meetings attended
Dr Henry Tay Yun Chwan	4	4	NA	NA	NA	NA
Mdm Chan Siew Lee (Dato' Dr Jannie Tay)	4	3	NA	NA	NA	NA
Dr Kenny Chan Swee Kheng	4	4	NA	NA	NA	NA
Mr Michael Tay Wee Jin	4	4	NA	NA	NA	NA
Mr Owen Phillimore-Howell Price	4	4	4	4	3	3
Mr Robert Tan Kah Boh	4	4	4	4	3	3
Mr Jason Choo Choon Wai	4	3	4	3	NA	NA
Mr Ariel Kor @	1	0	NA	NA	1	0
Mr Philip Eng Heng Nee^	2	2	NA	NA	2	1

NA means not applicable.

** The number of meetings held during the period the director was a member of the Board and/or relevant Committee.*

@ Mr Ariel Kor retired from the Board on 17 July 2009.

^ Mr Philip Eng Heng Nee was appointed to the Board on 1 October 2009.

CORPORATE GOVERNANCE

ADDITIONAL INFORMATION

ETHICAL STANDARDS AND BUSINESS CONDUCT

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

DEALING IN SECURITIES

The Company has adopted an internal policy with respect to dealings in securities modelled on the SGX-ST's best practices recommendations. Directors and staff are to refrain from dealing in the securities of the Company during the periods commencing two weeks before the release of the Company's results for each of the first three quarters of its financial year and one month before and up to the date of announcement of the Company's full year results. Staff are cautioned against dealing while in possession of material price sensitive non-public information. They are also encouraged not to deal on considerations of a short-term nature.

INTERESTED PERSON TRANSACTIONS

Transactions with the Company's interested persons (as that term is defined in the Listing Manual of the SGX-ST) are subject to review and approval by the Board comprising those directors who do not have an interest in the transaction. Where required by the relevant listing rules of the SGX-ST, the AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interests of the Company and shareholders, before making its recommendation to the Board for endorsement. The Company's disclosure in accordance to Rule 907 of the Listing Manual of the SGX-ST in respect of interested person transactions for the financial year ended 31 March 2010 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the year under review (excluding transactions less than $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Amstay Pte Ltd (associate of Dr Henry Tay Yun Chwan and Mr Michael Tay Wee Jin)	$393,226*	Not applicable – the Company does not have a shareholders' mandate pursuant to Rule 920

** Comprises (i) gross rental of $283,786 in respect of 2-year lease renewal of office premises at 12th floor, Tong Building, Singapore, commencing January 2010, leased from Amstay Pte Ltd and (ii) gross rental of $109,440 in respect of 4-month lease of office premises at 18th floor, Tong Building, Singapore, commencing September 2009 to December 2009, leased from Amstay Pte Ltd.*

Financial Statements

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of The Hour Glass Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 March 2010 and the balance sheet and statement of changes in equity of the Company as at 31 March 2010.

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 Philip Eng Heng Nee	(Appointed on 1 October 2009)

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 1.4.2009**	**At 31.3.2010**	**At 21.4.2010**	**At 1.4.2009**	**At 31.3.2010**	**At 21.4.2010**
Henry Tay Yun Chwan	18,687,048	19,414,170	13,315,246	123,072,058	123,535,707	123,535,707
Chan Siew Lee	3,252,902	3,252,902	9,351,826	123,072,058	123,535,707	123,535,707
Kenny Chan Swee Kheng	908,499	908,499	908,499	149,626	149,626	149,626
Michael Tay Wee Jin	555,354	576,963	576,963	–	–	–
Owen Phillimore Howell-Price	231,462	231,462	231,462	–	–	–

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 date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

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

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
31 May 2010

STATEMENT BY DIRECTORS

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, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flow 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 2010 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
31 May 2010

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 MARCH 2010 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 33 to 79, which comprise the balance sheets of the Group and the Company as at 31 March 2010, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income, and consolidated statement of cash flow 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 2010 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
31 May 2010

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 $'000	2009 $'000
Revenue	4	483,662	439,916
Other income	5	4,636	1,992
Total revenue and other income		488,298	441,908
Cost of goods sold		386,575	345,442
Salaries and employees benefits		30,229	29,217
Depreciation of property, plant and equipment	13	3,260	2,724
Selling and promotion expenses		8,867	11,157
Rental expenses		11,608	8,922
Finance costs	6	425	862
Foreign exchange gain		(107)	(166)
Other operating expenses	7	6,268	8,340
Total costs and expenses		(447,125)	(406,498)
Share of results of an associate		512	123
Operating profit	8	41,685	35,533
Exceptional item	9	-	(14,089)
Profit before taxation		41,685	21,444
Taxation	10	(8,207)	(8,008)
Profit for the year		33,478	13,436
Profit attributable to:			
Owners of the parent		32,817	12,797
Minority interests		661	639
		33,478	13,436
Earnings per share (cents)			
Basic and diluted	12	14.08	5.52

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	2010 $'000	2009 $'000
Profit for the year	33,478	13,436
Other comprehensive income:		
Net change in fair value of investment security	1,237	(7,418)
Net change in fair value of investment security transferred to income statement	-	14,089
Foreign currency translation	4,094	(1,420)
Other comprehensive income for the year, net of tax	5,331	5,251
Total comprehensive income for the year	38,809	18,687
Total comprehensive income attributable to:		
Owners of the parent	38,131	18,060
Minority interests	678	627
	38,809	18,687

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

BALANCE SHEETS AS AT 31 MARCH 2010

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Assets					
Non-current assets					
Property, plant and equipment	13	18,819	17,704	9,606	9,897
Investment properties	14	13,715	7,332	8,350	3,600
Investment in subsidiaries	15	–	–	19,959	19,959
Investment in an associate	16	2,183	236	–	–
Loan to an associate	17	2,172	2,109	–	–
Investment security	18	2,267	1,030	2,267	1,030
Other receivables	19	956	1,124	956	1,124
Deferred tax assets	20	297	974	–	–
		40,409	30,509	41,138	35,610
Current assets					
Stocks	21	159,008	145,957	82,319	72,603
Trade debtors	22	9,340	7,498	4,386	3,215
Other debtors	23	12,806	6,659	3,256	3,089
Prepaid operating expenses		730	496	259	248
Amount due from an associate	24	2,021	3,797	–	–
Amounts due from subsidiaries	25	–	–	9,440	7,762
Cash and cash equivalents	32	50,452	42,117	24,451	25,897
		234,357	206,524	124,111	112,814
Total assets		274,766	237,033	165,249	148,424
Equity and liabilities					
Current liabilities					
Loans and borrowings	26	14,186	15,511	–	–
Trade creditors	27	10,087	7,394	3,649	2,588
Other creditors	28	20,096	17,480	13,655	9,766
Amounts due to subsidiaries	25	–	–	62	17
Provision for taxation		5,872	6,072	3,995	4,237
		50,241	46,457	21,361	16,608
Net current assets		184,116	160,067	102,750	96,206
Non-current liabilities					
Provisions	27	223	130	–	–
Deferred tax liabilities	29	481	744	481	33
		704	874	481	33
Total liabilities		50,945	47,331	21,842	16,641
Net assets		223,821	189,702	143,407	131,783
Equity attributable to owners of the parent					
Share capital	30	66,514	65,206	66,514	65,206
Reserves	31	150,029	117,696	76,893	66,577
		216,543	182,902	143,407	131,783
Minority interests		7,278	6,800	–	–
Total equity		223,821	189,702	143,407	131,783
Total equity and liabilities		274,766	237,033	165,249	148,424

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 2010

	Attributable to owners of the parent						
	Share capital $'000	Foreign currency translation reserve $'000	Fair value adjustment reserve $'000	Revenue reserve $'000	Total attributable to owners of the parent $'000	Minority interests $'000	Total equity $'000
Group							
Balance as at 1 April 2008	65,022	3,488	(7,083)	107,865	169,292	6,453	175,745
Total comprehensive income for the year	–	(1,408)	6,671	12,797	18,060	627	18,687
Issuance of new shares pursuant to scrip dividend scheme	184	–	–	–	184	–	184
Dividend on ordinary shares (Note 11)	–	–	–	(4,634)	(4,634)	–	(4,634)
Payment of dividend by a subsidiary	–	–	–	–	–	(280)	(280)
Balance as at 31 March 2009	65,206	2,080	(412)	116,028	182,902	6,800	189,702
Balance as at 1 April 2009	65,206	2,080	(412)	116,028	182,902	6,800	189,702
Total comprehensive income for the year	–	4,077	1,237	32,817	38,131	678	38,809
Issuance of new shares pursuant to scrip dividend scheme	1,308	–	–	–	1,308	–	1,308
Dividend on ordinary shares (Note 11)	–	–	–	(5,798)	(5,798)	–	(5,798)
Payment of dividend by a subsidiary	–	–	–	–	–	(200)	(200)
Balance as at 31 March 2010	66,514	6,157	825	143,047	216,543	7,278	223,821

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 2010 (cont'd)

	Share capital $'000	Fair value adjustment reserve $'000	Revenue reserve $'000	Total equity $'000
Company				
Balance as at 1 April 2008	65,022	(7,083)	62,042	119,981
Total comprehensive income for the year	–	6,671	9,581	16,252
Issuance of new shares pursuant to scrip dividend scheme	184	–	–	184
Dividend on ordinary shares (Note 11)	–	–	(4,634)	(4,634)
Balance as at 31 March 2009	65,206	(412)	66,989	131,783
Balance as at 1 April 2009	65,206	(412)	66,989	131,783
Total comprehensive income for the year	–	1,237	14,877	16,114
Issuance of new shares pursuant to scrip dividend scheme	1,308	–	–	1,308
Dividend on ordinary shares (Note 11)	–	–	(5,798)	(5,798)
Balance as at 31 March 2010	66,514	825	76,068	143,407

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 $'000	2009 $'000
Operating activities			
Profit before taxation		41,685	21,444
Adjustments for:			
Finance costs		425	862
Interest income		(304)	(252)
Depreciation of property, plant and equipment		3,260	2,724
Loss/(gain) on disposal of property, plant and equipment		46	(266)
Fair value (gain)/loss on investment properties		(2,838)	1,086
Foreign currency translation adjustment		1,124	(306)
Exceptional item		–	14,089
Share of results of an associate		(512)	(123)
Operating cash flow before changes in working capital		42,886	39,258
(Increase)/decrease in stocks		(13,051)	5,693
(Increase)/decrease in debtors		(7,989)	1,686
Increase in prepaid operating expenses		(234)	(79)
Decrease/(increase) in amount due from an associate		1,776	(3,797)
Increase in loan to an associate		–	(2,109)
Decrease/(increase) in long-term receivables		168	(474)
Increase/(decrease) in creditors		5,402	(9,519)
Cash flow from operations		28,958	30,659
Income taxes paid		(8,213)	(9,429)
Interest paid		(425)	(862)
Interest received		304	252
Net cash flow from operating activities		20,624	20,620
Investing activities			
Proceeds from disposal of property, plant and equipment		18	502
Purchase of property, plant and equipment		(5,662)	(4,183)
Investment in an associate		(1,370)	–
Net cash flow used in investing activities		(7,014)	(3,681)
Financing activities			
Repayment of obligations under finance lease		–	(5)
Proceeds from loans and borrowings		2,820	3,946
Repayment of loans and borrowings		(4,148)	(3,314)
Dividend paid on ordinary shares		(5,798)	(4,634)
Proceeds from issue of shares pursuant to scrip dividend scheme		1,308	184
Dividend paid to minority shareholders of a subsidiary		(200)	(280)
Net cash flow used in financing activities		(6,018)	(4,103)
Net increase in cash and cash equivalents		7,592	12,836
Effects of exchange rate changes		743	508
Cash and cash equivalents at 1 April		42,117	28,773
Cash and cash equivalents at 31 March	32	50,452	42,117

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

1. Corporate information

The Hour Glass Limited (the “Company”) is a limited liability company incorporated in Singapore and is listed on 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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following relevant standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

2.2 Changes in accounting policies (cont'd)

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 37 and Note 36 to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 35, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- FRS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- FRS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

2.3 Standards issued but not yet effective

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

Reference	Description	Effective for annual period beginning on or after
FRS 24	Related Party Disclosures (Revised)	1 January 2011
FRS 27	Consolidated and Separate Financial Statements (Revised)	1 July 2009
FRS 32	Amendment to Financial Instruments: Presentation – Amendments relating to Classification of Rights Issues	1 February 2010
FRS 39	Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items	1 July 2009
FRS 102	Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
FRS 103	Business Combinations (Revised)	1 July 2009
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendments relating to Prepayments of a Minimum Funding Requirements	1 January 2011
INT FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
–	Improvements to FRSs issued in 2009	1 January 2010, unless otherwise stated.

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.4 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 other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign translation reserve is reclassified from equity to 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 statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.5 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.

2.6 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.

2.7 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.

2.8 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.

2.9 Property, plant and equipment

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

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

2.10 Investment properties

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets. In assessing value in use, the estimated future cash flow expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.12 Financial assets

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

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

A financial asset is derecognised where the contractual 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 other comprehensive income 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 2.24.

2.12 Financial assets (cont'd)

(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 in other comprehensive income, 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 other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment when the financial asset is derecognised.

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

2.13 Impairment of financial assets

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

(a) Assets carried at amortised cost

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised 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.

2.13 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

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

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

2.14 Inventories

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

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

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

2.15 Cash and cash equivalents

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

2.16 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.

2.17 Borrowing costs

Borrowing costs are recognised in the income statement as incurred.

2.18 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.

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

2.19 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to 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.

2.20 Leases

As lessee

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

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

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(b).

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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.

2.21 Revenue (cont'd)

(b) Rental income

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

(c) Interest income

Interest income is recognised using the effective interest method.

2.22 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 outside the income statement, either in other comprehensive income or 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.

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 outside the income statement is recognised outside income statement.

2.22 Income taxes (cont'd)

(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.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 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:

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Deferred tax assets	297	974	–	–
Provision for taxation	(5,872)	(6,072)	(3,995)	(4,237)
Deferred tax liabilities	(481)	(744)	(481)	(33)

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 2010 was $18,819,000 (2009: $17,704,000). 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 and Note 32 to the financial statements.

(c) Allowances for inventories

Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether any allowance is required to be made in the financial statements for slow-moving items. Management is satisfied that adequate allowance for inventory has been made in the financial statements. In addition, the Group has assessed provision for stock pilferage. Management is satisfied that adequate provision for stock pilferage has been made in the financial statement based on the management's industry experience and the Group's fidelity insurance policy. The carrying amount of the Group's stocks at the balance sheet date is disclosed in Note 21 to the financial statements.

4. Revenue

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

5. Other income

	Group 2010 $'000	Group 2009 $'000
Rental income	637	557
Interest income	304	252
Management fee	388	331
Gain on disposal of property, plant and equipment	–	266
Fair value gain on investment properties	2,838	–
Others	469	586
	4,636	1,992

6. Finance costs

	Group 2010 $'000	Group 2009 $'000
Interest on bank term loans	420	849
Interest on bank overdrafts	5	13
	425	862

7. Other operating expenses

	Group 2010 $'000	Group 2009 $'000
Facilities cost	2,780	2,316
Professional fees	885	1,572
Fair value loss on investment properties	–	1,086
General administrative expenses	2,603	3,366
	6,268	8,340

8. Operating profit

This is determined after charging/(crediting) the following:

	Group	
	2010	**2009**
	$'000	$'000
Salaries and employees benefits (including executive directors):		
- salaries, bonuses and other costs	28,139	27,252
- provident fund contributions	2,040	1,915
- provision for retirement gratuity	50	50
Directors' fees	231	246
Non audit fees paid to auditors of the Company	37	66
Provision for doubtful debts	107	91
Loss/(gain) on disposal of property, plant and equipment	46	(266)

9. Exceptional item

The 2009 exceptional item relates to an impairment loss on an investment security (Note 18).

10. Taxation

	Group	
	2010	**2009**
	$'000	$'000
Provision for taxation in respect of results for the year:		
Current taxation	8,089	7,388
Deferred taxation	269	(388)
(Over)/under provision in respect of previous years:		
Current taxation	(336)	963
Deferred taxation	185	45
	8,207	8,008

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	
	2010	**2009**
	$'000	$'000
Profit before taxation	41,685	21,444
Tax at the domestic rates applicable to profits in the countries where the Group operates	7,086	3,646
Adjustments:		
Expenses not deductible for tax purposes	296	2,849
Effect of different tax rates in other countries	1,321	706
Deferred tax assets not recognised	17	–
Benefits from previously unrecognised tax losses	(15)	(34)
Non-taxable income	(88)	(121)
Tax exempt income and incentives	(52)	(52)
(Over)/under provision in respect of previous years	(151)	1,008
Effect of reduction in tax rate	–	(5)
Share of results of an associate	(199)	(21)
Others	(8)	32
Taxation charge for the year	8,207	8,008

As at 31 March 2010, certain subsidiaries have unabsorbed tax losses of approximately $1,162,000 (2009: $1,313,000) available for off-set 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 2010 $'000	Group 2009 $'000
Declared and paid during the year		
Dividend on ordinary shares:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2009: 2.50 cents (31 March 2008: 2.00 cents)	5,798	4,634
Proposed but not recognised as a liability as at 31 March		
Dividend on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2010: 3.50 cents (31 March 2009: 2.50 cents)	8,188	5,798

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 FY2010 Dividend.

12. Earnings per share

	Group 2010 $'000	Group 2009 $'000
Profit after deducting minority interests used in calculating earnings per share	32,817	12,797
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	233,007	231,821

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 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 and 1 April 2009	17,843	2,641	15,610	1,613	37,707
Additions	–	–	5,662	–	5,662
Disposals/write-offs	–	–	(2,059)	–	(2,059)
Transfer to investment properties	(4,569)	–	–	–	(4,569)
Foreign currency translation adjustment	1,234	(212)	1,361	2	2,385
At 31 March 2010	14,508	2,429	20,574	1,615	39,126
Accumulated depreciation:					
At 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 and 1 April 2009	5,223	1,763	12,220	797	20,003
Depreciation charge for the year	367	24	2,547	322	3,260
Disposals/write-offs	–	–	(1,995)	–	(1,995)
Transfer to investment properties	(1,881)	–	–	–	(1,881)
Foreign currency translation adjustment	234	(143)	827	2	920
At 31 March 2010	3,943	1,644	13,599	1,121	20,307
Net carrying value:					
At 31 March 2010	10,565	785	6,975	494	18,819
At 31 March 2009	12,620	878	3,390	816	17,704

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

	Cost
	$'000
(a) Freehold premises	
Singapore	
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	2,972
389 square metres office unit at Lot 21, 70 Castlereagh Street, Sydney	2,988
318 square metres shop unit at 252 Collins Street, Melbourne	698
Malaysia	
116 square metres office unit at Suite 12-2, 12th Floor, Wisma UOA II 21 Jalan Pinang, Kuala Lumpur	186
	14,508
(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)	2,429

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 2008	12,233	5,854	1,334	19,421
Additions	–	377	–	377
Disposals/write-offs	–	(42)	–	(42)
At 31 March 2009 and 1 April 2009	12,233	6,189	1,334	19,756
Additions	–	4,430	–	4,430
Disposals/write-offs	–	(1,467)	–	(1,467)
Transfer to investment properties	(4,569)	–	–	(4,569)
At 31 March 2010	7,664	9,152	1,334	18,150
Accumulated depreciation:				
At 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 and 1 April 2009	4,198	5,007	654	9,859
Depreciation charge for the year	237	1,522	267	2,026
Disposals/write-offs	–	(1,460)	–	(1,460)
Transfer to investment properties	(1,881)	–	–	(1,881)
At 31 March 2010	2,554	5,069	921	8,544
Net carrying value:				
At 31 March 2010	5,110	4,083	413	9,606
At 31 March 2009	8,035	1,182	680	9,897

14. Investment properties

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
As at 1 April	7,332	9,465	3,600	3,600
Gain/(loss) from fair value adjustments recognised in income statement	2,838	(1,086)	2,062	–
Transfer from property, plant and equipment net of depreciation	2,688	–	2,688	–
Foreign currency translation adjustment	857	(1,047)	–	–
As at 31 March	13,715	7,332	8,350	3,600

Income statement

	Group 2010	Group 2009	Company 2010	Company 2009
Rental income from investment properties	614	557	314	306
Direct operating expenses arising from investment properties that generated rental income	224	157	32	31

Transfer from property, plant and equipment

On 1 March 2010, the Company transferred a shop unit that was held as owner occupied property to investment property.

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.

The investment properties held by the Group as at 31 March 2010 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	68 years
114 square metres unit at Peninsula Plaza situated at 111 North Bridge Road, Singapore	Shop	Freehold	N/A
1,027 square metres unit at 252 Collins Street, Melbourne, Australia	Shop and offices	Freehold	N/A

15. Investment in subsidiaries

	Company 2010 $'000	Company 2009 $'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:

Name of subsidiaries	Cost to Company 2010 $'000	Cost to Company 2009 $'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 2010 %	Percentage of equity held by the Group 2009 %
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	
		2010	2009
		%	%
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	
	2010	2009
	$'000	$'000
Unquoted shares, at cost	1,479	109
Share of post-acquisition reserves	635	123
Foreign currency translation adjustment	69	4
	2,183	236

Details of the associate as at 31 March are:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2010	2009
			%	%
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	
	2010	**2009**
	$'000	$'000
Assets and liabilities:		
Total assets	17,404	14,852
Total liabilities	13,040	14,379
Results:		
Revenue	27,617	23,566
Profit for the year	1,025	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 5.85% (2009: 6.50%) per annum during the year.

18. Investment security

	Note	Group and Company	
		2010	**2009**
		$'000	$'000
Available-for-sale financial assets:			
Quoted equity shares			
As at 1 April		1,030	8,448
Fair value gain transferred to other comprehensive income		1,237	6,671
Allowance for impairment loss	9	–	(14,089)
As at 31 March		2,267	1,030

19. Other receivables

	Note	Group and Company	
		2010	**2009**
		$'000	$'000
Current:			
- Goodwill compensation	23	313	632
Non-current:			
- Deposits		956	808
- Goodwill compensation		–	316
		956	1,124

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

20. Deferred tax assets

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
As at 1 April	974	232	–	–
Under recognised deferred tax assets in respect of previous years	(185)	(45)	–	–
Tax (charge)/credit to income statement	(681)	766	–	–
Foreign currency translation adjustment	189	21	–	–
As at 31 March	297	974	–	–
Deferred tax assets arise as a result of:				
Differences in depreciation for tax purposes	749	673	–	–
Revaluation of investment properties to fair value	(1,108)	–	–	–
Provisions	671	292	–	–
Unrealised foreign exchange (loss)/gain	(15)	9	–	–
	297	974	–	–

21. Stocks

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Finished goods				
- at cost	105,869	96,079	58,096	48,245
- at net realisable value	53,139	49,878	24,223	24,358
Total finished goods at lower of cost and net realisable value	159,008	145,957	82,319	72,603
Inventories written down charged to the income statement	6,906	8,785	4,551	4,842

During the financial year, the Group and the Company wrote-back $5,757,000 and $3,151,000 (2009: $8,453,000 and $5,799,000) 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 and other debtors

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Trade and other debtors					
Current					
Trade debtors		9,340	7,498	4,386	3,215
Other debtors	23	12,806	6,659	3,256	3,089
Amount due from an associate	24	2,021	3,797	–	–
Amounts due from subsidiaries	25	–	–	9,440	7,762
		24,167	17,954	17,082	14,066
Non-current					
Other receivables	19	956	1,124	956	1,124
Loan to an associate	17	2,172	2,109	–	–
		3,128	3,233	956	1,124
Total trade and other receivables (current and non-current)		27,295	21,187	18,038	15,190

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

22. Trade and other debtors (cont'd)

Receivables that are past due but not impaired

The Group has trade debtors amounting to approximately $4,338,000 (2009: $2,728,000) 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	
	2010	**2009**
	$'000	$'000
Trade debtors past due:		
Less than 30 days	1,782	787
30 to 60 days	227	1,014
61 to 90 days	122	61
91 to 120 days	3	183
More than 120 days	2,204	683
	4,338	2,728

Receivables that are impaired

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

	Group	
	2010	**2009**
	$'000	$'000
Trade debtors – nominal amounts	143	207
Allowance for impairment	(139)	(194)
	4	13
Movement in allowance accounts:		
At 1 April	194	103
Written back	(92)	–
Charge for the year	107	91
Written off	(72)	–
Foreign currency translation adjustment	2	–
At 31 March	139	194

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 and other 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	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Swiss Franc	289	–	289	–
Australian Dollar	–	289	–	–
Singapore Dollar	60	113	–	–

23. Other debtors

	Note	Group		Company	
		2010	**2009**	**2010**	**2009**
		$'000	$'000	$'000	$'000
Deposits		6,665	3,472	409	1,075
Recoverables and sundry debtors		5,816	2,833	2,523	1,662
Staff loans		12	38	11	36
Current portion of goodwill compensation	19	313	316	313	316
		12,806	6,659	3,256	3,089
Other debtors are stated after deducting allowance for impairment		531	578	–	–
Movement in allowance accounts:					
At 1 April		578	523	–	–
Foreign currency translation adjustment		(47)	55	–	–
At 31 March		531	578	–	–

24. Amount due from an associate

	Group	
	2010	**2009**
	$'000	$'000
Amount due from an associate - trade	2,021	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	
	2010	2009
	$'000	$'000
Amounts due from subsidiaries		
- trade	3,032	2,834
- non-trade	6,408	4,928
	9,440	7,762
Amounts due to subsidiaries		
- trade	(62)	(17)

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 and repayable on demand. There are outstanding balances of $5,117,000 (2009: $1,050,000) bears interest from 1.37% to 4.0% (2009: 4.0%) per annum.

26. Loans and borrowings

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Unsecured borrowings	14,186	15,511	–	–

Interest bearing loans and borrowings

The Group's unsecured loans and borrowings comprise:

(i) Loan of $8,302,000 (RM19,500,000) [2009: $10,197,000 (RM24,500,000)] is repayable in April 2010. Interest is charged at rates ranging from 3.05% to 3.65% (2009: 3.15% to 4.85%) per annum.

(ii) Loan of $613,000 (Baht14,100,000) [2009: $675,000 (Baht16,000,000)] is repayable on demand. Interest is charged at rate of 3.80% (2009: 4.00% to 5.70%) per annum.

(iii) Loan of $5,271,000 (JPY350,000,000) [2009: $4,639,000 (JPY300,000,000)] is repayable in April 2010. Interest is charged at rates ranging from 1.76% to 2.28% (2009: 2.10% to 2.42%) per annum.

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

27. Trade and other creditors

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Trade and other creditors (current)					
Trade creditors		10,087	7,394	3,649	2,588
Other creditors	28	20,096	17,480	13,655	9,766
Amounts due to subsidiaries	25	–	–	62	17
		30,183	24,874	17,366	12,371
Other creditors (non-current)					
Provisions		223	130	–	–
		30,406	25,004	17,366	12,371
Add : Loans and borrowings	26	14,186	15,511	–	–
Total financial liabilities carried at amortised cost		44,592	40,515	17,366	12,371

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 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Singapore Dollar	185	87	–	–
United States Dollar	–	367	–	367
Swiss Franc	1,223	114	1,223	97
Others	51	54	46	16

28. Other creditors

	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Deposits from customers	3,423	4,679	1,403	1,338
Accruals	15,837	11,682	11,683	7,842
Others	836	1,119	569	586
	20,096	17,480	13,655	9,766

29. Deferred tax liabilities

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
As at 1 April	744	406	33	85
Tax (credit)/charge to income statement	(412)	378	448	(52)
Foreign currency translation adjustment	149	(40)	–	–
As at 31 March	481	744	481	33
Deferred tax liabilities arise as a result of:				
Differences in depreciation for tax purposes	225	110	225	110
Revaluations of investment properties to fair value	820	1,180	820	469
Provisions	(564)	(546)	(564)	(546)
	481	744	481	33

30. Share capital

	Group and Company			
	2010		2009	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
Balance at beginning of year	231,919	65,206	231,709	65,022
Issue of ordinary shares #	2,036	1,308	210	184
Balance at end of year:	233,955	66,514	231,919	65,206

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, 2,035,795 (2009: 210,108) new ordinary shares were issued in lieu of cash dividends pursuant to the Scheme.

31. Reserves

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Revenue reserve	143,047	116,028	76,068	66,989
Foreign currency translation reserve	6,157	2,080	–	–
Fair value adjustment reserve	825	(412)	825	(412)
Total reserves	150,029	117,696	76,893	66,577

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. Cash and cash equivalents

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Cash and bank balances	39,950	26,348	22,832	19,426
Fixed deposits with banks	10,502	15,769	1,619	6,471
	50,452	42,117	24,451	25,897

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	1,171	212	1,133	172
Swiss Franc	426	1,284	424	419
Hong Kong Dollar	9	5,880	9	5,880
Singapore Dollar	447	184	–	–
Australian Dollar	52	–	52	–

33. 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
2010						
Associate	1,121	–	388	101	512	–
Directors of the Company	121	–	–	–	–	–
Directors of the subsidiaries	190	–	–	–	–	–
Director-related companies	–	–	–	–	59	306
2009						
Associate	6,860	34	331	9	1,198	–
Directors of the Company	528	–	–	–	–	–
Directors of the subsidiaries	6	–	–	–	–	–
Director-related companies	–	–	–	–	26	191

(b) Compensation of key management personnel

	Group 2010 $'000	Group 2009 $'000
Short-term employee benefits	9,102	8,735
Provident fund contributions	132	121
Total compensation paid to key management personnel	9,234	8,856
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	5,798	5,521
- Other key management personnel	3,436	3,335
	9,234	8,856

34. Commitments

(a) Capital commitments

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Expenditure for property, plant and equipment	–	1,306	–	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	829	514	592	306
Later than one year but not later than five years	1,428	451	1,173	26
	2,257	965	1,765	332

(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	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Not later than one year	12,330	10,104	6,641	5,243
Later than one year but not later than five years	19,737	15,309	8,758	9,200
Later than five years	2,257	1,146	102	–
	34,324	26,559	15,501	14,443

35. 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.

35. Segment information (cont'd)

Geographical segments

The following table presents revenue, capital expenditure and certain assets and liabilities information regarding the Group's geographical segments as at and for the years ended 31 March 2010 and 2009.

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	Group $'000
2010						
Segment revenue:						
Sales to external customers	405,143	78,519	483,662	–		483,662
Intersegment sales	115	201	316	(316)	A	–
Other income	4,801	135	4,936	(300)	B	4,636
Total revenue and other income	410,059	78,855	488,914	(616)		488,298
Segment results:						
Segment results	27,274	11,372	38,646	(311)	C	38,335
Fair value gain on investment properties						2,838
Share of results of an associate						512
Profit before taxation						41,685
Taxation						(8,207)
Profit for the year						33,478
Other segment information:						
Segment assets	228,508	45,961	274,469	–		274,469
Unallocated corporate assets						297
						274,766
Segment liabilities	36,913	7,679	44,592	–		44,592
Unallocated corporate liabilities						6,353
						50,945
Capital expenditure for the year	5,023	639	5,662	–		5,662
Depreciation	3,143	117	3,260	–		3,260

35. Segment information (cont'd)

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	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)	A	–
Other income	12,998	80	13,078	(11,086)	B	1,992
Total revenue and other income	380,843	73,523	454,366	(12,458)		441,908
Segment results:						
Segment results	36,957	10,665	47,622	(11,126)	C	36,496
Fair value loss on investment properties						(1,086)
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

35. Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Inter-company dividends are eliminated on consolidation.

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

	2010	**2009**
	$'000	$'000
Profit from inter-segment sales	33	51
Inter-company expenses	(44)	(91)
Inter-company dividends	(300)	(11,086)
Total	(311)	(11,126)

36. 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, other price risk, liquidity risk and credit risk. The Group reviews and agrees policies and procedures for the management of these risks.

Interest rate risk

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

The Group's exposure to interest rate 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 (2009: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been $96,000 (2009: $107,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

Foreign currency risk

The Group has transactional currency exposure arising from purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Swiss Franc (CHF) 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 amounted to $2,105,000 and $1,618,000 (2009: $7,560,000 and $6,471,000) 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.

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

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	
	2010 Profit net of tax	**2009 Profit net of tax**
	$'000	$'000
CHF		
- strengthened 2% (2009: 1%)	(3)	19
- weakened 2% (2009: 1%)	3	(19)
AUD		
- strengthened 6% (2009: 7%)	2	16
- weakened 6% (2009: 7%)	(2)	(16)
HKD		
- strengthened 2% (2009: 5%)	–	259
- weakened 2% (2009: 5%)	–	(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 other comprehensive income 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 other comprehensive income.

Sensitivity analysis for equity price risk

At the balance sheet date, if the market price of the investment security had been 10% (2009: 10%) higher/lower with all other variables held constant, the Group's fair value adjustment reserve in equity would have been $227,000 (2009: $103,000) 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 2010, the Group has available cash and cash equivalents totalling approximately $50.5 million (2009: $42.1 million) to finance its operations.

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

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group.

Short-term funding may be obtained from short-term loans where necessary.

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

	2010			2009		
	Less than 1 year $'000	**1 to 5 years** $'000	**Total** $'000	**Less than 1 year** $'000	**1 to 5 years** $'000	**Total** $'000
Group						
Financial assets						
Trade and other debtors	24,167	956	25,123	17,954	1,124	19,078
Loan to an associate	–	2,172	2,172	–	2,109	2,109
Cash and cash equivalents	50,452	–	50,452	42,117	–	42,117
Total undiscounted financial assets	74,619	3,128	77,747	60,071	3,233	63,304
Financial liabilities						
Trade and other payables	30,179	223	30,402	24,864	130	24,994
Loans and borrowings	14,217	–	14,217	15,576	–	15,576
Total undiscounted financial liabilities	44,396	223	44,619	40,440	130	40,570
Total net undiscounted financial assets	30,223	2,905	33,128	19,631	3,103	22,734
Company						
Financial assets						
Trade and other debtors	17,082	956	18,038	14,066	1,124	15,190
Cash and cash equivalents	24,451	–	24,451	25,897	–	25,897
Total undiscounted financial assets	41,533	956	42,489	39,963	1,124	41,087
Financial liabilities						
Trade and other payables	17,366	–	17,366	12,371	–	12,371
Total undiscounted financial liabilities	17,366	–	17,366	12,371	–	12,371
Total net undiscounted financial assets	24,167	956	25,123	27,592	1,124	28,716

36 Financial risk management objectives and policies (cont'd)

Credit risk

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

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

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

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

37 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

During the year, the Group has carried its other receivables at its 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.

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 2010 were authorised for issue in accordance with a resolution of the Directors on 31 May 2010.

STATISTICS OF SHAREHOLDINGS AS AT 2 JUNE 2010

Number of Shares : 233,954,723
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	122	6.55	54,482	0.03
1,000 - 10,000	1,180	63.34	5,875,853	2.51
10,001 - 1,000,000	540	28.98	23,869,294	10.20
1,000,001 and above	21	1.13	204,155,094	87.26
Total :	**1,863**	**100.00**	**233,954,723**	**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 2 June 2010, approximately 36.18% 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	12,379,423	-
Dr Henry Tay Yun Chwan	13,315,246	123,535,707 ①
Mdm Chan Siew Lee	9,351,826	108,288,397 ②

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

② Mdm Chan Siew Lee's deemed interests arise from her interest in TYC Investment Pte Ltd and Swanson Pte Ltd.

TWENTY LARGEST SHAREHOLDERS AS AT 2 JUNE 2010

No.	Name	No. of Shares	%
1	TYC Investment Pte Ltd	73,866,542	31.57
2	Hong Leong Finance Nominees Pte Ltd	16,697,732	7.14
3	Key Hope Investment Limited	15,247,310	6.52
4	United Overseas Bank Nominees Pte Ltd	13,939,059	5.96
5	Henry Tay Yun Chwan	13,315,246	5.69
6	HSBC (Singapore) Nominees Pte Ltd	10,703,688	4.58
7	DBS Nominees Pte Ltd	9,912,291	4.24
8	Siong Lim Private Limited	9,622,000	4.11
9	Oversea-Chinese Bank Nominees Pte Ltd	7,283,642	3.11
10	Swanson Pte Ltd	5,590,598	2.39
11	Phillip Securities Pte Ltd	5,405,953	2.31
12	Chan Siew Lee	4,239,910	1.81
13	Teo Cheng Tuan Donald	3,160,000	1.35
14	Citibank Nominees S’pore Pte Ltd	3,118,363	1.33
15	Lim & Tan Securities Pte Ltd	2,813,794	1.20
16	OCBC Nominees Singapore Pte Ltd	2,343,976	1.00
17	Ong Yek Siang	1,597,205	0.68
18	Tan Eng Hwa Rose	1,564,599	0.67
19	UOB Kay Hian Pte Ltd	1,425,680	0.61
20	Chia Kum Ho	1,200,000	0.51
	Total :	**203,047,588**	**86.78**

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