THE HOUR GLASS

ANNUAL REPORT 2012

The Hour Glass, that instrument of old.
Past and future are symbolised in its two glass bulbs,
between which the present flows.
A trickle of sand,
a linear passing of time.

Contents

CORPORATE DIRECTORY

DIRECTORS

Dr Henry Tay Yun Chwan	Executive Chairman
Dato' Dr Jannie Chan Siew Lee	Executive Vice Chairman
Dr Kenny Chan Swee Kheng	Group Managing Director
Mr Michael Tay Wee Jin	Executive Director
Mr Robert Tan Kah Boh	Independent Non-Executive Director
Mr Philip Eng Heng Nee	Independent Non-Executive Director
Mr Kuah Boon Wee	Independent Non-Executive Director
Mr Demierre Pascal Guy Chung Wei	Independent Non-Executive Director

AUDIT COMMITTEE

Mr Philip Eng Heng Nee	Chairman
Mr Kuah Boon Wee	
Mr Demierre Pascal Guy Chung Wei	Appointed on 1 August 2011

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

(Established on 1 October 2011)

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

COMPANY SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

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SHARE REGISTRAR

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

AUDITORS

Ernst & Young LLP
Public Accountants and Certified Public Accountants Singapore
Partner in charge *(since financial year ended 31 March 2011)*
Mr Tan Chian Khong

PRINCIPAL BANKERS

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

SOLICITORS

Allen & Gledhill LLP
Rodyk & Davidson LLP

BOARD OF DIRECTORS

Seated:
Dato' Dr Jannie Chan

Standing From left:
Mr Pascal Demierre, Dr Kenny Chan, Mr Robert Tan, Mr Kuah Boon Wee, Mr Philip Eng, Dr Henry Tay, Mr Michael Tay

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 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 organisations, 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.

DATO' DR JANNIE CHAN SIEW LEE
EXECUTIVE VICE CHAIRMAN

Dato' Dr Jannie Chan 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 Chan 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 Chan is the Chairman of the Federation of Asia-Pacific Retailers Associations, 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 ("UNOPS"), she was named as one of the 50 Leading Women Entrepreneurs of the World in 1997. In 2009, Dato' Dr Chan 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 become a member of the Board of The Hour Glass Limited on 1 April 2004. He joined as the Group Chief Operating Officer in 2002 and was appointed as Managing Director of the Company on 1 April 2004. In June 2009, he was re-designated to Group Managing Director of The Hour Glass Limited.

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

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, corporate communications and investor relations. He is a member of the international advisory board of Harry Winston Rare Timepieces and a member of the governing Cultural Committee of the Fondation de la Haute Horlogerie. Mr Tay also serves on the board of the Singapore Tyler Print Institute and Platform, both non-profit organisations engaged in the visual arts sector, 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 ROBERT TAN KAH BOH
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Tan was with an international public accounting firm for 28 years serving as a senior partner before his retirement. Mr Tan 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 KUAH BOON WEE
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Kuah is the Group Chief Executive Officer of MTQ Corporation Limited. He had served as CEO for South East Asia and Singapore Terminals as well as Chief Financial Officer of PSA International Pte Ltd and ST Engineering Ltd. Mr Kuah is a qualified chartered accountant from the ICAEW and graduated with a Bachelor of Engineering degree from the Imperial College of Science and Technology.

MR PHILIP ENG HENG NEE
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

He is the Non-Executive Chairman of mDR Limited and Frasers Centrepoint Asset Management Ltd. He is also Executive Deputy Chairman of Hup Soon Global Corporation Ltd and a director of several public and private companies. In addition, he is Singapore's Ambassador to Greece and High Commissioner to Cyprus. Prior to this, Mr Eng spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director.

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

MR DEMIERRE PASCAL GUY CHUNG WEI
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Demierre is a director and Chief Corporate Officer of the Halcyon Group. Prior to that, he spent time in the legal department of the Kuok group of companies. Mr Demierre graduated from King's College, London with Upper Second Class (Honours) in Law.

KEY EXECUTIVES

SINGAPORE
THE HOUR GLASS LIMITED

MR NG SIAK YONG
CHIEF FINANCIAL OFFICER

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

THE HOUR GLASS LIMITED

MS WONG MEI LING
MANAGING DIRECTOR (SINGAPORE)

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.

AUSTRALIA
THE HOUR GLASS (AUSTRALIA) PTY LTD

MS LIDIA EMMI
GENERAL MANAGER

Ms Emmi joined The Hour Glass (Australia) Pty Ltd in March 1994 and is responsible for the day-to-day operations of The Hour Glass' 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.

HONG KONG
THE HOUR GLASS (HK) LIMITED

MR CHUNG WAI YANG
MANAGING DIRECTOR

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

KEY EXECUTIVES

JAPAN
THE HOUR GLASS JAPAN LTD

MR ATSUSHI MOMOI
DIRECTOR & GENERAL MANAGER

Mr Momoi joined The Hour Glass (Australia) Pty Ltd in November 1988 and was subsequently relocated to Japan to establish The Hour Glass Japan Ltd in July 1996. With more than 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.

SINGAPORE
GLAJZ-THG PTE LTD

MR JOHN GLAJZ
MANAGING DIRECTOR

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

MALAYSIA
THE HOUR GLASS SDN BHD

MR YON SHEE GUAN
GENERAL MANAGER

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.

FINANCIAL HIGHLIGHTS

	FY2012	FY2011	FY2010	FY2009	FY2008
FINANCIAL RESULTS	$'000	$'000	$'000	$'000	$'000
Revenue	607,009	517,617	483,662	439,916	487,638
Operating profit [1]	68,890	52,913	38,846	36,619	38,629
Profit before taxation	69,338	54,283	41,685	21,444	39,478
Profit after tax	56,167	43,181	33,478	13,436	31,481
EBITDA [1]	74,172	57,488	42,303	40,013	41,596

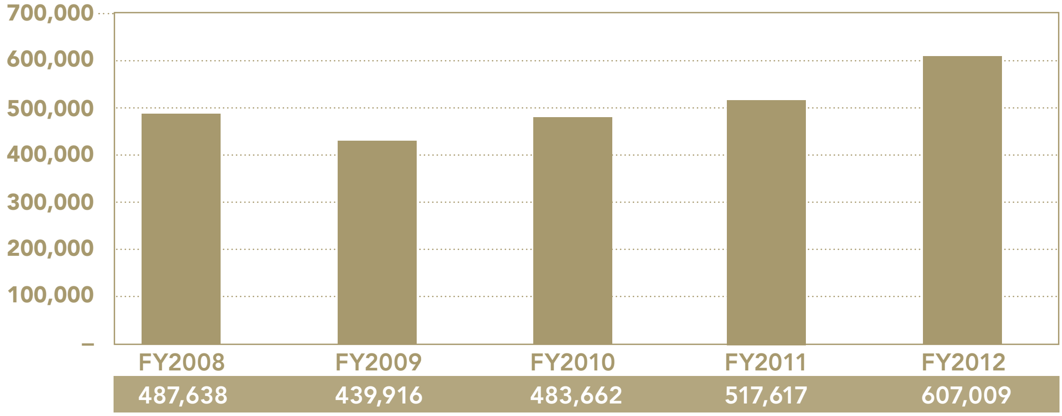
FINANCIAL POSITIONS	$'000	$'000	$'000	$'000	$'000
Net asset value	293,215	249,580	216,543	182,902	169,292
Cash and cash equivalents	53,701	50,708	50,452	42,117	28,773
Free cash flow [2]	24,949	8,549	14,962	16,437	25,790

FINANCIAL RATIOS					
Gross margin (%)	24.1	22.4	20.1	21.5	20.0
Operating margin (%) [1]	11.3	10.2	8.0	8.3	7.9
Net margin (%) [3]	9.4	8.3	6.9	6.3	6.5
Stock turn ratio	2.0	2.1	2.4	2.4	2.6
Debt / equity (%)	1.0	5.7	6.6	8.5	8.8
Earnings per share (cents) [4]	23.31	18.10	14.08	11.60	13.46
Net asset value per ordinary share ($) [5]	1.25	1.07	0.93	0.79	0.73

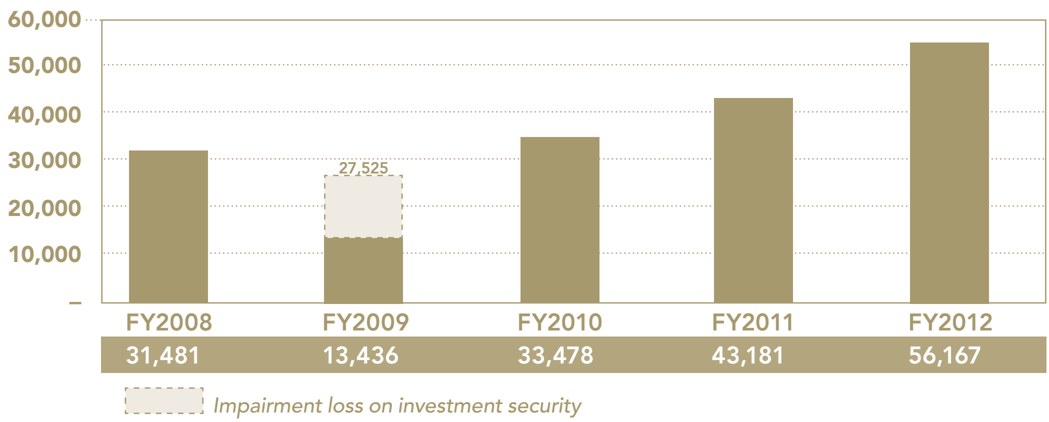
1 *Excluding impairment loss on investment security and fair value adjustment on investment properties.*
2 *Free cash flow refers to net cash flow from operating activities less purchase of property, plant and equipment in the cash flow statement.*
3 *Excluding impairment loss on investment security.*
4 *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.*
5 *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

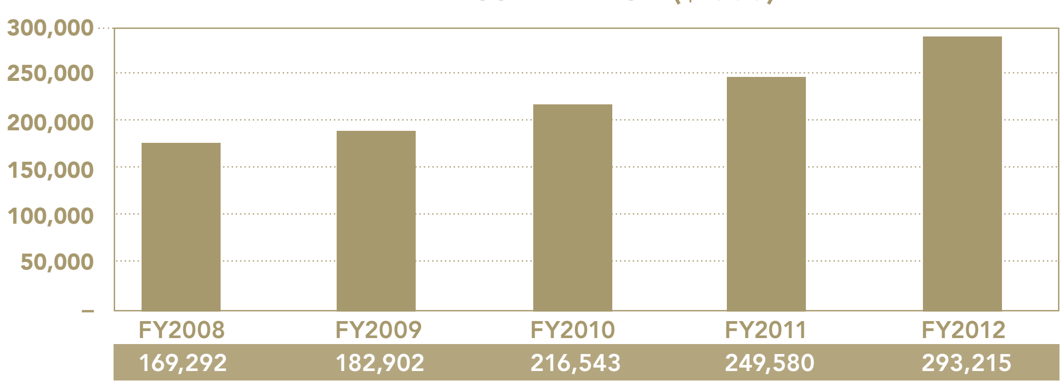
REVENUE ($'000)



PROFIT AFTER TAX ($'000)



NET ASSET VALUE ($'000)



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,

It is with immense satisfaction that I report another set of stellar financial results for the year ended 31 March 2012. For a second year running, we established new benchmarks in our operating performance with sales increasing 17% to $607.0 million, and profit-after-tax rising by 30% to $56.2 million.

In my decades as a retailer, I observed that successful, sustainable retail businesses typically produced EBITDA to Sales ratios of ≥ 10%, and Returns on Capital Employed (ROCE) in excess of 15%. On both fronts, The Hour Glass did not disappoint, registering a very healthy EBITDA to Sales ratio of 12.2% and a ROCE of 18.4%. We find these productivity indicators highly useful in assessing and benchmarking our performance, giving a sense of how we measure up to our desire of being best-in-class. Obsessed about maintaining an ultra conservative debt profile, we prefer to use metrics such as Return on Capital Employed over the more commonly touted measure of profitability - Return on Equity, which does not account for the employment of debt in funding a company's business. Maintaining a debt-light balance sheet meant that we repaid $11.2 million in bank borrowings and consequently, drove our debt-to-equity ratio down to 1%. Cash and its equivalents ended marginally higher than the year before at $53.7 million.

What I find more fascinating with the economics of our business is that we were able to achieve this in spite of our inventory growing by $40.2 million and our free cash flows tripling from the year before to $25.0 million. On a consolidated basis, our corporate net worth increased by $43.6 million to close at $293.2 million.

In light of this continuously improving operating performance, the Board of Directors is pleased to recommend a first and final dividend of 6.0 cents per ordinary share amounting to $14.1 million.

BUSINESS REVIEW

Tempus fugit... It is unbelievable how time flies when you are having fun. And in the case of The Hour Glass, we were having a ball! There were several noteworthy highlights this past year.

Watch Industry Growth

In 2011, global exports of finished watches from Switzerland advanced at a precipitous pace of 19.3% reaching an aggregate value of CHF18.1 billion. This rate of growth was breathtaking and its result, record breaking. It comes as little surprise that Asia contributed to the lion's share of this absorbing 55% of the total value of watch exports and recording the highest year-on-year growth rate for any region of 25.6%, passing the CHF10 billion mark for the first time. The mainland Chinese watch buyers continued to assert their importance in shaping the luxury and specialty watch scene. We estimate that in 2011, their aggregate spend on Swiss watches accounted for CHF8.5 billion in net retail sales, up 21% from the year before. Having expressed in the past that our exposure to this nationality group was only 10% of Group revenue, I am pleased that management had extended that to 16% for the financial year just ended. This, I have to admit, was not entirely difficult because of the overarching societal trends developing in China itself. Our industry thrives in situations where there are high levels of income disparity. The bigger the wealth divide, the steeper the social gradient. The steeper the social gradient, the greater the status competition and in markets where the status competition is high, the demand for objects of prestige takes off. With the exception of Singapore, few other places in the world today can match China's inequity in income levels.

Our Operating Performance

Chinese clients were not our only focus this past year.

CHAIRMAN'S STATEMENT

The performance of all our divisions from Australia to Japan also reflected this very positive upswing in business with most divisions registering high double digit sales growth. Financial year 2012 was also the first full year of operation for several of our boutiques, namely Malmaison by The Hour Glass at Knightsbridge, The Hour Glass at Raffles Place and the Hublot boutique in Singapore. It is evident that we are harvesting the fruits of our labour of the past two years and at the same token, establishing an excellent track record for the consistency in our approach and execution.

Our income grew faster than our sales. This is the direct result of how we have structured operating leverage into our business model, thereby dramatically improving the contribution margins to our businesses. It is a complex equation that our executive management team devotes an enormous amount of time to fine-tuning each year so don't ask me for an explanation how we do this, it is a secret we guard with our lives.

Investing In Our Inventory Pool

As early as the second quarter of the financial year, we made a conscious decision to deploy additional capital into inventory. This was done after much analysis of both the macro drivers of the global economy and prevailing watch industry dynamics. Central banks around the world had been increasing overall money supply to their economies either through expansionary monetary policies or in some instances, pump priming. At the watch manufacturing level, input costs for each unit of production was trending higher due to capacity constraints, a shortage of skilled labour, increasing precious material prices and higher capital expenditure in manufacturing assets. During this time, there was a significant tightening in the supply of watches delivered to the multi-brand retail channels in the markets we operate in. Coupled with a strengthening Swiss Franc against all our reference currencies, we concluded that price increases were inevitable. Hence, we determined that our best defense against product price inflation as well as future monetary depreciation was to invest our funds into enlarging our inventory pool. This is to us a low risk asset class and exercise that, in the short to medium term, can be unlocked to benefit our core businesses. How long more we hold this view remains to be seen. We are hyper-vigilant to factors of demand and supply and will ensure that we adjust our business and financial strategies to protect and profit from the situation.

OUTLOOK

Multi-Brand Watch Retailing

The future of the multi-brand retailer has been repeatedly called into question over the past few years. Much has been written about it. It is clear that the two listed watch giants of Richemont and Swatch are pushing ahead with their verticalization agenda, incorporating a higher degree of industrial and retail assets within their respective groups. In the case of Richemont, they reported an excellent set of results for FY2012 where their retail push over the past several years has begun paying handsome dividends. Contributions from their group retail division grew 50% faster than their wholesale distribution unit. In Asia ex-Japan, where growth was highest, their turnover increased 43% year-on-year, much of which has been credited to the expansion of their mono-brand boutiques. Drawing from their published statistics, one can postulate that over the past two years, Richemont's retail capital expenditure in Asia ex-Japan was in excess of €230.0 million. The majority of which was invested in Greater China. In the same corresponding period, the capital expenditure for all nine listed multi-brand watch retailers in Asia only rang in at €120.0 million.

Many watch brands, whether they are group-owned or independent, continue to insist on increasing their in-store visibility and failure to find a meeting of minds

CHAIRMAN'S STATEMENT

may result in the termination of that specific dealership; often regardless of the tenure of pre-existing business partnerships. In many cases, these brands are also actively reducing the number of points of sales globally as they redefine their wholesale distribution strategy to match the slowing capacity growth of their factories and ambitions of their directly owned stores. Incidentally, the openings of Richemont's direct owned stores versus the mono-brand boutiques they assign to be managed by a third party vendor grew at a rate of 4 to 1.

The prognosis from market observers is that our days as multi-brand operators are numbered and from the above analysis, I can understand why many of our peers may be worried by this. But for now at least, The Hour Glass remains a contrarian as this development is certainly not new to us.

We had identified this present pathway as a strategic reality more than a decade ago. The logos behind our thinking then was simple enough and holds true till today. At the beginning of the new millennium, when the ownership of the brands and manufacturing assets began consolidating, we determined that once that cycle was completed, the first initiative of these principal brand owners would be to establish their own wholesale distribution offices in key markets. When that was done, they would then strive to fulfill their last mile delivery to the end consumer in the form of direct retail penetration. This has been an objective that most major international brands have been pursuing for over a decade, the only difference is that it has now become more visible over the past several years as they accelerated execution. But this is the retail paradox. Our growth in revenue and profitability over this same period with these same brand partners have been in the multiples. So judging from our experience, and with a caveat that as long as the brands themselves engage in fair retail practices, I opine that parallel tracks towards luxury watch retail development can harmoniously exist between multi-brand retailers and brands directly operating their own stores.

A New Roadmap

Since 2009, we have re-invested $111.0 million in retail capex and inventory and continue to produce a growing cash surplus. Our biggest management challenge today is not to lose discipline in how we execute on our time tested approach of fundamental business management. Knowingly holding back from growing at breakneck speed during times of expansionary markets, and maintaining high profitability during times of crisis. When we think about doing things for the longer term, we end up deliberating more, we do things slower but we make sure we do them right. We will fire one bullet, calibrate, fire again, recalibrate. Once we have a close enough grouping, off goes the cannonball. Today, we are in confident position to fire off cannonballs and if FY2012 can be considered a year of operational stabilization for the Group, then FY2013 will mark the beginning of a new expansionary phase. In light of this, we have initiated a business development road map for the coming twelve months.

We continue to push ourselves to think hard about the future and to be strategically on top of the most relevant long term trends even before they become conventional wisdom. Our view is that the secular trends for Asia are so strong that regardless of the short term gyrations in the global financial markets, our economies are on a gradual and positive trajectory. Our developmental road map builds off this. It entails a two-pronged strategy of bulking up on our presence in key markets of Singapore and Hong Kong as well as a push into a new, largely untapped market such as Brisbane, Australia.

Singapore is poising itself for take-off. The country continues to augment its positioning as an attractive private wealth management centre and a luxury travel destination. The two integrated resorts have positively

CHAIRMAN'S STATEMENT

added to this perception and we need only to look to Macau for inspiration of what the luxury retail sector could grow to become. As an Asian city, luxury watch sales in Macau is second to that of Hong Kong. This was a development that had unfolded gradually over the past decade but arguably, was a trend one could have identified early on. The keys to their growth is their geography and the gaming industry. Macau has China at its doorstep and generated US$33.5 billion in gaming revenue from its 33 casinos in 2011. Singapore, like Macau, has a natural hinterland of 500 million people in ASEAN. With 2 integrated resorts, Singapore produced US$5.7 billion in gaming revenue and we are only just getting started. The possibilities of what could be are truly staggering. Our business strategy for this market sees us closing the loop on what we define as the Orchard Road Quadrangle. The Orchard Road quad is a one square kilometer area of shopping malls anchored by ION Orchard, Tang Plaza, Ngee Ann City and Paragon that on aggregate account for 80% of all luxury goods sales in Singapore. In September 2012, "More Passion" by The Hour Glass will throw open its doors at Paragon ensuring that we have the most diverse multi-brand watch retail platform in the Orchard road belt.

Hong Kong, whose watch market is three times the size of Singapore, is another territory we have been desirous of expanding our presence in. After a decade and a half of operating out of a single store, we are proud to announce that by November 2012, we will be opening a second point of sale in the Landmark in Central, Hong Kong. We are absolutely delighted in securing a location in what can only be considered as Hong Kong's most prestigious shopping centre and we will be doing so with our deeply valued long-term partner, Patek Philippe.

After two decades of being present in the Gold Coast, Australia, we have finally decided to relocate our business to the prime retail centre of Brisbane, Edward Street. The local market is now finally ready for a retailer of our quality and positioning and we anticipate that this move will reap significant returns in the decades to come.

Building a Great Company

We have spent the past 32 years building a trusted and reputable brand, a good franchise and a fantastic business. Now that we have achieved a strong and stable base, our aim is to devote the next decade to constructing a great company. We have all the primary ingredients in place to accomplish this. The right people in leadership positions, enduring corporate values with an emphasis on the development of both individual and institutional character and credibility, a strong culture of familial care and, a commitment to our long term goal of being the best-in-class.

I am particularly grateful for the team that we have in place. A group of loyal, enterprising and committed leaders and I have not seen our management, frontline and support teams operating more efficiently and more cohesively as a unit as I have now.

In terms of organisational development, I have placed tremendous emphasis on the building of character and credibility. These two cannot be understated in the workings of our industry. The specialty and luxury watch retail trade is an emotional business. It is a business that requires a lot of trust in handling the type of specialized brands and products that we do. The watch business is also a trans-generational business where our credibility and reputation means everything and once it is damaged, will be very difficult to claim back. That is why the foundations of trust we build with each other within the company, amongst our brand partners and with our customers are of long term importance.

The executive committee and I spend many hours debating the compensation and welfare of our team

CHAIRMAN'S STATEMENT

members, especially ensuring that those at entry level positions in the company can take home enough to comfortably support themselves and their families. I was surprised but happy to hear from our Managing Director for Singapore, that the head of an international luxury brand had commented to her that they could not afford to hire The Hour Glass retail staff because they were amongst the best rewarded in the industry. This is reflected in our Group staff turnover rate where the average tenure of employment is 9 years. We believe in the ideals of a corporate family, in the value of human relationships and we will stick with our trusted team members through the good times and bad.

At The Hour Glass, our corporate actions are not governed by the short term ebs and flows of the capital markets, of quick one time returns whose benefits are not shared. We are not willing to trade in and out of the foundations of goodwill we have established over the past 32 years. We fundamentally do not believe this is how great companies behave, nor how they are built.

ACKNOWLEDGEMENTS

It has been brought to my attention that from time to time, it is appropriate to embellish the Chairman's statement with accolades we receive as a company and for 2011, The Hour Glass was conferred two very important ones. Malmaison by The Hour Glass at Knightsbridge won the Singapore Retail Association's Best Retail Concept award whilst L'Atelier at ION Orchard won the Most Innovative Retail Concept award from FAPRA, the Federation of Asia Pacific Retailers Associations. These two projects have been lauded by clients and business partners as two of the most unique watch retail stores in the world.

I wish to thank the Board of Directors for their guidance and business insight, our principal business partners and clients for their unyielding support and most importantly, The Hour Glass team, who for 365 days of the year, strive to make this an incredible organisation to belong to.

In closing, I want to reinforce this message to fellow shareholders: I have never been more confident about the future of The Hour Glass. We have the right people in place, a strong organisational culture and a commitment to being the best-in-class. We remain focused and resolute in the pursuit of our organisation's purpose with passion. Our objectives are set, our sights are trained and we are rearing to go.

HENRY TAY YUN CHWAN
Executive Chairman
31 May 2012

CORPORATE GOVERNANCE

The Hour Glass Limited is committed to ensuring a high standard of corporate governance within the Company, its subsidiaries and significant associates 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 and its subsidiaries ("Group") for the financial year ended 31 March 2012.

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 four 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 are the Audit Committee, the Remuneration Committee and the Nominating Committee. The Audit Committee and Remuneration Committee are made up entirely of independent non-

CORPORATE GOVERNANCE

executive directors, and the Nominating Committee comprises a majority of independent non-executive directors.

BOARD COMPOSITION AND GUIDANCE

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

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

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	68	11 Aug 1979	15 Jul 2011
Dato' Dr Jannie Chan Siew Lee	67	11 Aug 1979	16 Jul 2010
Dr Kenny Chan Swee Kheng	59	1 Apr 2004	17 Jul 2009
Mr Michael Tay Wee Jin	37	15 Aug 2005	15 Jul 2011
Mr Robert Tan Kah Boh	67	18 Nov 1999	16 Jul 2010
Mr Philip Eng Heng Nee	66	1 Oct 2009	16 Jul 2010
Mr Kuah Boon Wee	45	1 Apr 2011	15 Jul 2011
Mr Demierre Pascal Guy Chung Wei	38	1 Apr 2011	15 Jul 2011

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 Dato' Dr Jannie Chan are the founders of The Hour Glass. Dr Henry Tay and Dato' Dr Jannie Chan are regarded as controlling shareholders of the Company. Dr Henry Tay is the Executive Chairman, and Dato' Dr Jannie Chan 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 Chan, and Dr Kenny Chan is the brother of Dato' Dr Jannie Chan. The 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 senior management team, which includes the Executive Chairman, Executive Vice Chairman, the Group Managing Director and the Executive Director, provides decisiveness and clarity in the implementation of corporate policies and objectives, and serves to align the interests of the majority stakeholder with those of minority shareholders in the Company's goals for enhancing shareholder value. It is hence felt that it is not necessary, in the circumstances, for an independent non-executive chairman, or to separate the role of chairman and chief executive officer as recommended by the Code.

As part of his administrative duties, the Executive Chairman ensures that Board meetings are held when necessary 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 AND PERFORMANCE

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

***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.*

NOMINATING COMMITTEE

The Nominating Committee ("NC") was established on 1 October 2011 and has formalised terms of reference. The principal functions of the NC are to make recommendations to the Board on appointments including re-nominations, and oversee the Company's succession and leadership development plans. The NC is chaired by Mr Kuah Boon Wee, and comprises Dato' Dr Jannie Chan, Dr Kenny Chan, Mr Robert Tan and Mr Pascal Demierre. The majority of the NC members, including the Chairman, are independent non-executive directors.

The NC is responsible for reviewing the structure, size and composition of the Board and Board Committees, 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 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.

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

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

The 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 believes 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.*

The Company's Remuneration Committee ("RC") comprises Mr Robert Tan, Mr Philip Eng and Mr Pascal Demierre. Mr Owen Price was a member of the RC until 15 July 2011 when he retired from the Board. All of the RC members are independent non-executive directors. The RC is chaired by Mr Robert Tan. The RC met twice during the financial year.

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

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

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

The level and mix of the annual remuneration of the four executive directors and the level of remuneration of the Group's top 7 key executives (who are not also directors), are disclosed at the end of this report. During the year, an employee who is the sister of Dato' Dr Jannie Chan and Dr Kenny Chan, received an annual remuneration above $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.*

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

CORPORATE GOVERNANCE

AUDIT COMMITTEE

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

The Audit Committee ("AC") comprises three members, all of whom are independent non-executive directors. The AC is chaired by Mr Philip Eng, and the other members are Mr Kuah Boon Wee and Mr Pascal Demierre. Mr Pascal Demierre was appointed an AC member on 1 August 2011. Mr Owen Price and Mr Jason Choo were members of the AC until 15 July 2011 when they retired from the Board. 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 statements of financial position of the Company and Group, and consolidated income statement of the Group, significant financial reporting issues and judgments as well as the quarterly and full-year results prior to their submission to the Board, and (where applicable) interested person transactions. If a firm other than the external auditors is appointed as auditors of any unlisted Singapore-incorporated subsidiary or significant associate, the AC together with the Board would have to be satisfied that it would not compromise the standard and effectiveness of the Company's audit by the external 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. The aggregate amount of audit and non-audit fees paid to the external auditors in the year under review can be found at note 8 to the financial statements, at page 59 of the Annual Report. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its auditing firms.

During the financial year, the AC met four 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 Company's internal controls relevant to the Company's preparation of the consolidated financial statements, and risk management to the extent of the scope of audit as laid out in 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.

CORPORATE GOVERNANCE

INTERNAL CONTROLS

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

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

The Company recognises that risk analysis and management is, *prima facie*, a function of management. 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 34 to the financial statements, at page 83 of the Annual Report.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 March 2012.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE

INTERNAL AUDIT

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

The Company's internal audit function 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 RENUMERATION

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 FY2012 have been determined based on the same formula applied in the previous year, as follows:

	FY2012 PROPOSED FEE $
BOARD DIRECTORS	
Basic fee	30,000
Attendance fee for each Board Meeting	2,000
AUDIT COMMITTEE	
Chairman	40,000
Member	15,000
REMUNERATION COMMITTEE	
Chairman	15,000
Member	5,000
NOMINATING COMMITTEE *	
Chairman	5,000
Member	2,500

** Nominating Committee was established on 1 October 2011.*

SUMMARY COMPENSATION TABLES
– FINANCIAL YEAR ENDED 31 MARCH 2012

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

Name	Position	Salary* %	Bonus# %	Fees# %	Other benefits %	Total %
Above $2,500,000						
Dr Kenny Chan Swee Kheng	*Group Managing Director*	18	80	-	2	100
$2,000,000 to below $2,250,000						
Mr Michael Tay Wee Jin	*Executive Director*	19	77	-	4	100
$1,250,000 to below $1,500,000						
Dr Henry Tay Yun Chwan	*Executive Chairman*	22	71	-	7	100
Dato' Dr Jannie Chan Siew Lee	*Executive Vice Chairman*	22	71	-	7	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 Philip Eng Heng Nee	*Independent Director*	-	-	100	-	100
Mr Kuah Boon Wee ^	*Independent Director*	-	-	100	-	100
Mr Demierre Pascal Guy Chung Wei ^	*Independent Director*	-	-	100	-	100

** Salary includes employer's CPF contribution.*
 # Accrued for FY2012.
@ Mr Owen Price and Mr Jason Choo retired from the Board on 15 July 2011.
^ Mr Kuah Boon Wee and Mr Pascal Demierre were appointed to the Board on 1 April 2011.

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 Wong Mei Ling	Managing Director (Singapore)
The Hour Glass (Australia) Pty Ltd	Ms Lidia Emmi	General Manager
The Hour Glass (HK) Limited	Mr Chung Wai Yang	Managing Director (Hong Kong)
The Hour Glass Japan Ltd	Mr Atsushi Momoi	Director & General Manager
The Hour Glass Sdn Bhd	Mr Yon Shee Guan	General Manager
Glajz-THG Pte Ltd	Mr John Glajz	Managing Director

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

No. of key executives in remuneration bands	FY2012
Above $750,000	1
$500,000 to below $750,000	1
$250,000 to below $500,000	4
Below $250,000	1

CORPORATE GOVERNANCE

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS
– FINANCIAL YEAR ENDED 31 MARCH 2012

Board composition & Committees	Board of Directors	Audit Committee	Remuneration Committee
No. of meetings held	**4**	**4**	**2**
	No. of meeting attended	No. of meeting attended	No. of meeting attended
Dr Henry Tay Yun Chwan	4	NA	NA
Dato' Dr Jannie Chan Siew Lee	4	NA	NA
Dr Kenny Chan Swee Kheng	4	NA	NA
Mr Michael Tay Wee Jin	4	NA	NA
Mr Robert Tan Kah Boh	4	NA	2
Mr Philip Eng Heng Nee	4	4	2
Mr Kuah Boon Wee ^	4	4	NA
Mr Demierre Pascal Guy Chung Wei ^ #	4	3	2
Mr Owen Phillimore Howell-Price @	1	1	1
Mr Jason Choo Choon Wai @	1	1	NA

NA means not applicable.

@ *Mr Owen Price was a member of the AC and the RC, and Mr Jason Choo was a member of the AC, respectively, until their retirement from the Board on 15 July 2011.*
^ *Mr Kuah Boon Wee and Mr Pascal Demierre were appointed to the Board on 1 April 2011.*
# *Mr Pascal Demierre was appointed a member of Audit Committee on 1 August 2011.*

Nominating Committee was established on 1 October 2011. No meeting was held for the financial year ended 31 March 2012.

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 2012 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)	$2,066,274*	Not applicable – the Company does not have a shareholders' mandate pursuant to Rule 920

** Comprises gross rental in respect of 6-year lease renewal of office premises at 12th floor, Tong Building, Singapore, commencing January 2012, 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 2012 and the statement of financial position and statement of changes in equity of the Company as at 31 March 2012.

Directors

The Directors of the Company in office at the date of this report are:
Dr Henry Tay Yun Chwan
Dato' Dr Jannie Chan Siew Lee
Dr Kenny Chan Swee Kheng
Mr Michael Tay Wee Jin
Mr Robert Tan Kah Boh
Mr Philip Eng Heng Nee
Mr Kuah Boon Wee
Mr Demierre Pascal Guy Chung Wei

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, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Henry Tay Yun Chwan	13,315,246	13,315,246	123,535,707	123,535,707
Jannie Chan Siew Lee	9,351,826	9,399,826	108,288,397	108,288,397
Kenny Chan Swee Kheng	908,499	908,499	149,626	149,626
Michael Tay Wee Jin	601,366	601,366	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2012.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Henry Tay Yun Chwan and Jannie 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 Philip Eng Heng Nee	Chairman
Mr Kuah Boon Wee	
Mr Demierre Pascal Guy Chung Wei	

The Audit Committee held four meetings during the financial year. The Audit Committee has full access to and co-operation from management. The external and internal auditors have unrestricted access to the Audit Committee. The Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, and reviewed the following, where relevant, with the executive directors and the internal and external auditors:

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

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

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

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

(e) the audit report submitted by external auditors;

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

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

(h) the independence and objectivity of the external auditors; and

(i) the nature and extent of non-audit services provided by external 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 report on Corporate Governance.

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 2012

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 statements of financial position, 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 2012 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 2012

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2012 TO THE MEMBERS OF THE HOUR GLASS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of The Hour Glass Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 37 to 88, which comprise the statements of financial position of the Group and the Company as at 31 March 2012, 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 information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's 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 about 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 judgment, including the assessment of the risks 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 of financial statements that give a true and fair view 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, the consolidated financial statements of the Group and the statement of financial position 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 2012 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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 2012

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 $'000	2011 $'000
Revenue	4	607,009	517,617
Other income	5	4,771	4,217
Total revenue and other income		611,780	521,834
Cost of goods sold		460,654	401,462
Salaries and employees benefits		40,264	32,415
Depreciation of property, plant and equipment	12	5,853	4,381
Selling and promotion expenses		13,650	10,100
Rental expenses		15,087	12,513
Finance costs	6	316	552
Foreign exchange loss/(gain)		67	(262)
Impairment loss on investment security		659	–
Other operating expenses	7	7,062	7,105
Total costs and expenses		(543,612)	(468,266)
Share of results of an associate		1,170	715
Profit before taxation	8	69,338	54,283
Taxation	9	(13,171)	(11,102)
Profit for the year		56,167	43,181
Profit attributable to:			
Owners of the Company		54,711	42,375
Non-controlling interests		1,456	806
		56,167	43,181
Earnings per share (cents)			
Basic and diluted	11	23.31	18.10

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 2012

	2012 $'000	2011 $'000
Profit for the year	56,167	43,181
Other comprehensive income:		
Net change in fair value of investment security	(453)	(1,031)
Net surplus on revaluation of investment properties	69	2,532
Foreign currency translation	(458)	(2,982)
Other comprehensive loss for the year, net of tax	(842)	(1,481)
Total comprehensive income for the year	55,325	41,700
Total comprehensive income attributable to:		
Owners of the Company	53,881	40,913
Non-controlling interests	1,444	787
	55,325	41,700

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Assets					
Non-current assets					
Property, plant and equipment	12	22,248	25,076	13,448	14,655
Investment properties	13	20,629	18,739	9,100	8,850
Investment in subsidiaries	14	–	–	20,459	20,459
Investment in an associate	15	3,864	2,788	–	–
Loan to a subsidiary	16	–	–	8,000	–
Loan to an associate	17	2,023	2,084	–	–
Investment security	18	783	1,236	783	1,236
Other receivables	19	5,637	5,330	1,945	1,671
Deferred tax assets	20	786	513	–	–
		55,970	55,766	53,735	46,871
Current assets					
Stocks	21	230,954	190,742	141,582	117,340
Trade and other receivables	19	17,393	15,950	10,538	9,879
Prepaid operating expenses		530	477	292	275
Amount due from an associate	22	170	866	–	–
Amounts due from subsidiaries	23	–	–	5,276	3,946
Cash and cash equivalents	29	53,701	50,708	5,598	13,267
		302,748	258,743	163,286	144,707
Total assets		358,718	314,509	217,021	191,578
Equity and liabilities					
Current liabilities					
Loans and borrowings	24	3,069	14,292	–	–
Trade and other payables	25	41,995	33,068	26,365	21,087
Amounts due to subsidiaries	23	–	–	10	16
Provision for taxation		9,602	8,111	7,523	5,802
		54,666	55,471	33,898	26,905
Net current assets		248,082	203,272	129,388	117,802
Non-current liabilities					
Provisions		133	145	–	–
Deferred income		93	152	–	–
Deferred tax liabilities	26	1,538	1,280	961	702
		1,764	1,577	961	702
Total liabilities		56,430	57,048	34,859	27,607
Net assets		302,288	257,461	182,162	163,971
Equity attributable to owners of the Company					
Share capital	27	67,638	66,826	67,638	66,826
Reserves	28	225,577	182,754	114,524	97,145
		293,215	249,580	182,162	163,971
Non-controlling interests		9,073	7,881	–	–
Total equity		302,288	257,461	182,162	163,971
Total equity and liabilities		358,718	314,509	217,021	191,578

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 2012

	Attributable to owners of the Company							
	Share capital $'000	Foreign currency translation reserve $'000	Fair value adjustment reserve $'000	Asset revaluation reserve $'000	Revenue reserve $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group								
Balance as at 1 April 2010	66,514	6,157	825	–	143,047	216,543	7,278	223,821
Profit for the year	–	–	–	–	42,375	42,375	806	43,181
Other comprehensive income	–	(2,963)	(1,031)	2,532	–	(1,462)	(19)	(1,481)
Total comprehensive income for the year	–	(2,963)	(1,031)	2,532	42,375	40,913	787	41,700
Issuance of new shares pursuant to scrip dividend scheme	312	–	–	–	–	312	–	312
Dividends on ordinary shares (Note 10)	–	–	–	–	(8,188)	(8,188)	–	(8,188)
Payment of dividends by a subsidiary	–	–	–	–	–	–	(184)	(184)
Balance as at 31 March 2011	66,826	3,194	(206)	2,532	177,234	249,580	7,881	257,461
Balance as at 1 April 2011	66,826	3,194	(206)	2,532	177,234	249,580	7,881	257,461
Profit for the year	–	–	–	–	54,711	54,711	1,456	56,167
Other comprehensive income	–	(446)	(453)	69	–	(830)	(12)	(842)
Total comprehensive income for the year	–	(446)	(453)	69	54,711	53,881	1,444	55,325
Issuance of new shares pursuant to scrip dividend scheme	812	–	–	–	–	812	–	812
Dividends on ordinary shares (Note 10)	–	–	–	–	(11,717)	(11,717)	–	(11,717)
Payment of dividends by a subsidiary	–	–	–	–	–	–	(252)	(252)
Recognised in the income statement on impairment loss of investment security	–	–	659	–	–	659	–	659
Realisation of reserves arising from liquidation of a foreign subsidiary	–	(187)	–	–	187	–	–	–
Balance as at 31 March 2012	67,638	2,561	–	2,601	220,415	293,215	9,073	302,288

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 2012 (cont'd)

	Share capital $'000	**Fair value adjustment reserve** $'000	**Revenue reserve** $'000	**Total equity** $'000
Company				
Balance as at 1 April 2010	66,514	825	76,068	143,407
Profit for the year	–	–	29,471	29,471
Other comprehensive income	–	(1,031)	–	(1,031)
Total comprehensive income for the year	–	(1,031)	29,471	28,440
Issuance of new shares pursuant to scrip dividend scheme	312	–	–	312
Dividends on ordinary shares (Note 10)	–	–	(8,188)	(8,188)
Balance as at 31 March 2011	66,826	(206)	97,351	163,971
Balance as at 1 April 2011	66,826	(206)	97,351	163,971
Profit for the year	–	–	28,890	28,890
Other comprehensive income	–	(453)	–	(453)
Total comprehensive income for the year	–	(453)	28,890	28,437
Issuance of new shares pursuant to scrip dividend scheme	812	–	–	812
Dividends on ordinary shares (Note 10)	–	–	(11,717)	(11,717)
Recognised in the income statement on impairment loss of investment security	–	659	–	659
Balance as at 31 March 2012	67,638	–	114,524	182,162

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 2012

	Note	2012 $'000	2011 $'000
Operating activities			
Profit before taxation		69,338	54,283
Adjustments for:			
Finance costs		316	552
Interest income		(886)	(373)
Depreciation of property, plant and equipment		5,853	4,381
Net gain on disposal of property, plant and equipment		(148)	(383)
Fair value gain on investment properties		(1,107)	(1,370)
Foreign currency translation adjustment		(163)	(1,286)
Impairment loss on investment security		659	–
Share of results of an associate		(1,170)	(715)
Operating cash flows before changes in working capital		72,692	55,089
Increase in stocks		(40,465)	(31,734)
(Increase)/decrease in receivables		(1,727)	1,822
(Increase)/decrease in prepaid operating expenses		(53)	253
Decrease in amount due from an associate		671	1,155
Increase in payables		8,888	2,959
Cash flows from operations		40,006	29,544
Income taxes paid		(11,711)	(8,718)
Interest paid		(316)	(552)
Interest received		886	373
Net cash flows from operating activities		28,865	20,647
Investing activities			
Proceeds from disposal of property, plant and equipment		371	1,109
Purchase of property, plant and equipment		(3,916)	(12,098)
Net cash flows used in investing activities		(3,545)	(10,989)
Financing activities			
Proceeds from loans and borrowings		–	805
Repayment of loans and borrowings		(11,150)	(699)
Dividends paid on ordinary shares		(11,717)	(8,188)
Proceeds from issue of shares pursuant to scrip dividend scheme		812	312
Dividends paid to non-controlling interests of a subsidiary		(252)	(184)
Net cash flows used in financing activities		(22,307)	(7,954)
Net increase in cash and cash equivalents		3,013	1,704
Effects of exchange rate changes on cash and cash equivalents		(20)	(1,448)
Cash and cash equivalents at 1 April		50,708	50,452
Cash and cash equivalents at 31 March	29	53,701	50,708

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012

1 Corporate information

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

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

The principal activities of the Company and its subsidiaries (collectively, the "Group") are those of investment holding companies, retailing and distribution of watches 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 statements of financial position and statement of changes in equity of the Company are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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. They are prepared on the historical cost basis except as disclosed in the accounting policies below.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2013
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2013
FRS 110 Consolidated Financial Statements	1 January 2013
FRS 111 Joint Arrangements	1 January 2013
FRS 112 Disclosure of Interests in Other Entities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013
FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

Except for the Amendments to FRS 12 and Amendments to FRS 1, 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 Amendments to FRS 12 and Amendments to FRS 1 are described below.

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

Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets

The Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets are effective for annual periods beginning on or after 1 January 2012.

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 Investment Property, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group provides for deferred tax liabilities for its investment properties on the basis that the carrying amount of the investment properties will be recovered through use. Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties located in certain countries as there is no capital gains tax in those countries. The Group expects the adoption of Amendments to FRS 12 to result in a decrease in deferred tax liabilities of the Group and a corresponding increase in retained earnings upon initial application of the amendments.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

2.4 *Foreign currency*

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

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period 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 currency translation reserve is reclassified from equity to consolidated income statement on disposal of the foreign operation.

2.4 Foreign currency (cont'd)

(b) Consolidated financial statements

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in the income statement. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to income statement.

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 April 2010

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

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

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

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

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

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

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

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

(a) Basis of consolidation (cont'd)

- Acquisition of non-controlling interests, prior to 1 April 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 April 2010 have not been restated.

(b) Business combinations

Business combinations from 1 April 2010

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

Business combinations prior to 1 April 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

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

(b) Business combinations (cont'd)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company.

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

2.7 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.

2.8 *Investment properties*

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

Investment properties are initially measured at cost including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. 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 that will be carried at fair value, the entity shall treat any difference at that date between the carrying amount of the property in accordance with FRS 16 and its fair value in the same way as a revaluation in accordance with FRS 16.

2.9 *Subsidiaries*

A subsidiary is an 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.

2.10 *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 statements of financial position 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 included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

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.

2.10 *Associate (cont'd)*

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in the income statement.

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. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flow expected to be generated by the asset are discounted to their present value.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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*

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Financial assets at fair value through income statement*

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

2.12 Financial assets (cont'd)

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in 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 cash equivalents
- 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 instruments 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.

Derecognition

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.

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) Financial assets carried at amortised cost

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

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

2.13 Impairment of financial assets (cont'd)

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying 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) Financial assets carried at cost

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

(c) Available-for-sale financial assets

For equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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 other comprehensive income to the income statement. Reversals of impairment loss in respect of equity instruments are not recognised in the income statement; increase in the fair value after impairment are recognised directly in other comprehensive income.

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.

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

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

2.15 Cash and cash equivalents

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

2.16 *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.18 *Provisions*

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

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

2.19 *Employee benefits*

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

(c) Long service leave

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

2.20 *Deferred income*

Income received from landlord over fit-out of a demised premise where the income is amortised and recognised in the income statement over the tenancy period. The Group is required to repay the landlord for the remaining unexpired tenancy period in the event of early termination of the tenancy agreement.

2.21 *Leases*

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

As lessee

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

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

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Revenue

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

(a) Sale of goods

Revenue from the sale of goods is recognised upon transfer of significant risk and rewards of ownership of the goods to the customer which, generally coincides with their delivery and acceptance of the goods sold. Revenue represents sale of goods after deducting allowances for goods returned and trade discounts.

(b) Rental income

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

(c) Interest income

Interest income is recognised using the effective interest method.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

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

(b) Deferred tax

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

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

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

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

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside the income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

(c) Sales tax

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

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

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

2.24 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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Derivative financial instruments

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

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

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

2.26 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

2.27 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

  (i) Has control or joint control over the Company;

  (ii) Has significant influence over the Company; or

  (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 periods.

3.1 *Judgements made in applying accounting policies*

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

(a) Impairment of available-for-sale investments

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 March 2012, the amount of impairment loss recognised for available-for-sale financial assets was $659,000 (2011: nil).

(b) Income taxes

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

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Deferred tax assets	786	513	–	–
Provision for taxation	(9,602)	(8,111)	(7,523)	(5,802)
Deferred tax liabilities	(1,538)	(1,280)	(961)	(702)

(c) Classification between leasehold land element from leasehold land and building

The Group determines the carrying value of the land element of the leasehold land and buildings held in relation to the value of the entire lease is insignificant and cannot be reliably allocated. Accordingly, the leasehold land and buildings held was treated as a single unit.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 2012 was $22,248,000 (2011: $25,076,000). 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 the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 19 and Note 29 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. The carrying amount of the Group's stocks at the end of the reporting period 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	
	2012	**2011**
	$'000	$'000
Rental income	1,055	952
Interest income from:		
- Amount due from an associate	145	131
- Cash at banks and short-term deposits	741	242
Management fee	539	457
Net gain on disposal of property, plant and equipment	148	383
Fair value gain on investment properties	1,107	1,370
Others	1,036	682
	4,771	4,217

6 Finance costs

	Group 2012	Group 2011
	$'000	$'000
Interest on bank term loans	309	547
Interest on bank overdrafts	7	5
	316	552

7 Other operating expenses

	Group 2012	Group 2011
	$'000	$'000
Facilities cost	2,998	2,995
Professional fees	1,025	1,028
General administrative expenses	3,039	3,082
	7,062	7,105

8 Profit before taxation

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

	Group 2012	Group 2011
	$'000	$'000
Salaries and employees benefits (including executive directors):		
- salaries, bonuses and other costs	37,399	30,169
- provident fund contributions	2,815	2,196
- provision for retirement gratuity	50	50
Directors' fees	331	248
Audit fees paid to auditors of the Company	294	281
Non audit fees paid to auditors of the Company	81	151
Allowance for doubtful debts	38	28
Net gain on disposal of property, plant and equipment	(148)	(383)

9 Taxation

	Group 2012 $'000	Group 2011 $'000
Provision for taxation in respect of results for the year:		
Current taxation	13,517	10,796
Deferred taxation	321	199
(Over)/under provision in respect of previous years:		
Current taxation	(291)	200
Deferred taxation	(376)	(93)
	13,171	11,102

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

	Group 2012 $'000	Group 2011 $'000
Profit before taxation	69,338	54,283
Tax calculated using Singapore corporate tax rate of 17%	11,787	9,228
Adjustments:		
Non-deductible expenses	823	146
Effect of different tax rates in other countries	2,451	1,563
Deferred tax assets not recognised	10	435
Benefits from previously unrecognised tax losses	(526)	(9)
Non-taxable income	(99)	(7)
Tax exempt income and incentives	(52)	(52)
(Over)/under provision in respect of previous years	(667)	107
Share of results of an associate	(537)	(334)
Others	(19)	25
Taxation for the year	13,171	11,102

As at 31 March 2012, certain subsidiaries have unabsorbed tax losses of approximately $708,000 (2011: $1,984,000) that are available for offset 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.

Deferred tax expense related to other comprehensive income:

	2012	2011
Net surplus on revaluation of premises	30	500

10 Dividends

	Group 2012 $'000	Group 2011 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2011: 5.00 cents (31 March 2010: 3.50 cents)	11,717	8,188
Proposed but not recognised as a liability as at 31 March		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2012: 6.00 cents (31 March 2011: 5.00 cents)	14,100	11,717

11 Earnings per share

	Group 2012 $'000	Group 2011 $'000
Profit for the year attributable to owners of the Company	54,711	42,375
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	234,695	234,156

12 Property, plant and equipment

	Freehold premises $'000	Leasehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Group					
Cost:					
At 1 April 2010	14,508	2,429	20,574	1,615	39,126
Additions	–	–	11,451	647	12,098
Disposals/write-offs	–	–	(7,368)	(603)	(7,971)
Transfer to investment properties	–	(2,298)	–	–	(2,298)
Foreign currency translation adjustment	68	(131)	8	(2)	(57)
At 31 March 2011 and 1 April 2011	14,576	–	24,665	1,657	40,898
Additions	–	–	3,359	557	3,916
Disposals/write-offs	–	–	(1,194)	(532)	(1,726)
Transfer to investment properties	(738)	–	–	–	(738)
Foreign currency translation adjustment	9	–	(6)	(1)	2
At 31 March 2012	13,847	–	26,824	1,681	42,352
Accumulated depreciation:					
At 1 April 2010	3,943	1,644	13,599	1,121	20,307
Depreciation charge for the year	286	9	3,751	335	4,381
Disposals/write-offs	–	–	(6,753)	(492)	(7,245)
Transfer to investment properties	–	(1,543)	–	–	(1,543)
Foreign currency translation adjustment	19	(110)	14	(1)	(78)
At 31 March 2011 and 1 April 2011	4,248	–	10,611	963	15,822
Depreciation charge for the year	280	–	5,253	320	5,853
Disposals/write-offs	–	–	(1,177)	(326)	(1,503)
Transfer to investment properties	(44)	–	–	–	(44)
Foreign currency translation adjustment	2	–	(26)	–	(24)
At 31 March 2012	4,486	–	14,661	957	20,104
Net carrying value:					
At 31 March 2012	9,361	–	12,163	724	22,248
At 31 March 2011	10,328	–	14,054	694	25,076

12 Property, plant and equipment (cont'd)

	Group	
	2012	**2011**
	$'000	$'000
Freehold premises (at cost)		
Singapore		
638 square metres office unit at 302 Orchard Road, Tong Building	7,664	7,664
Australia		
283 square metres shop unit at 70 Castlereagh Street, Sydney	3,010	3,006
294 (2011: 389) square metres office unit at 70 Castlereagh Street, Sydney	2,288	3,021
318 square metres shop unit at 252 Collins Street, Melbourne	707	704
Malaysia		
116 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur	178	181
	13,847	14,576

In 2011 and 2012, the premises were revalued to its fair value, upon transferring to investment properties. The Group has revalued the properties up to the dates of change in use. The Group has recorded the differences between the carrying amounts of the properties and the fair values in other comprehensive income. The fair values were determined based on the latest valuations near to the transfer dates. The valuations are performed by an accredited independent valuer with recent experience in the location and category of the properties being valued. The effects of the transfer are as follows:

	2012	**2011**
	$'000	$'000
Revalued amount as at the date of transfer	793	3,787
Net book value up to the date of change in use	694	755
Revaluation surplus	99	3,032
Deferred tax liabilities	30	500
Asset revaluation reserve	69	2,532

12 Property, plant and equipment (cont'd)

	Freehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1 April 2010	7,664	9,152	1,334	18,150
Additions	–	7,229	647	7,876
Disposals/write-offs	–	(775)	(603)	(1,378)
At 31 March 2011 and 1 April 2011	7,664	15,606	1,378	24,648
Additions	–	2,548	272	2,820
Disposals/write-offs	–	(842)	(317)	(1,159)
At 31 March 2012	7,664	17,312	1,333	26,309
Accumulated depreciation:				
At 1 April 2010	2,554	5,069	921	8,544
Depreciation charge for the year	154	2,284	278	2,716
Disposals/write-offs	–	(775)	(492)	(1,267)
At 31 March 2011 and 1 April 2011	2,708	6,578	707	9,993
Depreciation charge for the year	154	3,408	257	3,819
Disposals/write-offs	–	(840)	(111)	(951)
At 31 March 2012	2,862	9,146	853	12,861
Net carrying value:				
At 31 March 2012	4,802	8,166	480	13,448
At 31 March 2011	4,956	9,028	671	14,655

13 Investment properties

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
As at 1 April	18,739	13,715	8,850	8,350
Gain from fair value adjustments recognised in income statement	1,107	1,370	250	500
Transfer from property, plant and equipment at revalued amount *	793	3,787	–	–
Foreign currency translation adjustment	(10)	(133)	–	–
As at 31 March	20,629	18,739	9,100	8,850
Income statement				
Rental income from investment properties	1,031	925	607	567
Direct operating expenses arising from investment properties that generated rental income	184	192	31	41

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

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on latest valuations near to the end of reporting period. The valuations are performed by accredited independent valuers with recent experience in the location and category of the properties being valued. The valuations are based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

The investment properties held by the Group as at 31 March 2012 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	66 years
114 square metres unit at Peninsula Plaza situated at 111 North Bridge Road, Singapore	Shop	Leasehold	816 years
1,027 square metres unit at 252 Collins Street, Melbourne, Australia	Offices	Freehold	N/A
95 square metres unit at 70 Castlereagh Street, Sydney *	Office	Freehold	N/A
202 square metres unit at Starhouse, No. 3 Salisbury Road, Kowloon, Hong Kong *	Office	Leasehold	851 years

** Transferred from owner-occupied properties to investment properties.*

14 Investment in subsidiaries

	Company 2012 $'000	Company 2011 $'000
Balance as at 1 April	20,459	19,959
Reversal of allowance for impairment loss	–	500
Balance as at 31 March	20,459	20,459

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

Name of subsidiaries	Cost to Company 2012 $'000	Cost to Company 2011 $'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 2012 %	Percentage of equity held by the Group 2011 %
Held by the Company			
Retailing and distribution of watches, jewellery and related products			
① Dynasty Watch Pte Ltd	Singapore	100	100
① Glajz-THG Pte Ltd	Singapore	60	60
② The Hour Glass Sdn Bhd	Malaysia	95	95
② The Hour Glass (HK) Limited	Hong Kong	100	100
② The Hour Glass (Australia) Pty Ltd	Australia	100	100
③ The Hour Glass Japan Ltd	Japan	100	100

14 Investment in subsidiaries (cont'd)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group	
		2012	2011
		%	%
Investment in properties			
② Time Master Enterprises Limited	Hong Kong	–	100
Investment holding			
② ④ The Hour Glass Holding (Thailand) Co., Ltd	Thailand	49	49
Held by subsidiaries			
Retailing and distribution of watches, jewellery and related products			
② THG (HK) Limited	Hong Kong	100	100
② ④ The Hour Glass (Thailand) Co., Ltd	Thailand	49	49

① *Audited by Ernst & Young LLP, Singapore.*

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

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

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

15 Investment in an associate

	Group	
	2012	2011
	$'000	$'000
Unquoted shares, at cost	1,479	1,479
Share of post-acquisition reserves	2,520	1,350
Foreign currency translation adjustment	(135)	(41)
	3,864	2,788

Details of the associate as at 31 March are:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2012	2011
			%	%
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.*

15 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	
	2012	**2011**
	$'000	$'000
Assets and liabilities:		
Total assets	18,242	17,380
Total liabilities	10,514	11,805
Results:		
Revenue	39,239	32,600
Profit for the year	2,340	1,430

16 Loan to a subsidiary

Loan to a subsidiary is non-trade, unsecured, and is not expected to be repaid within the next twelve months. The loan bears interest ranging from 3.84% to 3.98% per annum during the year.

17 Loan to an associate

Loan to an associate is non-trade, unsecured, and is not expected to be repaid within the next twelve months. Interest is chargeable at Thailand's minimum lending rate ("MLR"), ranging from 6.62% to 7.25% (2011: 5.85% to 6.62%) per annum during the year.

18 Investment security

	Group and Company	
	2012	**2011**
	$'000	$'000
Available-for-sale financial assets:		
Quoted equity shares		
As at 1 April	1,236	2,267
Fair value loss transferred to other comprehensive income	(453)	(1,031)
As at 31 March	783	1,236

Impairment loss

During the financial year, the Group recognised an impairment loss of $659,000 (2011: Nil) on the carrying value of its quoted equity shares as there was a "prolonged" decline in the fair value of this investment. Decline which lasts more than 12 months is treated as "prolonged".

19 Trade and other receivables

	Note	Group		Company	
		2012	**2011**	**2012**	**2011**
		$'000	$'000	$'000	$'000
Trade and other receivables (current)					
Trade receivables		11,640	11,285	6,533	5,842
Goodwill compensation		347	344	347	344
Deposits		1,059	604	149	287
Recoverables and sundry debtors		4,337	3,706	3,499	3,395
Staff loans		10	11	10	11
		17,393	15,950	10,538	9,879
Other receivables (non-current)					
Deposits		5,637	5,330	1,945	1,671
Total trade and other receivables (current and non-current)		23,030	21,280	12,483	11,550
Add:					
- Loan to a subsidiary	16	–	–	8,000	–
- Loan to an associate	17	2,023	2,084	–	–
- Amount due from an associate	22	170	866	–	–
- Amounts due from subsidiaries	23	–	–	5,276	3,946
- Cash and cash equivalents	29	53,701	50,708	5,598	13,267
Total loans and receivables		78,924	74,938	31,357	28,763

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

The goodwill compensation receivable arises from a principal for giving up distribution rights in certain territories/countries in the Asia Pacific region. The goodwill compensation is receivable in eight equal instalments of 250,000 Swiss Franc per annum until year 2011. This receivable is past due more than 120 days as at the end of the reporting period but not impaired.

19 Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to approximately $1,622,000 (2011: $2,184,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2012	**2011**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	677	674
30 to 60 days	363	321
61 to 90 days	309	168
91 to 120 days	123	15
More than 120 days	150	1,006
	1,622	2,184

Trade receivables that are impaired

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

	Group	
	2012	**2011**
	$'000	$'000
Trade receivables – nominal amounts	153	132
Allowance for impairment	(145)	(132)
	8	–
Movement in allowance accounts:		
At 1 April	132	139
Written back	(23)	(32)
Charge for the year	38	28
Foreign currency translation adjustment	(2)	(3)
At 31 March	145	132

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

19 Trade and other receivables (cont'd)

Other receivables (current) that are impaired

	Group 2012 $'000	Group 2011 $'000
Other receivables - nominal amounts	477	478
Movement in allowance accounts:		
At 1 April	478	531
Foreign currency translation adjustment	(1)	(53)
At 31 March	477	478

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

	Group 2012 $'000	Group 2011 $'000
Swiss Franc	275	–
Australian Dollar	99	325
Singapore Dollar	17	–

20 Deferred tax assets

	Group 2012 $'000	Group 2011 $'000
As at 1 April	513	297
Tax credit to income statement	314	219
Tax charge from asset revaluation reserve	(30)	–
Foreign currency translation adjustment	(11)	(3)
As at 31 March	786	513
Deferred tax assets arise as a result of:		
Differences in depreciation for tax purposes	758	319
Revaluation of investment properties to fair value	(1,271)	(1,018)
Revaluation of premises to fair value	(30)	–
Provisions	1,278	1,198
Unrealised foreign exchange gain/(loss)	28	(3)
Other items	23	17
	786	513

21 Stocks

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Statements of financial position:				
Finished goods				
- at cost	163,361	134,306	96,098	90,085
- at net realisable value	67,593	56,436	45,484	27,255
Total finished goods at lower of cost and net realisable value	230,954	190,742	141,582	117,340
Income statement:				
Inventories recognised as an expense in cost of sales	465,097	406,332	286,484	255,761
Inventories written-down	7,710	5,309	4,480	3,826
Reversal of write-down of inventories	(4,755)	(5,883)	(3,062)	(4,569)

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

22 Amount due from an associate

	Group	
	2012	**2011**
	$'000	$'000
Amount due from an associate		
- trade	170	866

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

23 Amount due from/(to) subsidiaries

	Company	
	2012	**2011**
	$'000	$'000
Amounts due from subsidiaries		
- trade	1,105	1,907
- non-trade	4,171	2,039
	5,276	3,946
Amounts due to subsidiaries		
- trade	(10)	(16)

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 $800,000 (2011: $800,000) which bears interest of 2.00% (2011: 2.00%) per annum.

24 Loans and borrowings

	Group	
	2012	**2011**
	$'000	$'000
Unsecured borrowings	3,069	14,292

Interest bearing loans and borrowings

The Group's unsecured loans and borrowings comprise:

(i) Revolving credits of $3,069,000 (JPY200,000,000) [2011: $6,076,000 (JPY400,000,000)] is repayable in April 2012. Interest is charged at rates ranging from 1.20% to 1.25% (2011: 1.15% to 1.76%) per annum.

(ii) Revolving credits of $nil [2011: $7,883,000 (RM19,000,000)] was repaid during the financial year.

(iii) Term loan of $nil [2011: $333,000 (Baht 8,000,000)] was repaid during the financial year.

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

25 Trade and other payables

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Trade and other payables (current)					
Trade payables		11,353	10,277	4,692	4,575
Deposits from customers		7,598	4,289	3,667	1,873
Accruals		21,584	16,853	17,074	13,600
Other payables		1,460	1,649	932	1,039
Amounts due to subsidiaries	23	–	–	10	16
		41,995	33,068	26,375	21,103
Add: Loans and borrowings	24	3,069	14,292	–	–
Total financial liabilities carried at amortised cost		45,064	47,360	26,375	21,103

Trade payables/other payables

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

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

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Singapore Dollar	127	430	–	–
Swiss Franc	1,429	1,298	888	123
Euro	114	144	114	144
Others	1	18	–	18

26 Deferred tax liabilities

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
As at 1 April	1,280	481	702	481
Tax charge to income statement	259	325	259	221
Tax charge to asset revaluation reserve	–	500	–	–
Foreign currency translation adjustment	(1)	(26)	–	–
As at 31 March	1,538	1,280	961	702
Deferred tax liabilities arise as a result of:				
Differences in depreciation for tax purposes	591	543	591	543
Revaluations of investment properties to fair value	1,049	1,008	947	905
Revaluation of premises to fair value	475	500	–	–
Provisions	(577)	(745)	(577)	(746)
Other items	–	(26)	–	–
	1,538	1,280	961	702

Tax consequences of proposed dividends

There are no income tax consequences for 2012 and 2011 attached to the dividends to the shareholders proposed by the Company and hence no liability has been recognised in the financial statements (Note 10).

27 Share capital

	Group and Company			
	2012		2011	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
Balance at beginning of year	234,332	66,826	233,955	66,514
Issue of ordinary shares #	672	812	377	312
Balance at end of year	235,004	67,638	234,332	66,826

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

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, 672,249 (2011: 376,988) new ordinary shares were issued in lieu of cash dividends pursuant to the Scheme.

28 Reserves

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Revenue reserve	220,415	177,234	114,524	97,351
Foreign currency translation reserve	2,561	3,194	–	–
Fair value adjustment reserve	–	(206)	–	(206)
Asset revaluation reserve	2,601	2,532	–	–
Total reserves	225,577	182,754	114,524	97,145

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 represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

Asset revaluation reserve

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

29 Cash and cash equivalents

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Cash and bank balances	21,996	32,526	5,598	12,541
Fixed deposits with banks	31,705	18,182	–	726
	53,701	50,708	5,598	13,267

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

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
United States Dollar	295	350	261	316
Swiss Franc	579	411	113	409
Hong Kong Dollar	2	–	–	–
Singapore Dollar	33	261	–	–
Euro	4	–	4	–

30 Related party transactions

(a) Sale and purchase of goods and services

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

	Sale of goods $'000	Management fees received $'000	Interest income $'000	Purchase of goods $'000	Rental expense $'000	Commission paid $'000
2012						
Associate	12	539	146	137	–	–
Directors of the Company	262	–	–	–	–	–
Directors of the subsidiaries	98	–	–	21	–	–
Director-related companies	–	–	–	56	177	–
Other related entity	–	–	–	–	–	139
Key management personnel	18	–	–	–	–	–
2011						
Associate	1,235	457	131	375	–	–
Directors of the Company	196	–	–	–	–	–
Directors of the subsidiaries	149	–	–	–	–	–
Director-related companies	–	–	–	7	147	–
Other related entity	–	–	–	–	–	48
Key management personnel	9	–	–	–	–	–

(b) Compensation of key management personnel

	Group 2012 $'000	Group 2011 $'000
Short-term employee benefits	11,160	9,778
Provident fund contributions	131	106
Total compensation paid to key management personnel	11,291	9,884
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	7,800	6,804
- Other key management personnel	3,491	3,080
	11,291	9,884

31 Commitments

(a) Capital commitments

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

	Group	
	2012	**2011**
	$'000	$'000
Capital expenditure approved and contracted for: furniture and fittings	57	304

(b) Operating lease commitments – As lessor

The Group and Company have entered into commercial property leases on its investment properties portfolio as disclosed in Note 13. These non-cancellable leases have varying terms, escalation clauses and renewal rights.

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Not later than one year	814	875	540	607
Later than one year but not later than five years	145	775	26	566
	959	1,650	566	1,173

(c) Operating lease commitments – As lessee

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

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Not later than one year	14,910	13,615	10,495	9,578
Later than one year but not later than five years	23,930	23,514	17,933	14,425
Later than five years	267	958	267	–
	39,107	38,087	28,695	24,003

32 Contingent liabilities

Guarantees

The Company has provided corporate guarantees to banks for loans amounted to $3,069,000 (2011: $14,292,000) and $1,086,000 (2011: $1,700,000) taken by subsidiaries and an associate respectively. The loans are repayable within the next 12 months.

33 Segment information

Reporting format

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

Geographical segments

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

Business segment

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

Allocation basis and transfer pricing

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

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

33 Segment information (cont'd)

Geographical segments

The following table presents revenue, capital expenditure and certain assets and liabilities information regarding the Group's geographical segments as at and for the years ended 31 March 2012 and 2011.

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	Group $'000
2012						
Segment revenue:						
Sales to external customers	522,808	84,201	607,009	–		607,009
Inter-segment sales	54	1,437	1,491	(1,491)	A	–
Interest income	741	145	886	–		886
Other income	4,367	114	4,481	(596)	B	3,885
Total revenue and other income	527,970	85,897	613,867	(2,087)		611,780
Segment results:						
Segment results	55,342	13,200	68,542	(506)	C	68,036
Finance costs						(316)
Fair value gain on investment properties						1,107
Impairment loss on investment security						(659)
Share of results of an associate						1,170
Profit before taxation						69,338
Taxation						(13,171)
Profit for the year						56,167
Other segment information:						
Segment assets	298,586	55,482	354,068	–		354,068
Investment in an associate	3,864	–	3,864	–		3,864
Unallocated corporate assets						786
						358,718
Segment liabilities	38,961	6,329	45,290	–		45,290
Unallocated corporate liabilities						11,140
						56,430
Capital expenditure for the year	3,855	61	3,916	–		3,916
Depreciation	5,431	422	5,853	–		5,853

33 Segment information (cont'd)

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	Group $'000
2011						
Segment revenue:						
Sales to external customers	439,164	78,453	517,617	–		517,617
Inter-segment sales	59	246	305	(305)	A	–
Interest income	366	7	373	–		373
Other income	11,243	607	11,850	(8,006)	B	3,844
Total revenue and other income	450,832	79,313	530,145	(8,311)		521,834
Segment results:						
Segment results	50,218	11,017	61,235	(8,485)	C	52,750
Finance costs						(552)
Fair value gain on investment properties						1,370
Share of results of an associate						715
Profit before taxation						54,283
Taxation						(11,102)
Profit for the year						43,181
Other segment information:						
Segment assets	264,396	46,812	311,208	–		311,208
Investment in an associate	2,788	–	2,788	–		2,788
Unallocated corporate assets						513
						314,509
Segment liabilities	39,094	8,563	47,657	–		47,657
Unallocated corporate liabilities						9,391
						57,048
Capital expenditure for the year	11,245	853	12,098	–		12,098
Depreciation	3,927	454	4,381	–		4,381

33 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.

	2012	**2011**
	$'000	$'000
Profit from inter-segment sales	(8)	(3)
Inter-company expenses	98	24
Inter-company dividends	(596)	(8,006)
Write-back on impairment loss on investment in subsidiaries	–	(500)
Total	(506)	(8,485)

34 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.

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

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 end of the reporting period, if the interest of the floating rate loans and borrowings had been 100 (2011: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been $17,000 (2011: $95,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

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

Foreign currency risk

The Group has transactional currency exposure arising from purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Swiss 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 end of the reporting period, such foreign currency balances amounted to $913,000 and $378,000 (2011: $1,022,000 and $725,000) for the Group and the Company respectively.

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

Sensitivity analysis for foreign currency risk

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

	Group	
	2012 Profit net of tax $'000	**2011 Profit net of tax** $'000
CHF		
- strengthened 3% (2011: 4%)	(5)	(34)
- weakened 3% (2011: 4%)	5	34
AUD		
- strengthened 1% (2011: 4%)	1	10
- weakened 1% (2011: 4%)	(1)	(10)

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 statements of financial position as available-for-sales financial assets.

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

Other price risk (cont'd)

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 end of the reporting period, if the market price of the investment security had been 10% (2011: 10%) higher/lower with all other variables held constant, the Group's fair value adjustment reserve in equity would have been $78,000 (2011: $124,000) 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 2012, the Group has available cash and cash equivalents totalling approximately $53.7 million (2011: $50.7 million) to finance its operations.

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

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

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

***Liquidity risk* (cont'd)**

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

	2012			2011		
	One year or less $'000	One to five years $'000	Total $'000	One year or less $'000	One to five years $'000	Total $'000
Group						
Financial assets						
Loan to an associate	–	2,456	2,456	–	2,498	2,498
Trade and other receivables	17,393	5,637	23,030	15,950	5,330	21,280
Amount due from an associate	170	–	170	866	–	866
Cash and cash equivalents	53,701	–	53,701	50,708	–	50,708
Total undiscounted financial assets	71,264	8,093	79,357	67,524	7,828	75,352
Financial liabilities						
Trade and other payables	26,435	–	26,435	21,132	–	21,132
Loans and borrowings	3,078	–	3,078	14,328	–	14,328
Total undiscounted financial liabilities	29,513	–	29,513	35,460	–	35,460
Total net undiscounted financial assets	41,751	8,093	49,844	32,064	7,828	39,892
Company						
Financial assets						
Loan to a subsidiary	–	8,936	8,936	–	–	–
Trade and other receivables	10,538	1,945	12,483	9,879	1,671	11,550
Amount due from subsidiaries	5,292	–	5,292	3,962	–	3,962
Cash and cash equivalents	5,598	–	5,598	13,267	–	13,267
Total undiscounted financial assets	21,428	10,881	32,309	27,108	1,671	28,779
Financial liabilities						
Trade and other payables	13,691	–	13,691	11,238	–	11,238
Amount due to subsidiaries	10	–	10	16	–	16
Total undiscounted financial liabilities	13,701	–	13,701	11,254	–	11,254
Total net undiscounted financial assets	7,727	10,881	18,608	15,854	1,671	17,525

34 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 end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (investment security) and Note 19 (trade and other receivables).

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

35 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.

(a) Fair value of financial instruments that are carried at fair value

During the year, the Group has carried its other receivables at its fair values as required by FRS 39. Available-for-sale financial assets (Note 18) amounted to $783,000 (2011: $1,236,000).

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following level:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Determination of fair value

Quoted equity instruments (Note 18): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

(b) Financial instruments whose carrying amounts approximate fair values

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from/(to) subsidiaries, amount due from an associate, trade and other payables and loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

36 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.

37 Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2012 were authorised for issue in accordance with a resolution of the Directors on 31 May 2012.

STATISTICS OF SHAREHOLDINGS AS AT 1 JUNE 2012

Number of Shares : 235,003,960
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	149	8.41	65,030	0.03
1,000 - 10,000	1,107	62.51	5,303,394	2.26
10,001 - 1,000,000	493	27.84	24,277,253	10.33
1,000,001 and above	22	1.24	205,358,283	87.38
Total :	**1,771**	**100.00**	**235,003,960**	**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 1 June 2012, approximately 36.53% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public.

SUBSTANTIAL SHAREHOLDERS

(AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name	No. of Shares Direct	%	No. of Shares Deemed	%
TYC Investment Pte Ltd	95,908,974	40.81	12,379,423 ①	5.27
Key Hope Investment Limited	15,247,310	6.49	-	-
Swanson Pte Ltd	12,379,423	5.27	-	-
Dr Henry Tay Yun Chwan	13,315,246	5.67	123,535,707 ②	52.57
Dato' Dr Jannie Chan Siew Lee	9,399,826	4.00	108,288,397 ③	46.08

① TYC Investment Pte Ltd's deemed interests arise from its interest in Swanson Pte Ltd.

② Dr Henry Tay Yun Chwan's deemed interests arise from his interests in TYC Investment Pte Ltd, Swanson Pte Ltd and Key Hope Investment Limited.

③ Dato' Dr Jannie Chan Siew Lee's deemed interests arise from her interests in TYC Investment Pte Ltd and Swanson Pte Ltd.

TWENTY LARGEST SHAREHOLDERS AS AT 1 JUNE 2012

No.	Name	No. of Shares	%
1	TYC Investment Pte Ltd	89,374,412	38.03
2	HSBC (Singapore) Nominees Pte Ltd	20,692,413	8.81
3	Key Hope Investment Limited	15,247,310	6.49
4	Henry Tay Yun Chwan	13,315,246	5.67
5	United Overseas Bank Nominees Pte Ltd	11,915,880	5.07
6	DBS Nominees Pte Ltd	7,781,647	3.31
7	Lim & Tan Securities Pte Ltd	6,650,794	2.83
8	Oversea-Chinese Bank Nominees Pte Ltd	6,534,562	2.78
9	Swanson Pte Ltd	5,590,598	2.38
10	CIMB Securities (S'pore) Pte Ltd	4,663,694	1.98
11	Siong Lim Private Limited	4,570,000	1.94
12	Phillip Securities Pte Ltd	3,987,794	1.70
13	Ong Yek Siang	2,039,241	0.87
14	Citibank Nominees S'pore Pte Ltd	1,876,845	0.80
15	OCBC Nominees Singapore Pte Ltd	1,804,223	0.77
16	Bank of Singapore Nominees Pte Ltd	1,770,320	0.75
17	UOB Kay Hian Pte Ltd	1,731,825	0.74
18	DB Nominees (Singapore) Pte Ltd	1,435,000	0.61
19	Sik Ley Boy	1,210,000	0.51
20	Jen Shek Chuen	1,099,479	0.47
	Total :	**203,291,283**	**86.51**

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