



THE HOUR GLASS

ANNUAL REPORT 2013

CORPORATE DIRECTORY

DIRECTORS

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
 Ms Saw Phaik Hwa

Executive Chairman
 Executive Vice Chairman
 Group Managing Director
 Executive Director
 Independent Non-Executive Director
 Independent Non-Executive Director
 Independent Non-Executive Director
 Independent Non-Executive Director

AUDIT COMMITTEE

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

Chairman

REMUNERATION COMMITTEE

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

Chairman

NOMINATING COMMITTEE

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

Chairman

COMPANY SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

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 Tong Building
 Singapore 238862
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 Email address : info@thehourglass.com
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 Co. Registration : 197901972D

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 From Left:
Ms Saw Phaik Hwa, Dato' Dr Jannie Chan

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

BOARD OF DIRECTORS

DR HENRY TAY YUN CHWAN **EXECUTIVE CHAIRMAN**

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

Dr Tay graduated with a MBBS (Honours) from Monash University, Melbourne and prior to 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 public service awards including the Friends of MCDS (Ministry of Community Development and Sports) Award in 2002 and the President's Social Service Award in August 2005.

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

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

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.

BOARD OF DIRECTORS

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

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

MR 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 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 Nominating and Remuneration Committees.

Mr Demierre is a Managing Director of the Halcyon Group and is a Non-Executive Director of Halcyon Agri Corporation Limited. 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.

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

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

Ms Saw is the Group Chief Executive Officer of Auric Pacific Group Limited. She serves as a Director in Food Junction Holdings Ltd and The Esplanade Co. Ltd, and a Board Member of Singapore Management University and Tan Tock Seng Hospital Community Charity Fund. She is also the First Vice Chairman of Singapore Wushu Dragon and Lion Dance Federation and President of the Singapore Jian Chuan Tai Chi Chuan Physical Culture Association. She was formerly the Chief Executive Officer of SMRT Corporation Limited. Prior to that, she was President for DFS South East Asia.

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

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

	FY2013	FY2012 (Restated) ¹	FY2011	FY2010	FY2009
FINANCIAL RESULTS	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	601,936	607,009	517,617	483,662	439,916
Operating profit ²	64,710	68,890	52,913	38,846	36,619
Profit before taxation	65,879	69,338	54,283	41,685	21,444
Profit after tax	54,331	56,209	43,181	33,478	13,436
EBITDA ²	70,122	74,172	57,488	42,303	40,013
FINANCIAL POSITIONS	\$'000	\$'000	\$'000	\$'000	\$'000
Net asset value	330,636	294,739	249,580	216,543	182,902
Stocks	265,742	230,954	190,742	159,008	145,957
Cash and cash equivalents	79,536	53,701	50,708	50,452	42,117
Loans and borrowings	41,198	3,069	14,292	14,186	15,511
Free cash flow ³	1,505	24,949	8,549	14,962	16,437
FINANCIAL RATIOS					
Gross margin (%)	23.9	24.1	22.4	20.1	21.5
Operating margin (%) ²	10.8	11.3	10.2	8.0	8.3
Net margin (%) ⁴	9.0	9.4	8.3	6.9	6.3
Stock turn ratio	1.7	2.0	2.1	2.4	2.4
Debt / equity ratio (%)	12.5	1.0	5.7	6.6	8.5
Earnings per share (cents)	22.49	23.33	18.10	14.08	11.60
Net asset value per ordinary share (\$)	1.41	1.25	1.07	0.93	0.79

1. FY2012 figures were restated due to adoption of Amendments to FRS12 Deferred Tax: Recovery of Underlying Assets.

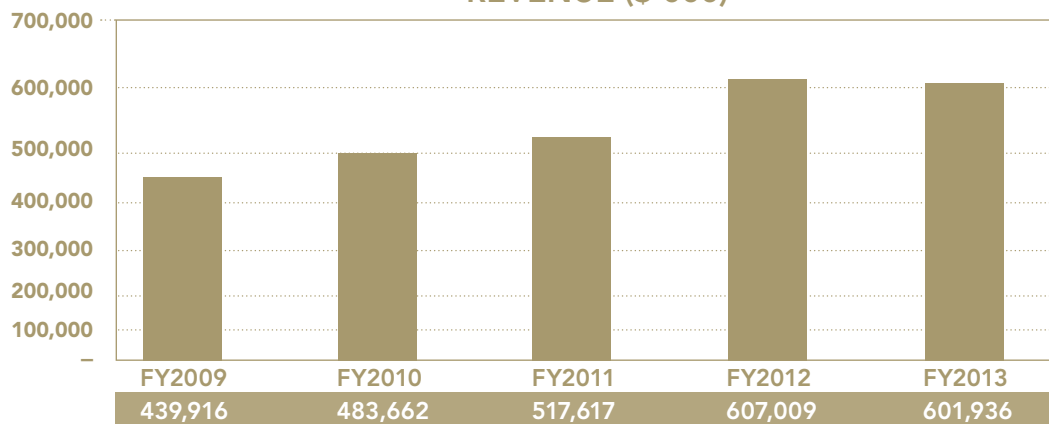
2. Excluding impairment loss on investment securities and fair value adjustment on investment properties.

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

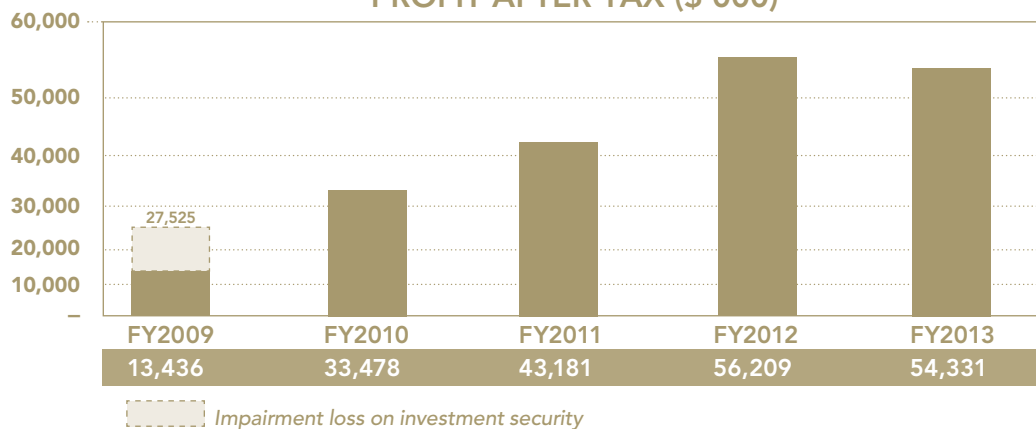
4. Excluding impairment loss on investment securities.

FINANCIAL HIGHLIGHTS

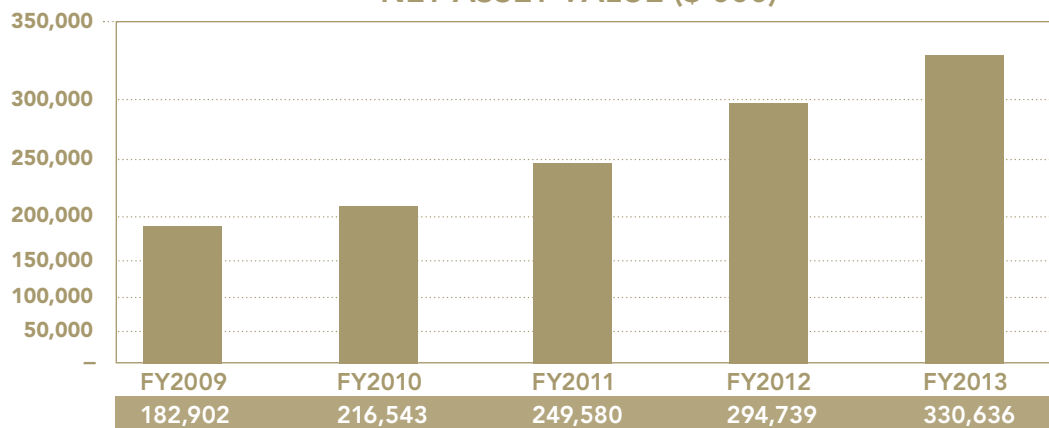
REVENUE (\$'000)



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,

For the financial year ended 31 March 2013, the Group registered a marginal decline in sales of 1% to \$601.9 million with profit-after-tax contracting 3% to \$54.3 million. After three consecutive years of growth, these results, though flat, required a Herculean effort in its achievement against a market backdrop that can only be characterised as marsh-like. Progress was slow, uncomfortably sluggish, but with dogged persistence we eventually got there.

We pride our fostering of a robust balance sheet and this year is no exception with cash and cash equivalents ending at \$79.5 million with a net cash balance of \$38.3 million. Our free cash flow dipped to \$1.5 million, the foreseen consequence of executing our strategic roadmap. During the year, an aggregate \$48.0 million was re-invested into the construction of new stores and the renovation of existing ones, the start-up of our Laduree franchise, the acquisition of a warehouse facility in Singapore and the increase in our working capital of which \$36.6 million was deployed primarily into inventories to match our planned network expansion. This deliberate scaling of inventories was carried over from the previous financial year. By August 2012 however, we had determined the fundamentals of the luxury watch market was deteriorating and took immediate rightsizing action, reducing the number of inventory days from 236 days to 211 days by the financial year end. This translated into a stock turnover of 1.7 times. With fewer new multi-brand store openings on the horizon and a reversion to a more cautious posture, especially with regard to our inventory pool, we are confident of convalescing our capabilities to generate more free cash in the coming year.

On a consolidated net asset basis, our corporate net worth increased by \$35.9 million to \$330.6

million or \$1.41 per share. This represents a compounded annual growth rate of 12.6% in the Group's net asset value over the past five years. In view of our resilient though modestly compressed earnings, the Board of Directors is pleased to recommend a first and final dividend of 5.5 cents per ordinary share amounting to \$12.9 million.

BUSINESS REVIEW

We bounded into financial year 2013 sanguine and highly ebullient. The reality that we eventually faced was a market environment laced with languor and caution. There was a confluence of socio-political and economic factors that created a highly dynamic Asian landscape over the last twelve months. This impacted our Company's performance alongside the regional watch trade and broader luxury goods sector as well. Critically, the primary reasons that lie behind this period of softness can be attributed to the anxiety it has created amongst two of our major client groups - recalcitrant Singaporeans and mainland Chinese luxury consumers in retreat. A positive spark for the year was the landmark opening of our multiple brand watch, travel retail operation on Phuket Island, Thailand.

Sombre South-East Asians

Rising global financial markets and domestic property prices in 2012 did little in the way of injecting confidence into the shoppers from South-East Asia. Economic deceleration aggravated by regional currencies, runaway real estate values and rising business costs associated with a tight Singaporean labour market have all contributed to luxury retail sales losing momentum. In Singapore, one of The Hour Glass' core domestic customer segments are owners of small-and-medium sized enterprises, a group who are bearing the load of its

CHAIRMAN'S STATEMENT

present economic restructuring initiative. Since consumer spending is mainly funded by wages and profits of locally owned SMEs, it comes as little surprise that consumers have been paralysed into inaction.

China. China. China?

2012 witnessed a once in a decade transition of power in the middle kingdom. Combined with a synchronous global slowdown, the result of a Eurozone sovereign debt crisis and the stalling of domestic economic growth in China where its factories faced contracting orders and capacity utilisation falling to 60%, discretionary Chinese consumption for luxury automobiles, wine and watches began retracing. By August 2012, the luxury watch market in China witnessed a sharp retrenchment in demand, suffering its severest slowdown since the global recession hit in September 2008. An inventory glut in all channels and sectors began to build. By the end of that year, Swiss watch exports to the mainland only eeked out a 0.6% growth versus a 49.2% increase in 2011. As if to press home the point, the central government introduced tightening measures which included more diligent airport customs checks on returning Chinese travellers and a ban on the advertisement of luxury products on state-owned media. These actions were instituted in an effort to reduce conspicuous consumption by civil servants and state owned enterprises and to clampdown on the practice of gift giving. Recognised as China's leading luxury retail mall and parlayed as a barometer for luxury retail sales, Plaza 66 in Shanghai only saw a 4% rise in rental revenue for the year. This process of destocking and softer demand in China extended into 2013 where for the first four months to April, watch exports to Hong Kong and China saw a year-on-year decline of 9% and 25% respectively. Nevertheless, these two

markets combined still continue to account for over a quarter of global Swiss watch exports.

A recently inked bi-lateral Free Trade Agreement between Switzerland and China will have long term consequences for our business. Three key points were raised and agreed upon. In a soft transfer of knowledge, the Swiss government committed itself to establishing watchmaking schools as well as improving and expanding after-sales service facilities on the mainland whilst in exchange, the Chinese conceded on the reduction of duties levied on Swiss watch imports. All are market development efforts whose impact will be far reaching. More watchmakers and local service centres provide comfort to Chinese watch buyers by reducing service charges and lead times for repairs while lower tariffs should theoretically over time result in reduce retail prices. Presently, import duties levied on Swiss watches range between 11% to 15% on the landed cost of goods. What this agreement entails is an immediate 18% cut in duties and thereafter, a reduction of 5% a year for the next 9 years. By 2023, the tariffs on Swiss watches should be half of what it stands at today. This could potentially result in a reduction in retail prices by an absolute quantum of 2% to 4% when fully effective. However, no changes will be made to a pre-existing 20% consumption tax on duty paid cost of goods as well as a Value Added Tax of 17% on retail prices. In a separate announcement, the national development and reform commission indicated that moving forward, they may be considering implementing a luxury tax as part of their tax reform package. Optically, the Chinese have taken a step forward but have concurrently employed rear guard action to maintain a high threshold on prices of luxury goods in their market. Our view is that as long as the consumption tax remains at 20%, it is sufficient incentive for mainland luxury watch buyers to continue shopping abroad.

CHAIRMAN'S STATEMENT

Travel Retail

According to a 2012 luxury market study by Bain & Company, tourists now account for 40% of global luxury spending with customers from China superseding all other nationalities contributing as much as half of all luxury purchases in Asia and a third in Europe. It is therefore of strategic and commercial importance for our Group to closely monitor the developments of this recent policy shift on the reduction of import duties on Chinese' overseas purchasing behaviours because Chinese shoppers account for approximately 20% of our Group sales. This does not include the share of revenues derived from our Thai joint venture which in December 2012, opened its doors to Royal Paragon Watch, an 8,000 square feet, dedicated multiple brand watch travel retail concept in Phuket, Thailand.

Phuket island is a high yield tourism market, and markedly so when compared to Bangkok. Average room rates in this resort town are double that of Bangkok and with no visa restrictions to entry, annual visitorship of both Chinese and Russians are growing at triple digit rates. Inbound tourism to Phuket is expected to hit 5.7 million visitors by 2015. With a new airport underway, an increasing frequency of direct scheduled and chartered flights from key Chinese cities, an average 5-day stay, Phuket is the 3rd most popular destination after Hong Kong and Seoul for the Chinese during their Spring golden week vacation. For the initial six months of operations since inception, Royal Paragon Watch has welcomed over 230,000 visitors, 81% of which hail from the mainland. Already accretive to the bottom line and cash flow positive, we believe our first mover advantage in the burgeoning tourism market of Phuket will allow us to plant a secure foothold in the market before competition descends. Our most significant moat

in this business though is our local partner who owns and controls over a hundred tour buses that operate on Phuket island, ensuring a reliable daily pipeline of visitors to our complex. Fully optimised, we believe Royal Paragon Watch should have the capacity to receive more than 600,000 visitors a year.

OUTLOOK

In our business, there is no full stop. Dealing with the aspirational and the wealthy requires a different management discipline; you are on call, all the time! It is a 24/7 undertaking in sales and service fulfilment. So, after three consecutive years of particularly strong growth, a year that allowed for operations to consolidate is always welcome. It provides us with an opportunity to assess our past actions and determine if correct choices were made when advancing the business and if any alterations to our course are required. Particularly so when the Group is transitioning from a strategy focused mode to an increasingly operationally intensive one. One where the aggregation of marginal gains will have to be our management focus. In this regard, a key area which we will continue scrutinising are our inventory assets.

Trade Inventory Levels

Inventory levels in retail channels remain high with 6 of the leading Asian listed watch retailers reporting in-store inventories increasing by a total of \$1.0 billion over the last 24 months. Destocking pressure for the luxury and specialty segment has intensified and inventory rightsizing is underway. Inevitably, this will result in gross margin compression till such time this overhang clears up and demand strengthens once again. Having analysed the inventory position of one of the industry's leading industrial watch groups, what is

CHAIRMAN'S STATEMENT

evident is that production activity may also be retracing. For their financial year ending 2012, inventory of finished goods had risen by 38%, semi-finished goods up by 18% whilst stock of work-in-progress declined 13% from the year before. This I view as positive news because it demonstrates that the manufacturer is cognisant of the inventory build-up and is taking action to alleviate that pressure from escalating in the retail channels.

Mono-brand Boutiques

We have invested heavily in expanding and refreshing our network and will continue to do so this coming year with the opening of two more mono-brand boutiques at The Shoppes at Marina Bay Sands; namely Ulysse Nardin and Parmigiani Fleurier. Both are specialty watch brands distributed and retailed exclusively by The Hour Glass in South East Asia. We have also pushed further into new business lines the likes of Laduree. With the initial success of our two points of sales in Takashimaya shopping centre in Singapore reverberating around the region, we are assessing roll-out opportunities that have been presenting themselves in other South East Asian cities. I would like to highlight that one defining denominator which aligns all these three brands; Ulysse Nardin, Parmigiani Fleurier and Laduree - are that they are all independently owned, family enterprises.

Family Enterprises

The Hour Glass is a publicly listed company with all the attributes of one including high standards of corporate governance but it too can be classified as a family enterprise. We enjoy collaborating with other independently owned businesses because we share similar values, primarily a desire to develop long term partnerships. We are also unwilling to gamble the farm because we prize sustainability over disruption and though it may make us less

adventurous than our competitors, during times of drought, we continue harvesting. At times, we engage members of our immediate and extended family in the Company. It is a good thing, especially when stakeholder relationships are generational. But we need competent members of the family who are placed in their position based on merit and I can assure you, the standards that we hold them to are higher than others. The buffet table may be laid out but from where I sit, there are certainly no free lunches.

ACKNOWLEDGEMENTS

It has been said that our lives are measured by the footprints we leave behind, the courses we chart, the example for others to follow. In 1979, we embarked on a journey that has led us from a start-up staff count of 8 operating in a single store in Singapore to an organisation of over 430 retail professionals spread across 28 stores and growing. Along the way, we blazed new trails, accomplishing much but also faced our share of tough learning experiences. Through it all, we have relentlessly and implacably forged our way forward by refusing to capitulate to the status quo. We do so because of our desire to improve, to excel and build a great company. Building a great company is not a matter of chance, it is a matter of choice. It is not something we can wait for, it is something we can achieve. And this endless task cannot be achieved alone.

On that note, I wish to extend my humble appreciation and heartfelt gratitude to my fellow board members who have at all times, provided stewardship, raised the appropriate issues and asked the right questions. I also wish to welcome our newest member to join the board, Ms Saw Phaik Hwa, CEO of Auric Pacific Group Limited. Prior to

CHAIRMAN'S STATEMENT

heading the Auric Pacific Group, Phaik Hwa was CEO of SMRT Corporation Limited and President of DFS South East Asia, a member of LVMH's selective retailing division. Phaik Hwa brings with her over three decades of retail and operational experience and I am certain her contributions will be felt in the coming years. To our clients, business and brand partners, your continuous encouragement and support is treasured and to my associates and management teams, I am deeply humbled by your industry and commitment towards The Hour Glass.

In closing, I wish to leave you with this. Companies are not judged by what they say but by what they do and how they go about doing it. The Hour Glass extols this belief and our aim is to continue building

an even stronger culture of excellence at all levels within the organisation. This is a maxim I live by and one that is also exemplified by hundreds of our employees each and every day. My promise to you fellow shareholders, is that we will work with resolve to accomplish this mission.

HENRY TAY YUN CHWAN

Executive Chairman

31 May 2013

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 2013.

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

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

CORPORATE GOVERNANCE

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-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 nine members, consisting of five 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, retail and commercial backgrounds. This enables the executive directors and management to benefit from their external and objective perspectives of issues that are brought before the Board. It also provides a broad spectrum of business acumen and skill sets to help shape the strategic process, 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	69	11 Aug 1979	15 Jul 2011
Dato' Dr Jannie Chan Siew Lee	68	11 Aug 1979	18 Jul 2012
Dr Kenny Chan Swee Kheng	60	1 Apr 2004	18 Jul 2012
Mr Michael Tay Wee Jin	38	15 Aug 2005	15 Jul 2011
Mr Robert Tan Kah Boh	68	18 Nov 1999	18 Jul 2012
Mr Philip Eng Heng Nee	67	1 Oct 2009	16 Jul 2010
Mr Kuah Boon Wee	46	1 Apr 2011	15 Jul 2011
Mr Demierre Pascal Guy Chung Wei	39	1 Apr 2011	15 Jul 2011
Ms Saw Phaik Hwa	58	1 Sep 2012	—

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 principal functions of the Nominating Committee ("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 independence of Board members who serve as independent directors. Independent directors are required to notify the NC promptly of any relationships or circumstances which arise that are likely to affect, or could appear to affect, the director's independence.

The NC is also responsible for reviewing the structure, size and composition of the Board and Board Committees. The selection of candidates for new appointments to the Board as part of the Board's renewal process 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.

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

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

CORPORATE GOVERNANCE

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

LEVEL AND MIX OF REMUNERATION

Principle 8: *The level of remuneration should be 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. All of the RC members are independent non-executive directors. The RC is chaired by Mr Robert Tan. The RC met three times during the financial year.

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

The RC's terms of reference do not include the annual review and recommendation of the fees for non-executive directors of the Company (to be put to shareholders in annual general meeting for approval), which is a Board

reserved matter. Such fees are set in accordance with a remuneration framework comprising basic fees, attendance fees and additional fees for serving on Board committees. Executive directors do not receive directors' fees.

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

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.

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

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

The Company is committed to providing a balanced and clear assessment of the Group's performance, financial position and prospect through timely reporting of its quarterly and full year results. The Company has in place a system of reporting to maintain compliance with statutory

CORPORATE GOVERNANCE

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.

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 Ms Saw Phaik Hwa. Ms Saw was appointed a member of the AC on 1 September 2012. Mr Pascal Demierre was a member of the AC until 31 August 2012. 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 62 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.

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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 33 to the financial statements, at page 87 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 were adequate as at 31 March 2013 to address financial, operational and compliance risks, which the Group considers relevant and material to its operations.

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.

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

CORPORATE GOVERNANCE

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, which include relevant comments and queries from shareholders, and makes these minutes available to shareholders upon their request.

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DISCLOSURE OF REMUNERATION

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

The fees proposed to be paid to non-executive directors for FY2013 have been determined based on the same formula applied in the previous year, as follows:

	FY2013 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	10,000
Member	5,000

SUMMARY COMPENSATION TABLES

– FINANCIAL YEAR ENDED 31 MARCH 2013

(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	<i>Group Managing Director</i>	21	78	-	1	100
\$2,000,000 to below \$2,250,000						
Mr Michael Tay Wee Jin	<i>Executive Director</i>	22	75	-	3	100
\$1,250,000 to below \$1,500,000						
Dr Henry Tay Yun Chwan	<i>Executive Chairman</i>	24	74	-	2	100
Dato' Dr Jannie Chan Siew Lee	<i>Executive Vice Chairman</i>	22	68	-	10	100
Below \$250,000						
Mr Robert Tan Kah Boh	<i>Independent Director</i>	-	-	100	-	100
Mr Philip Eng Heng Nee	<i>Independent Director</i>	-	-	100	-	100
Mr Kuah Boon Wee	<i>Independent Director</i>	-	-	100	-	100
Mr Demierre Pascal Guy Chung Wei	<i>Independent Director</i>	-	-	100	-	100
Ms Saw Phaik Hwa ^	<i>Independent Director</i>	-	-	100	-	100

* Salary includes employer's CPF contribution.

Accrued for FY2013.

^ Ms Saw Phaik Hwa was appointed to the Board on 1 September 2012.

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(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	FY2013
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 2013

Board composition & Committees	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held	4	4	3	1
	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended
Dr Henry Tay Yun Chwan	4	NA	NA	NA
Dato' Dr Jannie Chan Siew Lee	4	NA	NA	0
Dr Kenny Chan Swee Kheng	4	NA	NA	1
Mr Michael Tay Wee Jin	4	NA	NA	NA
Mr Robert Tan Kah Boh	4	NA	3	1
Mr Philip Eng Heng Nee	4	4	3	NA
Mr Kuah Boon Wee	4	4	NA	1
Mr Demierre Pascal Guy Chung Wei #	4	2	3	1
Ms Saw Phaik Hwa ^	1	1	NA	NA

NA means not applicable.

Mr Pascal Demierre was a member of the Audit Committee until 31 August 2012.

^ Ms Saw Phaik Hwa was appointed to the Board and the Audit Committee on 1 September 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 2013 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)	\$3,400,000*	Not applicable – the Company does not have a shareholders' mandate pursuant to Rule 920

* Purchase consideration of leasehold property acquired by the Company from Amstay Pte Ltd.

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 2013 and the statement of financial position and statement of changes in equity of the Company as at 31 March 2013.

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

Ms Saw Phaik Hwa

(appointed on 1 September 2012)

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:

Name of director	Direct interest		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Henry Tay Yun Chwan	13,315,246	13,315,246	123,535,707	123,535,707
Jannie Chan Siew Lee	9,399,826	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 2013.

By virtue of Section 4 of the Singapore Securities and Futures Act, Chapter 289, 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	
Ms Saw Phaik Hwa	(appointed on 1 September 2012)

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

- (a) the evaluation of the Group's system of internal accounting controls;
- (b) the Group's financial and operating results;
- (c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors;
- (d) the audit plan of the external 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.

Auditor

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

On behalf of the Board of Directors,

Henry Tay Yun Chwan
Executive Chairman

Kenny Chan Swee Kheng
Group Managing Director

Singapore
31 May 2013

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 2013 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 2013

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2013

INDEPENDENT AUDITOR'S REPORT 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 93, which comprise the statements of financial position of the Group and the Company as at 31 March 2013, 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 judgement, 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 2013 and 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 2013

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 \$'000	2012 \$'000 (Restated)
Revenue	4	601,936	607,009
Other income	5	5,822	4,771
Total revenue and other income		607,758	611,780
Cost of goods sold		458,279	460,654
Salaries and employees benefits		37,226	40,264
Depreciation of property, plant and equipment	12	5,872	5,853
Selling and promotion expenses		14,765	13,650
Rental expenses		18,743	15,087
Finance costs	6	488	316
Foreign exchange loss		136	67
Impairment loss on investment securities	18	785	659
Other operating expenses	7	7,461	7,062
Total costs and expenses		(543,755)	(543,612)
Share of results of associates		1,876	1,170
Profit before taxation	8	65,879	69,338
Taxation	9	(11,548)	(13,129)
Profit for the year		54,331	56,209
Profit attributable to:			
Owners of the Company		52,841	54,753
Non-controlling interests		1,490	1,456
		54,331	56,209
Earnings per share (cents)			
Basic and diluted	11	22.49	23.33

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 2013

	2013 \$'000	2012 \$'000 (Restated)
Profit for the year	54,331	56,209
Other comprehensive income:		
Net change in fair value of investment security	–	(453)
Net surplus on revaluation of investment properties	–	69
Foreign currency translation	(3,441)	(458)
Other comprehensive loss for the year, net of tax	(3,441)	(842)
Total comprehensive income for the year	50,890	55,367
Total comprehensive income attributable to:		
Owners of the Company	49,997	53,923
Non-controlling interests	893	1,444
	50,890	55,367

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013

	Note	Group			Company		
		31.3.13	31.3.12	1.4.11	31.3.13	31.3.12	1.4.11
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
			(Restated)	(Restated)		(Restated)	(Restated)
Assets							
Non-current assets							
Property, plant and equipment	12	29,218	22,248	25,076	14,120	13,448	14,655
Investment properties	13	19,434	20,629	18,739	12,126	9,100	8,850
Investment in subsidiaries	14	–	–	–	20,459	20,459	20,459
Investment in associates	15	5,976	3,864	2,788	–	–	–
Loan to subsidiaries	16	–	–	–	8,842	8,000	–
Loan to an associate	17	2,738	2,023	2,084	–	–	–
Investment securities	18	25	783	1,236	–	783	1,236
Other receivables	19	5,713	5,637	5,330	2,365	1,945	1,671
Deferred tax assets	20	1,171	786	715	–	–	202
		<u>64,275</u>	<u>55,970</u>	<u>55,968</u>	<u>57,912</u>	<u>53,735</u>	<u>47,073</u>
Current assets							
Stocks	21	265,742	230,954	190,742	155,222	141,582	117,340
Trade and other receivables	19	20,373	17,393	15,950	11,716	10,538	9,879
Prepaid operating expenses		504	530	477	242	292	275
Amount due from associates	22	51	170	866	–	–	–
Amounts due from subsidiaries	23	–	–	–	3,426	5,276	3,946
Cash and cash equivalents	28	79,536	53,701	50,708	32,757	5,598	13,267
		<u>366,206</u>	<u>302,748</u>	<u>258,743</u>	<u>203,363</u>	<u>163,286</u>	<u>144,707</u>
Total assets		<u>430,481</u>	<u>358,718</u>	<u>314,711</u>	<u>261,275</u>	<u>217,021</u>	<u>191,780</u>
Equity and liabilities							
Current liabilities							
Loans and borrowings	24	41,198	3,069	14,292	38,000	–	–
Trade and other payables	25	40,472	41,995	33,068	22,731	26,365	21,087
Amounts due to subsidiaries	23	–	–	–	–	10	16
Provision for taxation		8,151	9,602	8,111	5,348	7,523	5,802
		<u>89,821</u>	<u>54,666</u>	<u>55,471</u>	<u>66,079</u>	<u>33,898</u>	<u>26,905</u>
Net current assets		<u>276,385</u>	<u>248,082</u>	<u>203,272</u>	<u>137,284</u>	<u>129,388</u>	<u>117,802</u>
Non-current liabilities							
Provisions		283	133	145	–	–	–
Deferred income		7	93	152	–	–	–
Deferred tax liabilities	20	95	14	–	95	14	–
		<u>385</u>	<u>240</u>	<u>297</u>	<u>95</u>	<u>14</u>	<u>–</u>
Total liabilities		<u>90,206</u>	<u>54,906</u>	<u>55,768</u>	<u>66,174</u>	<u>33,912</u>	<u>26,905</u>
Net assets		<u>340,275</u>	<u>303,812</u>	<u>258,943</u>	<u>195,101</u>	<u>183,109</u>	<u>164,875</u>
Equity attributable to owners of the Company							
Share capital	26	67,638	67,638	66,826	67,638	67,638	66,826
Reserves	27	262,998	227,101	184,236	127,463	115,471	98,049
		<u>330,636</u>	<u>294,739</u>	<u>251,062</u>	<u>195,101</u>	<u>183,109</u>	<u>164,875</u>
Non-controlling interests		<u>9,639</u>	<u>9,073</u>	<u>7,881</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total equity		<u>340,275</u>	<u>303,812</u>	<u>258,943</u>	<u>195,101</u>	<u>183,109</u>	<u>164,875</u>
Total equity and liabilities		<u>430,481</u>	<u>358,718</u>	<u>314,711</u>	<u>261,275</u>	<u>217,021</u>	<u>191,780</u>

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Attributable to owners of the Company					Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Foreign currency translation reserve \$'000	Fair value adjustment reserve \$'000	Asset revaluation reserve \$'000	Revenue reserve \$'000			
Group								
Balance at 1 April 2011								
- As previously reported	66,826	3,194	(206)	2,532	177,234	249,580	7,881	257,461
- Effects of adopting amendments to FRS12 (Note 2.2)	–	(25)	–	500	1,007	1,482	–	1,482
- Restated opening balance	66,826	3,169	(206)	3,032	178,241	251,062	7,881	258,943
Profit for the year	–	–	–	–	54,753	54,753	1,456	56,209
Other comprehensive income	–	(446)	(453)	69	–	(830)	(12)	(842)
Total comprehensive income for the year	–	(446)	(453)	69	54,753	53,923	1,444	55,367
Issuance of new shares pursuant to scrip dividend scheme	812	–	–	–	–	812	–	812
Dividends on ordinary shares (Note 10)	–	–	–	–	(11,717)	(11,717)	–	(11,717)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(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 at 31 March 2012	67,638	2,536	–	3,101	221,464	294,739	9,073	303,812

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 2013 (cont'd)

	Attributable to owners of the Company						Total equity \$'000
	Share capital \$'000	Foreign currency translation reserve \$'000	Asset revaluation reserve \$'000	Revenue reserve \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	
Group							
Balance at 1 April 2012							
- As previously reported	67,638	2,561	2,601	220,415	293,215	9,073	302,288
- Effects of adopting amendments to FRS12 (Note 2.2)	–	(25)	500	1,049	1,524	–	1,524
- Restated opening balance	67,638	2,536	3,101	221,464	294,739	9,073	303,812
Profit for the year	–	–	–	52,841	52,841	1,490	54,331
Other comprehensive income	–	(2,844)	–	–	(2,844)	(597)	(3,441)
Total comprehensive income for the year	–	(2,844)	–	52,841	49,997	893	50,890
Dividends on ordinary shares (Note 10)	–	–	–	(14,100)	(14,100)	–	(14,100)
Dividends paid to non-controlling interests	–	–	–	–	–	(327)	(327)
Balance at 31 March 2013	67,638	(308)	3,101	260,205	330,636	9,639	340,275

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013 (cont'd)

	Share capital \$'000	Fair value adjustment reserve \$'000	Revenue reserve \$'000	Total equity \$'000
Company				
Balance at 1 April 2011				
- As previously reported	66,826	(206)	97,351	163,971
- Effects of adopting amendments to FRS12 (Note 2.2)	–	–	904	904
- Restated opening balance	66,826	(206)	98,255	164,875
Profit for the year	–	–	28,933	28,933
Other comprehensive income	–	(453)	–	(453)
Total comprehensive income for the year	–	(453)	28,933	28,480
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 at 31 March 2012	67,638	–	115,471	183,109
Balance at 1 April 2012				
- As previously reported	67,638	–	114,524	182,162
- Effects of adopting amendments to FRS12 (Note 2.2)	–	–	947	947
- Restated opening balance	67,638	–	115,471	183,109
Profit for the year	–	–	26,092	26,092
Total comprehensive income for the year	–	–	26,092	26,092
Dividends on ordinary shares (Note 10)	–	–	(14,100)	(14,100)
Balance at 31 March 2013	67,638	–	127,463	195,101

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 \$'000	2012 \$'000
Operating activities			
Profit before taxation		65,879	69,338
Adjustments for:			
Finance costs		488	316
Interest income		(948)	(886)
Investment income		(392)	–
Depreciation of property, plant and equipment		5,872	5,853
Net gain on disposal of property, plant and equipment		(281)	(148)
Fair value gain on investment properties		(1,954)	(1,107)
Foreign currency translation adjustment		(134)	(163)
Impairment loss on investment securities		785	659
Share of results of associates		(1,876)	(1,170)
Operating cash flows before changes in working capital		67,439	72,692
Increase in stocks		(36,602)	(40,465)
Increase in receivables		(3,716)	(1,727)
Decrease/(increase) in prepaid operating expenses		14	(53)
(Increase)/decrease in amount due from associates		(506)	671
(Decrease)/increase in payables		(981)	8,888
Cash flows from operations		25,648	40,006
Income taxes paid		(13,169)	(11,711)
Interest paid		(488)	(316)
Interest received		948	886
Net cash flows from operating activities		12,939	28,865
Investing activities			
Investment income		392	–
Proceeds from disposal of property, plant and equipment		451	371
Purchase of investment property		(1,820)	–
Purchase of property, plant and equipment		(9,614)	(3,916)
Net cash flows used in investing activities		(10,591)	(3,545)
Financing activities			
Proceeds from loans and borrowings		41,198	–
Repayment of loans and borrowings		(2,632)	(11,150)
Dividends paid on ordinary shares		(14,100)	(11,717)
Proceeds from issuance of shares pursuant to scrip dividend scheme		–	812
Dividends paid to non-controlling interests		(327)	(252)
Net cash flows from/(used in) financing activities		24,139	(22,307)
Net increase in cash and cash equivalents		26,487	3,013
Effect of exchange rate changes on cash and cash equivalents		(652)	(20)
Cash and cash equivalents at 1 April		53,701	50,708
Cash and cash equivalents at 31 March	28	79,536	53,701

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013

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 April 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as discussed below:

Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets

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. 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 previously provided 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 change in accounting policy has been applied retrospectively. Accordingly, the comparatives have been restated. The effects on the comparatives arising from the adoption of the Amendments to FRS 12 are as follows:

	Group 2012 \$'000 (Restated)
Consolidated income statement	
Decrease in taxation	(42)
Increase in profit for the year	42
Increase in profit attributable to owners of the Company	42
Increase in earnings per share (cents)	
- Basic and diluted	0.02

2.2 Changes in accounting policies (cont'd)

	Group		Company	
	31.3.2012	1.4.2011	31.3.2012	1.4.2011
	\$'000	\$'000	\$'000	\$'000
	(Restated)	(Restated)	(Restated)	(Restated)
Statements of financial position				
Increase in deferred tax assets	–	202	–	202
Decrease in deferred tax liabilities	(1,524)	(1,280)	(947)	(702)
Decrease in foreign currency translation reserve	(25)	(25)	–	–
Increase in asset revaluation reserve	500	500	–	–
Increase in revenue reserve	1,049	1,007	947	904

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 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 113 Fair Value Measurement	1 January 2013
Improvements to FRSs 2012	1 January 2013
– Amendment to FRS 1 Presentation of Financial Statements	1 January 2013
– Amendment to FRS 16 Property, Plant and Equipment	1 January 2013
– Amendment to FRS 32 Financial Instruments: Presentation	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 110, FRS 112 and FRS 27 Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities	1 January 2014
FRS 110, FRS 111 and FRS 112 Amendments to the transition guidance of FRS 110 Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities	1 January 2014

Except for the Amendments to FRS 1 and FRS 112, 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 1 and FRS 112 are described below.

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

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 income statement 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.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2015.

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.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit and loss are translated at the 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:

- 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.

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

(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 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 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.

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

2.7 *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 any accumulated impairment losses.

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

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

Freehold and leasehold premises	– 50 years
Furniture and equipment	– 2 to 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 which reflects market conditions at the end of the reporting period. 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 gain or loss 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 Associates

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 associates is accounted for using the equity method. Under the equity method, the investment in associate is carried 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 the profit attributable to equity holders of the associate and, therefore is the 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.

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

2.10 Associates (cont'd)

The financial statements of the associates 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.

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 or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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) 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 associates.

(b) Available-for-sale financial assets

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

Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. 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 in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in the income statement.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future 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.

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 been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying 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 expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income statement.

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

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.

(d) Investment income

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

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

2.25 Share capital and share issuance expenses

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

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

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have 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 2013, the amount of impairment loss recognised for available-for-sale financial assets was \$785,000 (2012: \$659,000).

(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		
	31.3.2013	31.3.2012	1.4.2011	31.3.2013	31.3.2012	1.4.2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		(Restated)	(Restated)		(Restated)	(Restated)
Deferred tax assets	1,711	786	715	–	–	202
Provision for taxation	8,151	9,602	8,111	5,348	7,523	5,802
Deferred tax liabilities	95	14	–	95	14	–

(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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) 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 2013 was \$29,218,000 (2012: \$22,248,000). 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 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 values of the aged inventory items with the respective net realisable values. The purpose is to ascertain whether any allowance is required to be made in the financial statements for slow-moving items. Management is satisfied that adequate allowance for inventory has been made in the financial statements. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 21 to the financial statements.

(d) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value of its investment properties as at 31 March 2013. The fair values of investment properties are determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. The determination of the fair value of the investment properties require the use of estimates such as future cash flows from assets (such as letting, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting date. The key assumptions used to determine the fair value of the investment properties are further explained in Note 13.

4 **Revenue**

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

5 Other income

	Group	
	2013	2012
	\$'000	\$'000
Rental income	1,087	1,055
Interest income from:		
- Loan to associates	148	145
- Cash at banks and short-term deposits	800	741
Management fee from associates	431	539
Net gain on disposal of property, plant and equipment	281	148
Fair value gain on investment properties	1,954	1,107
Investment income	392	–
Others	729	1,036
	<u>5,822</u>	<u>4,771</u>

6 Finance costs

	Group	
	2013	2012
	\$'000	\$'000
Interest on bank term loans	482	309
Interest on bank overdrafts	6	7
	<u>488</u>	<u>316</u>

7 Other operating expenses

	Group	
	2013	2012
	\$'000	\$'000
Facilities cost	3,283	2,998
Professional fees	900	1,025
General administrative expenses	3,278	3,039
	<u>7,461</u>	<u>7,062</u>

8 Profit before taxation

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

	Group	
	2013	2012
	\$'000	\$'000
Salaries and employees benefits (including executive directors):		
- salaries, bonuses and other costs	34,495	37,399
- provident fund contributions	2,681	2,815
- provision for retirement gratuity	50	50
Directors' fees	341	331
Audit fees:		
- auditors of the Company	170	152
- other auditors	182	146
Non audit fees:		
- auditors of the Company	93	38
- other auditors	37	44
Allowance for doubtful debts	45	38

9 TaxationMajor components of income tax expense

The major components of income tax expense for the years ended 31 March 2013 and 2012 are:

	Group	
	2013	2012
	\$'000	\$'000
		(Restated)
Consolidated income statement:		
Current income tax		
- Current income taxation	12,942	13,517
- Over provision in respect of previous years	(1,089)	(291)
	11,853	13,226
Deferred income tax		
- Origination and reversal of temporary differences (Note 20)	(305)	(97)
Income tax expense recognised in profit or loss	11,548	13,129
Statement of comprehensive income:		
Deferred tax expense related to other comprehensive income:		
- Net surplus on revaluation of premises (Note 20)	-	30

9 Taxation (cont'd)

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2013 and 2012 are as follow:

	2013 \$'000	Group 2012 \$'000 (Restated)
Profit before taxation	65,879	69,338
Tax calculated using Singapore corporate tax rate of 17% (2012: 17%)	11,199	11,787
Adjustments:		
Non-deductible expenses	287	405
Effect of different tax rates in other countries	2,397	2,451
Deferred tax (liabilities)/assets not recognised	(25)	10
Benefits from previously unrecognised tax losses	(5)	(526)
Non-taxable income	(546)	(99)
Effect of partial tax exemption and tax relief	(82)	(52)
Over provision in respect of previous years	(1,089)	(291)
Share of results of associates	(605)	(537)
Others	17	(19)
Taxation for the year	11,548	13,129

As at 31 March 2013, certain subsidiaries have unabsorbed tax losses of approximately \$669,000 (2012: \$708,000) 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.

10 Dividends

	Group and Company	
	2013	2012
	\$'000	\$'000
<i>Declared and paid during the year</i>		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2012: 6.00 cents (31 March 2011: 5.00 cents)	<u>14,100</u>	<u>11,717</u>
<i>Proposed but not recognised as a liability as at 31 March</i>		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2013: 5.50 cents (31 March 2012: 6.00 cents)	<u>12,925</u>	<u>14,100</u>

11 Earnings per share

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

	Group	
	2013	2012
	\$'000	\$'000
		(Restated)
Profit for the year attributable to owners of the Company	<u>52,841</u>	<u>54,753</u>
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	<u>235,004</u>	<u>234,695</u>

12 Property, plant and equipment

Group	Freehold premises \$'000	Leasehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
At 1 April 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 and 1 April 2012	13,847	–	26,824	1,681	42,352
Additions	304	1,677	7,273	360	9,614
Disposals/write-offs	–	–	(1,641)	(730)	(2,371)
Transfer from investment properties (Note 13)	–	4,880	–	–	4,880
Transfer to stocks (Note 21)	–	–	(2,410)	–	(2,410)
Foreign currency translation adjustment	(36)	–	(331)	1	(366)
At 31 March 2013	14,115	6,557	29,715	1,312	51,699
Accumulated depreciation:					
At 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 and 1 April 2012	4,486	–	14,661	957	20,104
Depreciation charge for the year	280	25	5,373	194	5,872
Disposals/write-offs	–	–	(1,636)	(565)	(2,201)
Transfer to stocks (Note 21)	–	–	(1,082)	–	(1,082)
Foreign currency translation adjustment	(9)	–	(203)	–	(212)
At 31 March 2013	4,757	25	17,113	586	22,481
Net carrying value:					
At 31 March 2013	9,358	6,532	12,602	726	29,218
At 31 March 2012	9,361	–	12,163	724	22,248

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

	Group	
	31.3.13	31.3.12
	\$'000	\$'000
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	2,995	3,010
294 square metres office unit at 70 Castlereagh Street, Sydney	2,276	2,288
318 square metres shop unit at 252 Collins Street, Melbourne	1,005	707
Malaysia		
116 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur	175	178
	<u>14,115</u>	<u>13,847</u>

(b) Leasehold premises (at cost)

Singapore		
564 square metres warehouse unit at Eunus Warehouse Complex at Kaki Bukit Road 2	1,677	–
Hong Kong		
202 square metres office unit at Starhouse, No. 3 Salisbury Road, Kowloon*	4,880	–
	<u>6,557</u>	<u>–</u>

- * On 31 March 2013, the property was transferred from investment property to leasehold premises at the fair value on the date of the transfer. The transfer was due to a change in the use of the property from leased out to owner occupied.

In 2012, a premise was revalued to its fair value, upon transferring to investment property. The Group has revalued the property up to the date of change in use. The Group has recorded the differences between the carrying 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 property being valued. The effects of the transfer are as follows:

	31.3.13	31.3.12
	\$'000	\$'000
Revalued amount as at the date of transfer	–	793
Net book value up to the date of change in use	<u>–</u>	<u>694</u>
Revaluation surplus	<u>–</u>	<u>99</u>
Deferred tax liabilities	<u>–</u>	<u>30</u>
Asset revaluation reserve	<u>–</u>	<u>69</u>

12 Property, plant and equipment (cont'd)

Company	Freehold premises \$'000	Leasehold premises \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
At 1 April 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 and 1 April 2012	7,664	–	17,312	1,333	26,309
Additions	–	1,677	3,672	361	5,710
Disposals/write-offs	–	–	(1,063)	(730)	(1,793)
Transfer to stocks (Note 21)	–	–	(2,410)	–	(2,410)
At 31 March 2013	7,664	1,677	17,511	964	27,816
Accumulated depreciation:					
At 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 and 1 April 2012	2,862	–	9,146	853	12,861
Depreciation charge for the year	152	17	3,240	132	3,541
Disposals/write-offs	–	–	(1,059)	(565)	(1,624)
Transfer to stocks (Note 21)	–	–	(1,082)	–	(1,082)
At 31 March 2013	3,014	17	10,245	420	13,696
Net carrying value:					
At 31 March 2013	4,650	1,660	7,266	544	14,120
At 31 March 2012	4,802	–	8,166	480	13,448

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

	Group		Company	
	31.3.13	31.3.12	31.3.13	31.3.12
	\$'000	\$'000	\$'000	\$'000
At 1 April	20,629	18,739	9,100	8,850
Additions	1,820	–	1,820	–
Gain from fair value adjustments recognised in income statement	1,954	1,107	1,206	250
Transfer from property, plant and equipment at revalued amount	–	793	–	–
Transfer to property, plant and equipment at fair value	(4,880)	–	–	–
Foreign currency translation adjustment	(89)	(10)	–	–
At 31 March	<u>19,434</u>	<u>20,629</u>	<u>12,126</u>	<u>9,100</u>

Income statement

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Rental income from investment properties	1,058	1,031	692	607
Direct operating expenses arising from investment properties that generated rental income	<u>222</u>	<u>184</u>	<u>61</u>	<u>31</u>

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

13 Investment properties (cont'd)

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on latest valuations performed near to the end of reporting period. The valuations are performed by accredited independent valuers with 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.

Transfer to property, plant and equipment

On 31 March 2013, the Group transferred an office unit that was held as investment property to owner-occupied property.

The investment properties held by the Group as at 31 March 2013 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
42 square metres unit at Centrepont situated at 176 Orchard Road, Singapore	Shop	Leasehold	65 years
114 square metres unit at Peninsula Plaza situated at 111 North Bridge Road, Singapore	Shop	Leasehold	815 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
612 square metres unit at Eunus Warehouse Complex at Kaki Bukit Road 2, Singapore	Warehouse	Leasehold	28 years

14 Investment in subsidiaries

	Company	
	31.3.13	31.3.12
	\$'000	\$'000
Shares, at cost	<u>20,459</u>	<u>20,459</u>

Details of the subsidiaries as at 31 March are:

Name of company/ principal activities		Country of incorporation	Percentage of equity held by the Group		Cost of investments	
			31.3.13 %	31.3.12 %	31.3.13 \$'000	31.3.12 \$'000
<i>Held by the Company</i>						
<i>Retailing and distribution of watches, jewellery and related products</i>						
①	Dynasty Watch Pte Ltd	Singapore	100	100	500	500
①	Glajz-THG Pte Ltd	Singapore	60	60	990	990
②	The Hour Glass Sdn Bhd	Malaysia	95	95	430	430
②	The Hour Glass (HK) Limited	Hong Kong	100	100	10,261	10,261
②	The Hour Glass (Australia) Pty Ltd	Australia	100	100	4,646	4,646
③	The Hour Glass Japan Ltd	Japan	100	100	3,630	3,630
<i>Investment holding</i>						
② ④	The Hour Glass Holding (Thailand) Co., Ltd	Thailand	49	49	2	2
					20,459	20,459

Held through subsidiaries

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

② THG (HK) Limited	Hong Kong	100	100
② ④ The Hour Glass (Thailand) Co., Ltd	Thailand	49	49

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 associates

	Group	
	31.3.13	31.3.12
	\$'000	\$'000
Unquoted shares, at cost	1,479	1,479
Share of post-acquisition reserves	4,396	2,520
Foreign currency translation adjustment	101	(135)
	<u>5,976</u>	<u>3,864</u>

Name of company / Principal activities	Country of incorporation	Proportion (%) of ownership interest	
		31.3.13	31.3.12
		%	%
Held through subsidiary			
① THG Prima Times Co., Ltd	Thailand	50	50
<i>Retailing and distribution of watches and related products</i>			
Held through associate			
① Royal Paragon Watch Limited			
<i>Retailing and distribution of watches and related products</i>	Thailand	60*	–
① Audited by Total Audit Solutions, Thailand.			
* The effective percentage of equity held by the Group is 30%.			

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

	31.3.13	31.3.12
	\$'000	\$'000
Assets and liabilities:		
Total assets	37,647	18,242
Total liabilities	<u>24,345</u>	<u>10,514</u>
Results:		
Revenue	51,675	39,239
Profit for the year	<u>3,797</u>	<u>2,340</u>

16 Loan to subsidiaries

Loan to subsidiaries are non-trade, unsecured, and is not expected to be repaid within the next twelve months. The loan bears interest ranging from 3.93% to 5.84% (2012: 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 7.00% to 7.13% (2012: 6.62% to 7.25%) per annum during the year.

18 Investment securities

	Group		Company	
	31.3.13	31.3.12	31.3.13	31.3.12
	\$'000	\$'000	\$'000	\$'000
Available-for-sale financial assets:				
Quoted equity shares				
At 1 April	783	1,236	783	1,236
Additions	27	–	–	–
Fair value loss transferred to other comprehensive income	–	(453)	–	(453)
Impairment loss on investment securities	(785)	–	(783)	–
At 31 March	<u>25</u>	<u>783</u>	<u>–</u>	<u>783</u>

Impairment loss

During the financial year, the Group recognised an impairment loss of \$785,000 (2012: \$659,000) on the carrying value of its quoted equity shares as the management does not expect the fair market value to be recovered due to the uncertain outlook of the investee company.

19 Trade and other receivables

	Note	Group		Company	
		31.3.13	31.3.12	31.3.13	31.3.12
		\$'000	\$'000	\$'000	\$'000
Trade and other receivables (current)					
Trade receivables		13,801	11,640	6,112	6,533
Goodwill compensation		326	347	316	347
Deposits		1,362	1,059	767	149
Recoverables and sundry debtors		4,875	4,337	4,513	3,499
Staff loans		9	10	8	10
		<u>20,373</u>	<u>17,393</u>	<u>11,716</u>	<u>10,538</u>
Other receivables (non-current)					
Deposits		<u>5,713</u>	<u>5,637</u>	<u>2,365</u>	<u>1,945</u>
Total trade and other receivables (current and non-current)		26,086	23,030	14,081	12,483
Add:					
- Loan to subsidiaries	16	–	–	8,842	8,000
- Loan to associate	17	2,738	2,023	–	–
- Amount due from associates	22	51	170	–	–
- Amounts due from subsidiaries	23	–	–	3,426	5,276
- Cash and cash equivalents	28	<u>79,536</u>	<u>53,701</u>	<u>32,757</u>	<u>5,598</u>
Total loans and receivables		<u>108,411</u>	<u>78,924</u>	<u>59,106</u>	<u>31,357</u>

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 365 days (2012: 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 \$1,155,000 (2012: \$1,622,000) 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	
	31.3.13	31.3.12
	\$'000	\$'000
Trade receivables past due but not impaired:		
Less than 30 days	187	677
30 to 60 days	391	363
61 to 90 days	90	309
91 to 120 days	22	123
More than 120 days	465	150
	<u>1,155</u>	<u>1,622</u>

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	
	31.3.13	31.3.12
	\$'000	\$'000
Trade receivables – nominal amounts	165	153
Allowance for impairment	(165)	(145)
	<u>–</u>	<u>8</u>
Movements in allowance account:		
At 1 April	145	132
Written back	(24)	(23)
Charge for the year	45	38
Foreign currency translation adjustment	(1)	(2)
At 31 March	<u>165</u>	<u>145</u>

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

19 Trade and other receivables (cont'd)

Other receivables (current) that are impaired

	Group	
	31.3.13	31.3.12
	\$'000	\$'000
Other receivables - nominal amounts	471	477
Allowance for impairment	(471)	(477)
	<u>—</u>	<u>—</u>
Movements in allowance account:		
At 1 April	477	478
Foreign currency translation adjustment	(6)	(1)
At 31 March	<u>471</u>	<u>477</u>

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

	Group	
	31.3.13	31.3.12
	\$'000	\$'000
Swiss Franc	318	275
Australian Dollar	51	99
Singapore Dollar	<u>45</u>	<u>17</u>

20 Deferred tax (liabilities)/assets

	Group						Company			
	Consolidated statement of financial position			Consolidated income statement		Consolidated statement of comprehensive income		Statement of financial position		
	31.3.13	31.3.12	1.4.11	31.3.13	31.3.12	31.3.13	31.3.12	31.3.13	31.3.12	1.4.11
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(Restated)	(Restated)		(Restated)				(Restated)	(Restated)	
Deferred tax liabilities										
Differences in depreciation for tax purposes	(645)	(591)	–	54	591	–	–	(645)	(591)	–
Provisions	550	577	–	27	(577)	–	–	550	577	–
	(95)	(14)	–					(95)	(14)	–
Deferred tax assets										
Differences in depreciation for tax purposes	1,060	758	(225)	(301)	(993)	–	–	–	–	(544)
Revaluation of investment properties to fair value	(1,296)	(1,271)	(1,018)	31	257	–	–	–	–	–
Revaluation of premises to fair value	(30)	(30)	–	–	–	–	30	–	–	–
Provisions	1,374	1,278	1,944	(103)	661	–	–	–	–	746
Unrealised foreign exchange gain/(loss)	63	28	(3)	(35)	(32)	–	–	–	–	–
Others	–	23	17	22	(4)	–	–	–	–	–
	1,171	786	715					–	–	202
				(305)	(97)	–	30			

Tax consequences of proposed dividends

There are no income tax consequences for 2013 and 2012 attached to the dividends to the shareholders proposed by the Company and hence no liability has been recognised in the financial statements (Note 10).

21 Stocks

Statements of financial position:

	Group		Company	
	31.3.13 \$'000	31.3.12 \$'000	31.3.13 \$'000	31.3.12 \$'000
Finished goods				
- at cost	188,549	163,361	104,117	96,098
- at net realisable value	<u>77,193</u>	<u>67,593</u>	<u>51,105</u>	<u>45,484</u>
Total finished goods at lower of cost and net realisable value	<u>265,742</u>	<u>230,954</u>	<u>155,222</u>	<u>141,582</u>

Income statement:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Inventories recognised as an expense in cost of sales	460,905	465,097	277,607	286,484
Inventories written-down	7,969	7,710	5,574	4,480
Reversal of write-down of inventories	<u>(5,182)</u>	<u>(4,755)</u>	<u>(3,778)</u>	<u>(3,062)</u>

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

During the year, the Group and Company transferred furniture and equipment at their net carrying amounts of \$1,328,000 (2012: \$Nil) to stocks (Note 12).

22 Amount due from associates

	Group	
	31.3.13 \$'000	31.3.12 \$'000
Amount due from associates		
- trade	<u>51</u>	<u>170</u>

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

23 Amount due from/(to) subsidiaries

	Company	
	31.3.13	31.3.12
	\$'000	\$'000
Amounts due from subsidiaries		
- trade	–	1,105
- non-trade	3,426	4,171
	<u>3,426</u>	<u>5,276</u>
Amounts due to subsidiaries		
- trade	–	(10)

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 \$700,000 (2012: \$800,000) which bears interest of 2.00% (2012: 2.00%) per annum.

24 Loans and borrowings

	Group		Company	
	31.3.13	31.3.12	31.3.13	31.3.12
	\$'000	\$'000	\$'000	\$'000
Unsecured borrowings	<u>41,198</u>	<u>3,069</u>	<u>38,000</u>	<u>–</u>

Interest bearing loans and borrowings

The Group's unsecured loans and borrowings comprise:

- (i) Revolving credits of \$38,000,000 (2012: \$Nil) is repayable within 12 months after the reporting date. Interest is charged at rates ranging from 0.88% to 1.13% per annum. The loan is denominated in Singapore Dollar.
- (ii) Revolving credits of \$Nil (2012: \$3,069,000) was repaid during the financial year. The loan was denominated in Japanese Yen.
- (iii) Revolving credits of \$3,198,000 (2012: \$Nil) is repayable within 12 months after the reporting date. Interest is charged at rates from 3.75% to 4.28% per annum. The loan is denominated in Malaysian Ringgit.

The unsecured loans and borrowings of a subsidiary are covered by corporate guarantees by the Company.

25 Trade and other payables

	Note	Group		Company	
		31.3.13	31.3.12	31.3.13	31.3.12
		\$'000	\$'000	\$'000	\$'000
Trade and other payables (current)					
Trade payables		12,677	11,353	3,036	4,692
Deposits from customers		5,998	7,598	3,180	3,667
Accruals		20,417	21,584	15,523	17,074
Other payables		1,380	1,460	992	932
		40,472	41,995	22,731	26,365
Add: Loans and borrowings	24	41,198	3,069	38,000	–
Add: Amounts due to subsidiaries	23	–	–	–	10
Total financial liabilities carried at amortised cost		81,670	45,064	60,731	26,375

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		Company	
	31.3.13	31.3.12	31.3.13	31.3.12
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	568	127	–	–
Swiss Franc	2,927	1,429	826	888
Euro	–	114	–	114
Others	15	1	15	–

26 Share capital

	Group and Company			
	31.3.13		31.3.12	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares:				
Balance at beginning of year	235,004	67,638	234,332	66,826
Issuance of ordinary shares [#]	–	–	672	812
Balance at end of year	<u>235,004</u>	<u>67,638</u>	<u>235,004</u>	<u>67,638</u>

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 FY2012, 672,249 new ordinary shares were issued in lieu of cash dividends pursuant to the Scheme. No scrip alternative was offered for FY2013 first and final dividend.

27 Reserves

	Group		
	31.3.13 \$'000	31.3.12 \$'000 (Restated)	1.4.11 \$'000 (Restated)
Revenue reserve	260,205	221,464	178,241
Foreign currency translation reserve	(308)	2,536	3,169
Fair value adjustment reserve	–	–	(206)
Asset revaluation reserve	<u>3,101</u>	<u>3,101</u>	<u>3,032</u>
Total reserves	<u>262,998</u>	<u>227,101</u>	<u>184,236</u>

	Company		
	31.3.13 \$'000	31.3.12 \$'000 (Restated)	1.4.11 \$'000 (Restated)
Revenue reserve	127,463	115,471	98,255
Fair value adjustment reserve	<u>–</u>	<u>–</u>	<u>(206)</u>
Total reserves	<u>127,463</u>	<u>115,471</u>	<u>98,049</u>

27 Reserves (cont'd)

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.

28 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	
	31.3.13	31.3.12	31.3.13	31.3.12
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	51,945	21,996	32,757	5,598
Fixed deposits with banks	27,591	31,705	–	–
	<u>79,536</u>	<u>53,701</u>	<u>32,757</u>	<u>5,598</u>

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

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

	Group		Company	
	31.3.13	31.3.12	31.3.13	31.3.12
	\$'000	\$'000	\$'000	\$'000
United States Dollar	36	295	3	261
Swiss Franc	363	579	307	113
Singapore Dollar	184	33	–	–
Others	<u>10</u>	<u>6</u>	<u>5</u>	<u>4</u>

29 Related party transactions**(a) Sale and purchase of goods and services**

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

	Sale of goods	Management fees received	Interest income	Purchase of goods	Rental expenses	Commission paid	Purchase of leasehold premise	Services rendered	Rental income
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2013									
Associates	3	430	142	14	–	–	–	58	–
Directors of the Company	384	–	–	–	–	–	–	–	–
Directors of the subsidiaries	123	–	–	16	120	–	–	–	–
Director -related companies	–	–	–	–	333	–	3,400	–	12
Other related entity	–	–	–	–	–	35	–	–	–
Key management personnel	3	–	–	–	–	–	–	–	–
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	–	–	–	–	–	–	–	–

29 Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2013 \$'000	2012 \$'000
Short-term employee benefits	10,284	11,160
Provident fund contributions	134	131
Total compensation paid to key management personnel	<u>10,418</u>	<u>11,291</u>
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	6,970	7,800
- Other key management personnel	<u>3,448</u>	<u>3,491</u>
	<u>10,418</u>	<u>11,291</u>

30 Commitments

(a) Capital commitments

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

	Group	
	31.3.13 \$'000	31.3.12 \$'000
Capital expenditure approved and contracted for: furniture and fittings	<u>47</u>	<u>57</u>

(b) Operating lease commitments – As lessor

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

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

	Group		Company	
	31.3.13 \$'000	31.3.12 \$'000	31.3.13 \$'000	31.3.12 \$'000
Not later than one year	648	814	519	540
Later than one year but not later than five years	<u>729</u>	<u>145</u>	<u>729</u>	<u>26</u>
	<u>1,377</u>	<u>959</u>	<u>1,248</u>	<u>566</u>

30 Commitments (cont'd)**(c) Operating lease commitments – As lessee**

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

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

	Group		Company	
	31.3.13	31.3.12	31.3.13	31.3.12
	\$'000	\$'000	\$'000	\$'000
Not later than one year	17,254	14,910	11,088	10,495
Later than one year but not later than five years	26,438	23,930	15,554	17,933
Later than five years	1,013	267	11	267
	<u>44,705</u>	<u>39,107</u>	<u>26,653</u>	<u>28,695</u>

31 Contingent liabilities**Guarantees**

The Company has provided corporate guarantees to banks for loans amounted to \$3,198,000 (2012: \$3,069,000) and \$1,376,000 (2012: \$1,086,000) taken by subsidiaries and an associate respectively. The loans are repayable within the next 12 months.

32 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.

32 Segment information (cont'd)

Allocation basis and transfer pricing (cont'd)

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

Geographical segments

The following table presents revenue, capital expenditure and certain assets and liabilities information regarding the Group's geographical segments as at and for the years ended 31 March 2013 and 2012.

	South East Asia and Australia \$'000	North East Asia \$'000	Total \$'000	Eliminations \$'000	Note	Group \$'000
31.3.13						
Segment revenue:						
Sales to external customers	512,848	89,088	601,936	–		601,936
Inter-segment sales	111	5,159	5,270	(5,270)	A	–
Interest income	851	97	948	–		948
Other income	5,455	765	6,220	(1,346)	B	4,874
Total revenue and other income	519,265	95,109	614,374	(6,616)		607,758
Segment results:						
Segment results	47,992	15,812	63,804	(874)	C	62,930
Finance costs						(488)
Fair value gain on investment properties						1,954
Impairment loss on investment securities						(785)
Share of results of associates						1,876
Investment income						392
Profit before taxation						65,879
Taxation						(11,548)
Profit for the year						54,331
Other segment information:						
Segment assets	357,248	66,086	423,334	–		423,334
Investment in associates	5,976	–	5,976	–		5,976
Unallocated corporate assets					D	1,171
						430,481
Segment liabilities	77,435	4,525	81,960	–		81,960
Unallocated corporate liabilities					E	8,246
						90,206
Capital expenditure for the year	10,839	595	11,434	–		11,434
Depreciation	5,492	380	5,872	–		5,872

32 Segment information (cont'd)

	South East Asia and Australia \$'000	North East Asia \$'000	Total \$'000	Eliminations \$'000	Note	Group \$'000
(Restated)						
31.3.12						
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						(13,129)
Profit for the year						56,209
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					D	786
						358,718
Segment liabilities	38,961	6,329	45,290	–		45,290
Unallocated corporate liabilities					E	9,616
						54,906
Capital expenditure for the year	3,855	61	3,916	–		3,916
Depreciation	5,431	422	5,853	–		5,853

32 Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Inter-company dividends are eliminated on consolidation.

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

	31.3.13 \$'000	31.3.12 \$'000
Profit from inter-segment sales	(10)	(8)
Inter-company expenses	127	98
Inter-company dividends	(991)	(596)
Total	<u>(874)</u>	<u>(506)</u>

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

	31.3.13 \$'000	31.3.12 \$'000
Deferred tax assets	<u>1,171</u>	<u>786</u>

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

	31.3.13 \$'000	31.3.12 \$'000
Provision for taxation	8,151	9,602
Deferred tax liabilities	<u>95</u>	<u>14</u>
Total	<u>8,246</u>	<u>9,616</u>

33 Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key risks include interest rate risk, foreign currency risk, 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.

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

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

The Group's exposure to interest rate risk arises primarily from its loans and borrowings and its investment portfolio in fixed deposits. The Group's borrowings are predominantly denominated in floating rates and are expected to be repriced at intervals of less than one year from the financial year end. At present, the Group's policy is to 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 (2012: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been \$339,000 (2012: \$17,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

Foreign currency risk

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to \$593,000 and \$315,000 (2012: \$913,000 and \$378,000) 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	
	31.3.13	31.3.12
	Profit net of tax	Profit net of tax
	\$'000	\$'000
CHF		
- strengthened 5% (2012: 3%)	(66)	(5)
- weakened 5% (2012: 3%)	66	5
AUD		
- strengthened 5% (2012: 1%)	2	1
- weakened 5% (2012: 1%)	(2)	(1)

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

Market risk

Market 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 equity price risk arising from its investment in quoted securities. The Group's investment in companies listed on the Singapore Exchange Securities Trading Limited, and Bursa Malaysia, have been classified in the statements of financial position as available-for-sales financial assets.

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

Any impairment loss recognised in respect of such equity instruments cannot be reversed through the income statement in subsequent periods. Subsequent increase in fair value must be recorded in other comprehensive income.

One of the investment securities has been fully impaired as at 31 March 2013.

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 2013, the Group has available cash and cash equivalents totalling approximately \$79.5 million (2012: \$53.7 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.

33 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.

Group	31.3.13			31.3.12		
	One year or less \$'000	One to five years \$'000	Total \$'000	One year or less \$'000	One to five years \$'000	Total \$'000
Financial assets						
Loan to associates	–	3,313	3,313	–	2,456	2,456
Trade and other receivables	20,373	5,713	26,086	17,393	5,637	23,030
Amount due from associates	51	–	51	170	–	170
Cash and cash equivalents	79,536	–	79,536	53,701	–	53,701
Total undiscounted financial assets	99,960	9,026	108,986	71,264	8,093	79,357
Financial liabilities						
Trade and other payables	26,278	–	26,278	26,435	–	26,435
Loans and borrowings	41,313	–	41,313	3,078	–	3,078
Total undiscounted financial liabilities	67,591	–	67,591	29,513	–	29,513
Total net undiscounted financial assets	32,369	9,026	41,395	41,751	8,093	49,844
Company						
Financial assets						
Loan to subsidiaries	–	9,923	9,923	–	8,936	8,936
Trade and other receivables	11,716	2,365	14,081	10,538	1,945	12,483
Amount due from subsidiaries	3,440	–	3,440	5,292	–	5,292
Cash and cash equivalents	32,757	–	32,757	5,598	–	5,598
Total undiscounted financial assets	47,913	12,288	60,201	21,428	10,881	32,309
Financial liabilities						
Trade and other payables	11,749	–	11,749	13,691	–	13,691
Amount due to subsidiaries	–	–	–	10	–	10
Loans and borrowings	38,104	–	38,104	–	–	–
Total undiscounted financial liabilities	49,853	–	49,853	13,701	–	13,701
Total net undiscounted financial (liabilities)/assets	(1,940)	12,288	10,348	7,727	10,881	18,608

All capital commitments are repayable within one year.

33 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 securities) and Note 19 (trade and other receivables).

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

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

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
31.3.13				
Financial assets:				
Investment securities (Note 18)	25	–	–	25
Other receivables (Note 19)	–	–	5,713	5,713
31.3.12				
Financial assets:				
Investment securities (Note 18)	783	–	–	783
Other receivables (Note 19)	–	–	5,637	5,637

Fair value hierarchy

The Group classifies 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 levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Determination of fair value

Investment securities (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.

There was no transfer from Level 1 and Level 2 to Level 3 during the financial years ended 31 March 2013 and 2012.

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

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

35 Capital management

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

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

36 Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2013 were authorised for issue in accordance with a resolution of the Directors on 31 May 2013.

STATISTICS OF SHAREHOLDINGS AS AT 3 JUNE 2013

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	150	8.60	59,793	0.03
1,000 - 10,000	1,112	63.72	5,156,410	2.19
10,001 - 1,000,000	461	26.42	22,008,318	9.36
1,000,001 and above	22	1.26	207,779,439	88.42
Total :	1,745	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 3 June 2013, approximately 36.53% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. The Company did not have any treasury shares as at 3 June 2013.

SUBSTANTIAL SHAREHOLDERS

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

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

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

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

TWENTY LARGEST SHAREHOLDERS AS AT 3 JUNE 2013

No.	Name	No. of Shares	%
1	TYC Investment Pte Ltd	101,753,835	43.30
2	Key Hope Investment Limited	15,247,310	6.49
3	HSBC (Singapore) Nominees Pte Ltd	14,488,336	6.17
4	Henry Tay Yun Chwan	13,315,246	5.67
5	Maybank Nominees (Singapore) Pte Ltd	9,399,826	4.00
6	Phillip Securities Pte Ltd	7,465,213	3.18
7	Lim & Tan Securities Pte Ltd	6,660,794	2.83
8	Oversea-Chinese Bank Nominees Pte Ltd	6,534,562	2.78
9	DBS Nominees Pte Ltd	5,115,571	2.18
10	United Overseas Bank Nominees Pte Ltd	4,167,573	1.77
11	Citibank Nominees S'pore Pte Ltd	4,064,937	1.73
12	DB Nominees (Singapore) Pte Ltd	3,081,917	1.31
13	UOB Kay Hian Pte Ltd	2,626,825	1.12
14	Ong Yek Siang	2,039,241	0.87
15	Siong Lim Private Limited	1,936,000	0.82
16	CIMB Securities (S'pore) Pte Ltd	1,766,795	0.75
17	Bank of Singapore Nominees Pte Ltd	1,672,320	0.71
18	OCBC Nominees Singapore Pte Ltd	1,623,627	0.69
19	Raffles Nominees (Pte) Ltd	1,414,511	0.60
20	Sik Ley Boy	1,310,000	0.56
Total :		205,684,439	87.53

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