THE HOUR GLASS

ANNUAL REPORT 2014

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

Contents

CORPORATE DIRECTORY

DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

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Tong Building
Singapore 238862

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SHARE REGISTRAR

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

AUDITOR

Ernst & Young LLP
Public Accountants and Chartered 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:
Dr Henry Tay

Standing from left:
Mr Pascal Demierre, Ms Saw Phaik Hwa, Mr Philip Eng, Mr Kuah Boon Wee, Mr Michael Tay, Dr Kenny Chan, Dato' Dr Jannie Chan, Mr Robert Tan

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, real estate development, food and beverage and entertainment businesses.

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 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. She received the Lifetime Achievement for Outstanding Contribution to Tourism Award in 2011 from the Singapore Tourism Board, and was conferred the World Chinese Economic Forum Lifetime Achievement Award in 2012.

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 National Heritage Board, the Singapore Tyler Print Institute and Platform Projects Ltd, all non-profit organisations engaged in the heritage and visual arts sector. He is also the Chairman of 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 Singapore Chartered Accountants 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 Centrepoint 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 PASCAL GUY DEMIERRE 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 the Executive Director of Halcyon Agri Corporation Limited. He also sits on the Board of Council Members at the Alliance Francaise de Singapour. Mr Demierre graduated from King's College, London with Upper Second Class (Honours) in Law and obtained a Graduate Diploma in Law from the National University of Singapore.

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.

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 Singapore Chartered Accountants.

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.

THE HOUR GLASS LIMITED

MS LIM JEE YAH
MANAGING DIRECTOR
LUXURY ENTERPRISES

Ms Lim joined The Hour Glass Limited in February 2014 and is responsible for leading the growth and development of Luxury Enterprises, a division within The Hour Glass Limited. Ms Lim graduated with a Bachelor of Arts from the University of Singapore.

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.

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.

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.

FINANCIAL HIGHLIGHTS

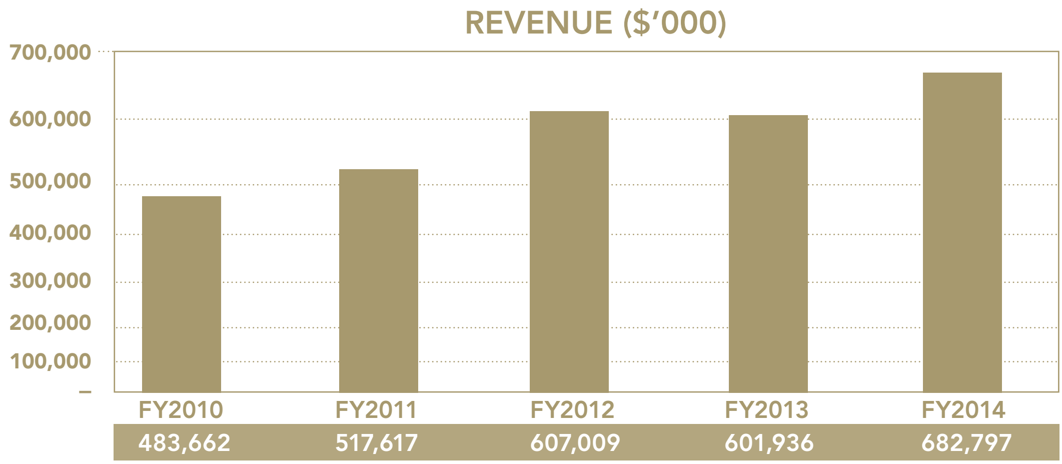
	FY2014	FY2013	FY2012	FY2011	FY2010
FINANCIAL RESULTS	$'000	$'000	$'000	$'000	$'000
Revenue	682,797	601,936	607,009	517,617	483,662
Operating profit [1]	67,760	64,710	68,890	52,913	38,846
Profit before taxation	70,828	65,879	69,338	54,283	41,685
Profit after tax	56,366	54,331	56,209	43,181	33,478
EBITDA [1]	74,045	70,122	74,172	57,488	42,303

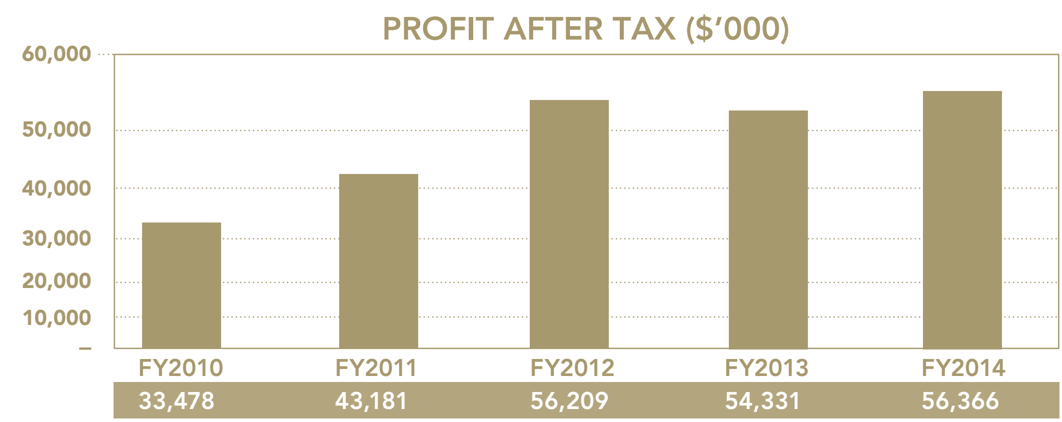
FINANCIAL POSITIONS	$'000	$'000	$'000	$'000	$'000
Net asset value	365,860	330,636	294,739	249,580	216,543
Stocks	263,280	265,742	230,954	190,742	159,008
Cash and cash equivalents	116,379	79,536	53,701	50,708	50,452
Loans and borrowings	39,738	41,198	3,069	14,292	14,186
Free cash flow [2]	53,066	1,505	24,949	8,549	14,962

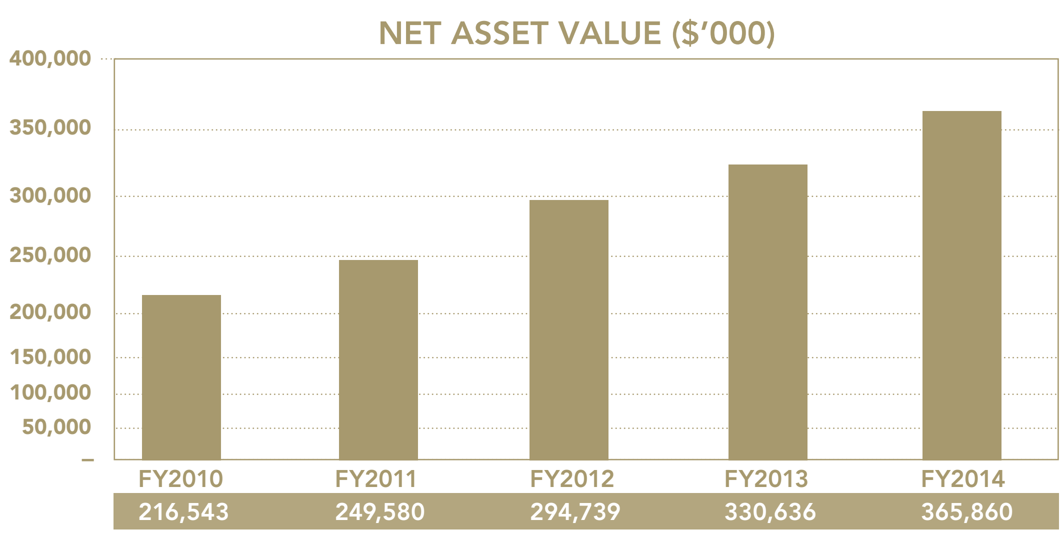
FINANCIAL RATIOS					
Gross margin (%)	23.0	23.9	24.1	22.4	20.1
Operating margin (%) [1]	9.9	10.8	11.3	10.2	8.0
Net margin (%) [3]	8.3	9.0	9.4	8.3	6.9
Stock turn ratio	2.0	1.7	2.0	2.1	2.4
Debt / equity ratio (%)	10.9	12.5	1.0	5.7	6.6
Earnings per share (cents)	23.38	22.49	23.33	18.10	14.08
Net asset value per ordinary share ($)	1.56	1.41	1.25	1.07	0.93

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

FINANCIAL HIGHLIGHTS







VISION

Advancing the culture of watch collecting throughout the world

ENTERPRISE MISSION

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

BUSINESS MISSION

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

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

It is with distinct delight that I report record revenues and profits for the financial year ended 31 March 2014; achieving one of the best overall performances in the Asian specialty luxury watch retail industry. This is especially meaningful because this set of results also marks the Group's 35th year in business.

Our sales grew by a convincing 13% to $682.8 million with net profit after-tax rising 4% to $56.4 million. Despite a subdued business environment, these increases reflect that The Hour Glass' fundamental strategies continue to remain relevant as organic growth from our investments in key markets began to flow through. We remain satisfied with our rate of advancement, making gains in our watch retail market share with the execution of intensive sales activation campaigns throughout the year. This translated into a positive 5% increase in unit terms whilst we continued to upsell our offer by lifting average unit retail prices 8%. Of greater importance is that we captured this market share profitably.

On the back of significant upward pressure on domestic wages and rentals that account for close to 65% of our total increase in expenses this past year, management were extremely conscious of capping the ratio of our total operating expenses to sales below 14%. These actions contributed to the stability in our operating profit of $67.8 million. Combined with an enhanced discipline towards working capital management and a relentless effort to improve inventory productivity, raising rotation rates from 1.7 times to 2.0 times while driving inventory values marginally lower, we tripled our cash flow from operations to $77.6 million. Consequently, we enjoyed the strongest increase in free cash flows amounting to $53.1 million for the year, allowing the Group to accumulate cash on hand on a consolidated basis to $116.4 million.

In my statement last year, I had promised we would do three things – improve our stock turn, reduce our inventories and generate more free cash. We delivered. The state of our financial strength - large cash surpluses and low levels of recurring short term obligations is a position our Group chooses to maintain, especially as we anticipate that we will be facing a progressively testing market.

On a consolidated net asset basis, the Group increased its corporate net worth by $35.2 million to $365.9 million or $1.56 per share. Considering our good overall operating performance, the Board of Directors is pleased to recommend a first and final dividend of 6.0 cents per ordinary share amounting to $14.1 million.

GENERAL COMMENTARY

The past year threw up many unexpected events making an already difficult business environment even more operose. They range in scope and geography. From the introduction of Smart watches and its prospective impact on the Swiss watch industry, Abenomics and its role on lifting the veil on consumption in Japan, the Chinese malaise in part attributable to President Xi Jin Ping's anti-graft, anti-extravagance campaign, the spending behaviour of the Chinese when they travel overseas, and finally, the near term effects of the recent political storms blowing through Thailand. All of which have a direct influence on the Group's businesses.

Creative Destruction

2013 will be remembered as the year of the "Smart watch" panic. For those unfamiliar with the product,

CHAIRMAN'S STATEMENT

a Smart watch is a wrist worn device that is meant to provide the wearer with a host of personalised information from whether your heart is continuing to beat, the number of steps you take in a day to the number of hours you have slept. It is estimated that Smart watches will be a US$ 2.5 billion industry before this year is out. Nearly every specialist trade publication has equated the impending introduction of Smart watches to the Japanese quartz watch revolution that decimated the Swiss watch industry in the 1970s.

By 1980, following the launch of these highly accurate quartz watches, demand for Swiss pin lever watches had plummeted. As a result, Swiss watch employment declined by two-thirds from 90,000 to 28,000 as 60% of all watch companies shuttered their businesses. The remaining manufacturers disposed their tools and equipment required for the manufacture of mechanical timekeepers, replacing them with machinery to produce quartz watches. At that moment, the field of high horology existed only in the memories of a few. Why make a mechanical chronograph to record units of time when a quartz version by Seiko was infinitely more accurate? What was the need for a minute repeater to chime the time of day when its functional other in quartz is 1,500 times cheaper to buy? In short, the Swiss watch industry simply gave up.

It took the industry close to a decade to react and find a solution to the Japanese incursion and thankfully, there were a few good men in the industry who held onto the belief that the battle was all but lost. Believing that the beauty of mechanical timekeepers lay not solely in their functional utility, in their instrumentation, but in the patrimony of a four hundred year culture and tradition. Believing that the soul of the human being injected into the craft of a timekeeper inspires emotions that an entirely mass produced, machine assembled object could not.

In the commotion of the Swiss watchmaking crisis, industrialists the likes of the late Nicolas Hayek directly confronted the Japanese watch companies with the creation of Swatch. Andre Heiniger, the late CEO of Rolex remained resolute that the quartz craze was temporal and never once deviated from their developmental path. And Philippe Stern, the Honorary President of Patek Philippe, who too held a similar contrarian conviction began in the mid-70s laying the foundations for the resurrection of the high grade mechanical watch. In that era, Patek Philippe was already regarded as a maker of watches of the highest quality. But it was not until 1989, on Patek Philippe's 150th anniversary, that Philippe was able to reveal his vision for mechanical watchmaking. For the anniversary, he introduced the world to the Calibre 89. A watch which took nine years to develop and produce and which occupies a place in the history books as the world's most complicated watch. Arguably, this bold statement at a time when many doubted their estate made the Swiss watch industry sit back, reflect on their position and eventually kick-started a renaissance in fine watchmaking that continues till today. The outcomes have been staggering with the Swiss watch industry growing from CHF 2.8 billion in export terms in 1980 to a record CHF 21.8 billion in 2013. And Smart watch or not, the industry continues to extend itself.

The Land of the Dragon

The effervescence and euphoria of the past six years have given way to a strong dose of sobriety in China as luxury industry growth rates continue to decelerate and trend to the negative. A policy overhaul aimed at steering its economy away from

CHAIRMAN'S STATEMENT

an investment dependent, export oriented growth model, a credit squeeze as authorities clamp down on the shadow banking system coupled with concerns stemming from an anti-corruption drive and the domestic stigmatisation of opulence are driving mainland Chinese consumers to alter their purchasing behaviours. Not only are mainland Chinese retailers feeling the brunt of this rebalancing but so too are those in tourist destinations such as Hong Kong, Macau and Taipei. Evidence of this is the closure of mono-brand boutiques opened during the market fuelled hubris and the drop in the average net retail spend.

The mainland Chinese customer continues to contribute to 20% of the Group's direct sales as we avoided placing emphasis on markets in the vicinity closest to China. Hence, we have been sheltered from this decline. With up to two thirds of the 97 million travelling mainland Chinese aiming to purchase luxury products when abroad, we are well positioned to leverage off our stores in their new playgrounds of Australia, Thailand and Japan.

The Land of the Rising Sun

2013 also marked Japan directly benefiting from Prime Minister Abe's highly lauded three pronged economic programme which was further bolstered by a recovery in demand in Europe and the United States. One key strategy was to reverse past year's excessive Yen appreciation by more than 20%. The positive effect of this meant that our sales to non-Japanese clients consisting primarily of mainland Chinese and Thais doubled from one year to the next and when compared to FY 2012, increased by a factor of six. More liberal visa approvals coupled with on-site, duty-free purchases has made Japan an easier destination to access and shop. Abenomics also led to improved business and domestic consumer sentiment and with the knowledge of an impending consumption tax hike from 5% to 8% in April 2014, a first in 17 years, our clients adopted an attitude of "Buy first, cry later". In sum macro-economic forces over the past year contributed positively to The Hour Glass Japan achieving its best set of results since inception.

The Land of Oz

The Hour Glass first entered Australia over 25 years ago opening our first boutique in the Gold Coast, Queensland. We had initially travelled there on vacation and were taken aback by the influx of Japanese visitors, all drawn to its white sand beaches and smile fixating climate. Within five years, we had punched into the core cities of Sydney and Melbourne and as of last year, Brisbane.

In the eighties and early nineties, luxury retail in Australia was Japanese-centric. Waxing and waning with the state of the Japanese economy. In the new millennium, luxury consumption bore an East Asian flavour as immigration into the country accelerated. New Asian migrants, especially the mainland Chinese has resulted in Mandarin becoming Australia's second most widely spoken language. The story of Australia since is one of rapidly rising affluence amongst its resident population, the result of a resource boom and real asset inflation driven by a low interest rate regime, real estate developers and yield-hunting Asians. Australians who once were disinterested in the ownership of luxury objects have begun to develop an affinity for the pleasures that may be attained.

The development of the travel retail market is also intensifying. A weaker Australian dollar relative to Asian currencies have made the country a more attractive holiday destination. What particularly

CHAIRMAN'S STATEMENT

augurs well for our business is that 43% of all inbound visitors in 2013 were of Asian origin. Not surprising, the largest group were the mainland Chinese. Property developers and gaming operators are seizing this opportunity by committing investments over A$10.0 billion over the next five years in New South Wales and Queensland alone with Sydney set to have the world's first seven-star high roller casino.

We view Australia to be a prime destination for this group of travellers because as the Chinese elite and middle-class travel, apart from shopping and leisure gaming opportunities, one of the things they embrace is the natural environment. Something which Australia has an abundance of. Based on our assessment of the future prospects of this market, we aim to deploy up to $30.0 million in capital expenditure and working capital over the next five years. These funds will be channelled into the refurbishment of our existing retail stores in both Sydney and Melbourne, enlarging their overall retail floor plates as well as accelerating the pace of our retail network development throughout the country. We are convinced that despite the recent drop in consumer confidence and the tightest federal budget in twenty years, Australia will remain in the medium to long term an attractive market for the Group to deepen its presence in.

The Land of Smiles

It has been anything but a docile year for Thailand with the Kingdom once more experiencing great political upheaval, stifling the business investment climate and disrupting our day-to-day operations. Notwithstanding, we had continued with our network development programme completely refurbishing our three boutiques in Bangkok and recently, adding another two mono-brand boutiques by Rolex and Hublot in the newly opened Central Embassy. Our plan by financial year end 2015 is the opening of another two stand-alone boutiques at Emquartier in Bangkok and two Laduree points of sales at Siam Paragon. The closing tally is that we will be responsible for ten retail stores in both Bangkok and Phuket. In the five years of partnership with Prima Times, the total revenue for our Thai associate quintupled. Needless to add, this joint venture is a match made in horological heaven!

TO ROUND OFF

The Hour Glass celebrates its 35th anniversary in 2014 – exactly half my lifetime. When I cast my mind back to when Jannie and I founded the company, I readily admit that never in our dreams did we imagine we would build such an enduring enterprise.

Companies are like mini civilisations and can only evolve and grow because they have been able to successfully respond to challenges in the market environment. This recurring pattern of challenge and response continues because each successfully met challenge generates another challenge and yet another set of creative responses. This has been fundamental to the rhythm of The Hour Glass' organisational and business development. The manner in which we have been able to embrace all of these cycles and continue to progress is because we are staffed by a group of committed and creative individuals who are knowledgeable, experienced and have a willingness to learn, re-learn and build an institution that will endure. One brick at a time.

I am grateful to have had such a team behind us throughout the years. One such member is

CHAIRMAN'S STATEMENT

Peter Chong, a senior sales consultant. At 77 years young, he has upgraded his skills, remaining relevant by becoming computer literate, learning how to email and process transactions online. Peter continues to be active, is still in the front line selling, training younger members of our team and loving every moment of it. He tells me that being of service to his clients is what motivates him to get out of bed every day. Peter is a colleague I admire and someone whose attitude is the embodiment of The Hour Glass spirit; that one is never too old to learn new things ;-)

And in that same spirit, I wish to thank my fellow board members who remain paragons of wisdom, our brand and business partners John Glajz and the Thamavaranukup family from whom I constantly acquire nuggets of knowledge and our clients whose passion and commitment are the very reason for our success.

HENRY TAY YUN CHWAN
Executive Chairman
30 May 2014

CORPORATE GOVERNANCE

The Hour Glass Limited is committed to ensuring a high standard of corporate governance within the Company, its subsidiaries and significant associates. This report describes the corporate governance practices and activities of the Company and its subsidiaries (**"Group"**) for the financial year ended 31 March 2014 ("FY2014").

The Company's corporate governance practices and activities in relation to each of the principles of the Code of Corporate Governance 2012 (**"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 long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The Board is entrusted with the overall management of the business affairs of Company, and sets the overall strategy and policies on the Group's business direction and long-term sustainability. 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. A newly appointed director will be provided with a formal letter of appointment, setting out the director's duties and obligations.

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 or her duties and powers as a director. In the discharge of its functions, the Board is supported by specialty Board committees that provide independent oversight of management, and which also serve to ensure that there are appropriate checks and balances. These key committees are the Audit Committee (**"AC"**), the Remuneration Committee (**"RC"**) and the Nominating Committee (**"NC"**). The AC and RC are made up entirely of

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independent non-executive directors, and the NC 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 and 10% shareholders.# No individual or small group of individuals should be allowed to dominate the Board's decision making.*

Independent non-executive directors make up more than half of the Board. 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. 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, monitor the performance of management and operate as an appropriate check and balance.

The independence of each independent member of the Board is reviewed annually and is subject to particularly rigorous review where such person has served on the Board beyond nine years. The NC assists the Board with such reviews. Except for Mr Robert Tan, each of the independent non-executive directors has served on the Board for less than nine years as at 31 March 2014. The Board believes that a person's independence should not be circumscribed by an arbitrarily set period. The Board has determined, after a rigorous review by the NC, that Mr Robert Tan is independent as he has continued to demonstrate independence in character and judgment in the manner in which he has discharged his responsibilities, and there are no relationships or circumstances which affect or would be likely to affect his judgement and ability to discharge his responsibilities as an independent member of the Board and to contribute to the Board in such capacity.

The Board is of the view that its current composition comprises persons who, as a group, provide the appropriate balance and diversity of skills, experience, gender and knowledge of the Company, as well as necessary core competencies. The Board also considers the current Board size is appropriate, taking into consideration the nature and scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and/or Board Committees.

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	70	11 Aug 1979	15 Jul 2011
Dato' Dr Jannie Chan Siew Lee	69	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	17 Jul 2013
Mr Robert Tan Kah Boh	68	18 Nov 1999	18 Jul 2012
Mr Philip Eng Heng Nee	67	1 Oct 2009	17 Jul 2013
Mr Kuah Boon Wee	47	1 Apr 2011	15 Jul 2011
Mr Pascal Guy Demierre Chung Wei	40	1 Apr 2011	17 Jul 2013
Ms Saw Phaik Hwa	59	1 Sep 2012	17 Jul 2013

* *As at the Company's Annual General Meeting on 23 July 2014.*

\# *The term "10% shareholders" is defined in the Code of Corporate Governance 2012 to refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less 10% of the total votes attached to all the voting shares in the Company. "Voting Shares" exclude treasury shares.*

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CHAIRMAN AND CHIEF EXECUTIVE OFFICER

***Principle 3:** There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent 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. Individually and as a group, the independent non-executive directors express individual viewpoints, debate issues and objectively scrutinise and challenge management. In addition, Mr Kuah Boon Wee is the lead independent director since 17 July 2013. He is the chairman of the NC. The role of the lead independent director is to be available to shareholders where they have concerns and for which contact through normal channels of the Executive Chairman or other members of senior management has failed to provide satisfactory resolution, or when such contact is inappropriate. The lead independent director will meet with the other independent members of the Board without the presence of the executive directors as and when necessary, and provide any relevant feedback to the Executive Chairman. 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, sets the Board meeting agenda in consultation with the Group Managing Director and Chief Financial Officer and ensures that there is adequate time available for discussion of all agenda items. The Executive Chairman promotes a culture of openness and debate at meetings of the Board, encourages constructive relations among members of the Board and between the Board and management, fosters effective communication with shareholders at the general meetings of the Company 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 and re-appointment of directors to the Board.*

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

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's scope of authority is formalised in its terms of reference. The principal functions of the NC are to make recommendations to the Board on appointments including re-nominations, and oversee the Company's succession

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and leadership development plans.

The NC is responsible for reviewing the independence of Board members who are independent directors upon appointment, and thereafter annually or whenever circumstances require. 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. Candidates may be put forward or sought through contacts and recommendations. 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 Board has set as a maximum number, seven other listed company board representations which a director may concurrently hold. A director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. The NC takes this into consideration when evaluating whether the individual is able to or has been adequately discharging his or her duties as a director of the Company.

The NC administers annually, the formal process adopted by the Board for evaluation of the Board's performance as a whole, including Board Committees and the contributions of individual directors to the effectiveness of the Board. The performance criteria include assessment of the Board's size and composition, access to information, processes and accountability and Board Committees' performance in relation to discharging their responsibilities set out in their respective terms of reference, while individual directors are assessed on the director's attendance record, preparedness for meetings, participation level and contribution at meetings, analytical skills, knowledge as well as overall contribution to the Board and the Board Committees, as appropriate. Each member of the Board is required to complete an evaluation form. The NC collates the completed forms and compiles a consolidated report for the Board, in consultation with the Executive Chairman. The Board would act on the results of the performance evaluation where appropriate. The Board is of the view that the financial indicators such as share price performance are inappropriate for measuring the Board's performance. 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 is 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. 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 matrix of Board members' participation and attendance record at meetings of the Board and the specialty Board committees during the financial year is

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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.

ACCESS TO INFORMATION

Principle 6: *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

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. Additional information is provided to directors, as and when needed, to enable them to make informed decisions.

The company secretary's duties include assisting the Chairman in ensuring that Board procedures are followed and communicating changes in listing rules or other regulations affecting corporate governance and compliance were appropriate. The company secretary also attends Board meetings to take minutes. The Company's Articles of Association provide for the appointment and removal of company secretary by the Board.

Where necessary, the Company will, upon the request of directors (whether as a group or individually), provide them with independent professional advice, at the Company's expense, to enable them to discharge their duties. The Chief Financial Officer assists the directors in obtaining such advice.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

LEVEL AND MIX OF REMUNERATION

Principle 8: *The level of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

DISCLOSURE ON REMUNERATION

Principle 9: *Every company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.*

The 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 3 times during the financial year.

The RC's scope of authority is formalised in its terms of reference. The RC's role primarily is 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 and key management personnel. Its functions include review of senior executive development and succession, compensation plans and recruitment strategies, and evaluation of executives' performance. The RC, in carrying out its functions, has access to professional advice on human resource matters whenever there is a need to consult externally.

The RC's terms of reference do not include the annual

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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. Effective from the financial year under review, the employment terms of executive directors and certain senior key management personnel include provisions which entitle the Board to recompute the incentive component of their remuneration in the event of an adjustment made to, or restatement of, the audited consolidated financial statements of the Group for the relevant financial year (other than due to a change in applicable accounting standards or interpretation). 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. There are no termination, retirement and post-employment benefits granted to directors and key management personnel save for the provision of retirement gratuities for the Executive Chairman and the Vice Chairman as disclosed in the notes to the financial statements. The Company does not presently operate an employee share option or share-based incentive scheme.

The Company is of the view that disclosure of the remuneration details of each director and key management personnel (who are not directors) in the manner recommended by the Code will be detrimental to the Company's interests, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment in which the Group operates. Instead, the level and mix of the annual remuneration of the directors in remuneration bands of $250,000 and the level of remuneration of the Group's top 8 key management personnel (who are not directors), are disclosed at the end of this report. The aggregate remuneration of the executive directors and of the top 8 key management personnel (who are not directors) for the financial year was $7,325,801 and $3,700,208 respectively. The aggregate directors' fees of the non-executive directors of $304,000 proposed for the financial year is subject to shareholders' approval at the Annual General Meeting (**"AGM"**) on 23 July 2014. During the year, Mrs Choy Siew Sen (an employee in an Australia subsidiary of the Company) who is the sister of Dato' Dr Jannie Chan and Dr Kenny Chan, received an annual remuneration above $200,000 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 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: *The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and*

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the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises that it is responsible for risk governance and ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets. The Board appreciates that risk management is an on-going process in which senior management and the operational managers continuously participate to evaluate, monitor and report to the AC and the Board on significant risks.

The Company has developed and implemented a Board Assurance Framework which includes an enterprise risk management framework to identify the significant risks facing the Group, the potential impact and likelihood of those risks occurring, the control effectiveness and action plans being taken to mitigate those risks. The Company has also developed a risk governance structure, which provides details on the roles and responsibilities for the Board and management in risk monitoring, escalation, mitigation and reporting.

The Company has established risk appetite statements and tolerance limits to monitor shifts in its significant risks and to proactively manage them within acceptable levels. 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 significant risks, including financial, operational, compliance and information technology risks and evaluate potential impact of these risks on the Group. 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'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 Enterprise Risk Management Framework and covers those areas which are considered to pose significant risks to the Company.

During the financial year, the AC and the Board reviewed the adequacy and effectiveness of the Group's internal controls in relation to the significant risks, including financial, operational, compliance and information technology controls, and risk management systems.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the AC and the Board are of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 March 2014 to address financial, operational, information technology and compliance risks, which the Group considers relevant to its operations. However, the Board is also aware that such a system can only provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide a complete assurance against human error, poor judgement in decision making, losses, fraud or other irregularities.

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the financial records for the financial year ended 31 March 2014 have been properly maintained, give a true and fair view of the Group's operations and finances and that the Group's risk management and internal controls systems are effective.

AUDIT COMMITTEE

***Principle 12:** The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

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The 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. 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. In addition, the AC, under its terms of reference as delegated by the Board, has the responsibility to oversee the Group's risk management framework and policies.

During the financial year, the AC met 4 times. 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.

The AC members take steps to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements through attendance at briefings by the external auditors or other professionals. 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.

INTERNAL AUDIT

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

The Company's internal audit function is headed by a senior manager, who reports directly to the AC on audit matters, and to the Group Managing Director on administrative matters. The AC reviews the internal audit reports and activities at least annually. The AC also reviews and approves the annual internal audit plan.

CORPORATE GOVERNANCE

The AC participates in the hiring, evaluation and compensation of the head of the internal audit function. The internal audit department has unfettered access to all company documents, records, properties and personnel, including access to the AC. 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.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

***Principle 14:** Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

***Principle 15:** Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

***Principle 16:** Companies should encourage greater shareholder participation at general meetings of shareholders, 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 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 AGMs, 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. For transparency, the Company discloses proxies received by the Company directing the Chairman to vote (as proxy for members) for or against the motions at the general meetings. Resolutions are passed at general meetings by hand, and by poll if required. The Company will implement poll voting when it is is made mandatory under the SGX-ST Listing Manual. 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 and (pending legislative reform in this area) does not differentiate between the number of proxies which may be appointed by individual shareholders and nominee by companies.

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.

The Company does not have a stated policy of distributing a fixed percentage of earnings by way of dividend in any financial year. Rather, in fixing a dividend for any year, the Board considers a number of factors, including current and forecast earnings, capital expenditure requirements, growth options and the Company's debt/equity position.

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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 FY2014 have been determined based on the following formula, which is substantially the same as that applied in the previous year:

	FY2014 PROPOSED FEE $
BOARD DIRECTORS	
Basic fee	30,000
Attendance fee for each Board Meeting	2,000
Attendance fee for each non-scheduled meeting*	1,000
AUDIT COMMITTEE	
Chairman	40,000
Member	15,000
REMUNERATION COMMITTEE	
Chairman	15,000
Member	5,000
NOMINATING COMMITTEE	
Chairman	10,000
Member	5,000

* *Effective from FY2014. This fee is applicable if a non-executive director attends any meeting which is over and above the scheduled Board Committee meetings for the financial year.*

SUMMARY REMUNERATION TABLES – FY2014

(I) DIRECTORS

Name	Position	Salary* %	Bonus# %	Fees# %	Other benefits %	Total %
Above $2,250,000						
Dr Kenny Chan Swee Kheng	*Group Managing Director*	20%	78%	0%	2%	100%
$2,000,000 to below $2,250,000						
Mr Michael Tay Wee Jin	*Executive Director*	21%	76%	0%	3%	100%
$1,250,000 to below $1,500,000						
Dr Henry Tay Yun Chwan	*Executive Chairman*	23%	72%	0%	5%	100%
Dato' Dr Jannie Chan Siew Lee	*Executive Vice Chairman*	21%	68%	0%	11%	100%
Below $250,000						
Mr Robert Tan Kah Boh	*Independent Director*	0%	0%	100%	0%	100%
Mr Philip Eng Heng Nee	*Independent Director*	0%	0%	100%	0%	100%
Mr Kuah Boon Wee	*Independent Director*	0%	0%	100%	0%	100%
Mr Pascal Guy Demierre Chung Wei	*Independent Director*	0%	0%	100%	0%	100%
Ms Saw Phaik Hwa	*Independent Director*	0%	0%	100%	0%	100%

* *Salary includes employer's CPF contribution.*

\# *Accrued for FY2014.*

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(II) KEY MANAGEMENT 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 Limited	Ms Lim Jee Yah*	Managing Director, Luxury Enterprises
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

** Ms Lim Jee Yah joined the Company on 17 February 2014.*

No. of key executives in remuneration bands	FY2014
Above $750,000	1
$500,000 to below $750,000	2
$250,000 to below $500,000	3
Below $250,000	2

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DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN FY2014

Board composition & Committees	Board	AC	RC	NC
No. of meetings held	**4**	**4**	**3**	**2**
	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	3	NA	NA	1
Dr Kenny Chan Swee Kheng	4	NA	NA	2
Mr Michael Tay Wee Jin	3	NA	NA	NA
Mr Robert Tan Kah Boh	3	NA	3	1
Mr Philip Eng Heng Nee	4	4	3	NA
Mr Kuah Boon Wee	4	4	NA	2
Mr Pascal Guy Demierre Chung Wei	4	NA	3	2
Ms Saw Phaik Hwa	4	4	NA	NA

NA means not applicable.

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. During the financial year, no transaction was conducted with any interested person which amounted to $100,000 or more in value, and the Company did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST.

Financial Statements

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of The Hour Glass Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 March 2014 and the statement of financial position and statement of changes in equity of the Company as at 31 March 2014.

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 Pascal Guy Demierre Chung Wei
Ms Saw Phaik Hwa

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	15,315,246	123,535,707	123,535,707
Jannie Chan Siew Lee	9,399,826	7,441,826	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	–	–

Since the end of the financial year end on 31 March 2014, Jannie Chan Siew Lee's direct shareholding interest in the Company increased to 7,472,826 shares as at 21 April 2014.

Except as disclosed above, there was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2014.

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	

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 Audit Committee, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The Audit Committee has also conducted a review of interested person transactions.

The Audit Committee has recommended to the Board of Directors the reappointment of Ernst & Young LLP, Chartered 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
30 May 2014

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 2014 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
30 May 2014

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2014
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 95, which comprise the statements of financial position of the Group and the Company as at 31 March 2014, 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 2014 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
Chartered Accountants
Singapore
30 May 2014

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 $'000	2013 $'000
Revenue	4	682,797	601,936
Other income	5	6,146	5,822
Total revenue and other income		688,943	607,758
Cost of goods sold		526,051	458,279
Salaries and employees benefits		40,260	37,226
Depreciation of property, plant and equipment	12	6,601	5,872
Selling and promotion expenses		16,271	14,765
Rental expenses		22,174	18,743
Finance costs	6	489	488
Foreign exchange loss		531	136
Impairment loss on investment securities	19	–	785
Other operating expenses	7	8,697	7,461
Total costs and expenses		(621,074)	(543,755)
Share of results of associates		2,959	1,876
Profit before taxation	8	70,828	65,879
Taxation	9	(14,462)	(11,548)
Profit for the year		56,366	54,331
Profit attributable to:			
Owners of the Company		54,936	52,841
Non-controlling interests		1,430	1,490
		56,366	54,331
Earnings per share (cents)			
Basic and diluted	11	23.38	22.49

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 2014

	2014 $'000	2013 $'000
Profit for the year	56,366	54,331
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(6,725)	(3,441)
Other comprehensive loss for the year, net of tax	(6,725)	(3,441)
Total comprehensive income for the year	49,641	50,890
Total comprehensive income attributable to:		
Owners of the Company	48,149	49,997
Non-controlling interests	1,492	893
	49,641	50,890

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Assets					
Non-current assets					
Property, plant and equipment	12	33,072	29,218	13,536	14,120
Investment properties	13	21,786	19,434	13,278	12,126
Intangible assets	14	318	–	318	–
Investment in subsidiaries	15	–	–	20,459	20,459
Investment in associates	16	8,354	5,976	–	–
Loan to subsidiaries	17	–	–	770	8,842
Loan to an associate	18	2,118	2,738	–	–
Investment securities	19	24	25	–	–
Other receivables	20	6,009	5,713	2,299	2,365
Deferred tax assets	21	1,024	1,171	–	–
		72,705	64,275	50,660	57,912
Current assets					
Stocks	22	263,280	265,742	155,695	155,222
Trade and other receivables	20	20,220	20,373	10,081	11,716
Prepaid operating expenses		493	504	157	242
Amount due from associates	23	33	51	–	–
Amounts due from subsidiaries	24	–	–	5,708	3,426
Cash and cash equivalents	25	116,379	79,536	48,318	32,757
		400,405	366,206	219,959	203,363
Total assets		473,110	430,481	270,619	261,275
Equity and liabilities					
Current liabilities					
Loans and borrowings	26	39,738	41,198	38,000	38,000
Trade and other payables	27	47,620	40,472	23,184	22,731
Provision for taxation		8,752	8,151	5,004	5,348
		96,110	89,821	66,188	66,079
Net current assets		304,295	276,385	153,771	137,284
Non-current liabilities					
Provisions		240	283	–	–
Deferred income		–	7	–	–
Deferred tax liabilities	21	23	95	23	95
		263	385	23	95
Total liabilities		96,373	90,206	66,211	66,174
Net assets		376,737	340,275	204,408	195,101
Equity attributable to owners of the Company					
Share capital	28	67,638	67,638	67,638	67,638
Reserves	29	298,222	262,998	136,770	127,463
		365,860	330,636	204,408	195,101
Non-controlling interests		10,877	9,639	–	–
Total equity		376,737	340,275	204,408	195,101
Total equity and liabilities		473,110	430,481	270,619	261,275

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 2014

	Attributable to owners of the Company						
	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	Total equity $'000
Group							
Balance at 1 April 2012	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
Contributions by and distributions to owners							
Dividends on ordinary shares (Note 10)	–	–	–	(14,100)	(14,100)	–	(14,100)
Dividends paid to non-controlling interests	–	–	–	–	–	(327)	(327)
Total transactions with owners	–	–	–	(14,100)	(14,100)	(327)	(14,427)
Balance at 31 March 2013 and 1 April 2013	67,638	(308)	3,101	260,205	330,636	9,639	340,275
Profit for the year	–	–	–	54,936	54,936	1,430	56,366
Other comprehensive income	–	(6,787)	–	–	(6,787)	62	(6,725)
Total comprehensive income for the year	–	(6,787)	–	54,936	48,149	1,492	49,641
Contributions by and distributions to owners							
Dividends on ordinary shares (Note 10)	–	–	–	(12,925)	(12,925)	–	(12,925)
Dividends paid to non-controlling interests	–	–	–	–	–	(254)	(254)
Total transactions with owners	–	–	–	(12,925)	(12,925)	(254)	(13,179)
Balance at 31 March 2014	67,638	(7,095)	3,101	302,216	365,860	10,877	376,737

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 2014

	Share capital $'000	Revenue reserve $'000	Total equity $'000
Company			
Balance at 1 April 2012	67,638	115,471	183,109
Profit for the year, representing total comprehensive income for the year	–	26,092	26,092
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 10)	–	(14,100)	(14,100)
Total transactions with owners	–	(14,100)	(14,100)
Balance at 31 March 2013 and 1 April 2013	67,638	127,463	195,101
Profit for the year, representing total comprehensive income for the year	–	22,232	22,232
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 10)	–	(12,925)	(12,925)
Total transactions with owners	–	(12,925)	(12,925)
Balance at 31 March 2014	67,638	136,770	204,408

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 $'000	2013 $'000
Operating activities			
Profit before taxation		70,828	65,879
Adjustments for:			
Finance costs		489	488
Interest income		(886)	(948)
Investment income		–	(392)
Depreciation of property, plant and equipment		6,601	5,872
Amortisation of intangible assets		81	–
Foreign currency translation adjustment		(62)	(134)
Net gain on disposal of property, plant and equipment		(88)	(281)
Fair value gain on investment properties		(3,068)	(1,954)
Impairment loss on investment securities		–	785
Share of results of associates		(2,959)	(1,876)
Operating cash flows before changes in working capital		70,936	67,439
Increase in stocks		(1,300)	(36,602)
Increase in receivables		(380)	(3,716)
(Increase)/decrease in prepaid operating expenses		(7)	14
Decrease/(increase) in amount due from associates		411	(506)
Increase/(decrease) in payables		7,953	(981)
Cash flows from operations		77,613	25,648
Income taxes paid		(13,673)	(13,169)
Interest paid		(489)	(488)
Interest received		886	948
Net cash flows from operating activities		64,337	12,939
Investing activities			
Investment income		–	392
Additions to intangible assets		(399)	–
Proceeds from disposal of property, plant and equipment		136	451
Purchase of investment property		–	(1,820)
Purchase of property, plant and equipment		(11,271)	(9,614)
Net cash flows used in investing activities		(11,534)	(10,591)
Financing activities			
Proceeds from loans and borrowings		22,350	41,198
Repayment of loans and borrowings		(23,702)	(2,632)
Dividends paid to non-controlling interests		(254)	(327)
Dividends paid on ordinary shares		(12,925)	(14,100)
Net cash flows (used in)/from financing activities		(14,531)	24,139
Net increase in cash and cash equivalents		38,272	26,487
Effect of exchange rate changes on cash and cash equivalents		(1,429)	(652)
Cash and cash equivalents at 1 April		79,536	53,701
Cash and cash equivalents at 31 March	25	116,379	79,536

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2014

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, jewellery and other luxury products, and investment in properties.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement 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 which are effective for annual financial periods beginning on or after 1 April 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Accordingly to the transition provisions of FRS 113 Fair Value Measurement, FRS 113 has been applied prospectively by the Group on 1 April 2013.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
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
Amendments to transition guidance to FRS 110 *Consolidated Financial Statements*, FRS 111 Joint Arrangements and FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27 *Investment Entities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-financial Assets*	1 January 2014

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs	1 July 2014
INT FRS 121 *Levies*	1 January 2014

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

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 measured.

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 values 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), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, 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. Other components of non-controlling interests are measured at their acquisition date fair value, unless other measurement basis is required by another FRS.

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 that are held 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 initial recognition, investment properties are measured at fair value. 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 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.11 *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.

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.

2.12 *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 of disposal 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 of disposal, 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 profit or loss, 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.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. 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.

2.13 Financial instruments

(a) 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:

(i) 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.

(ii) 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.

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

(b) 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 that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest 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.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.14 *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 asset 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.

2.15 *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.

2.16 *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.

2.17 *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 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:

- 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.

2.23 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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

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

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

(c) Sales tax

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

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

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

2.24 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 *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) 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	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Deferred tax assets	1,024	1,171	–	–
Provision for taxation	8,752	8,151	5,004	5,348
Deferred tax liabilities	23	95	23	95

(b) 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 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 2014 was $33,072,000 (2013: $29,218,000). 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 20 to the financial statements.

(c) Allowances for inventories

Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying 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 22 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 2014. 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	
	2014	**2013**
	$'000	$'000
Rental income	976	1,087
Interest income from:		
- Loan to associates	162	148
- Cash at banks and short-term deposits	724	800
Management fee from associates	453	431
Net gain on disposal of property, plant and equipment	88	281
Fair value gain on investment properties	3,068	1,954
Investment income	–	392
Others	675	729
	6,146	5,822

6 Finance costs

	Group	
	2014	**2013**
	$'000	$'000
Interest on bank term loans	483	482
Interest on bank overdrafts	6	6
	489	488

7 Other operating expenses

	Group	
	2014	**2013**
	$'000	$'000
Facilities cost	3,354	3,283
Professional fees	1,204	900
General administrative expenses	4,139	3,278
	8,697	7,461

8 Profit before taxation

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

	Group 2014 $'000	Group 2013 $'000
Salaries and employees benefits (including executive directors):		
- salaries, bonuses and other costs	37,418	34,495
- provident fund contributions	2,792	2,681
- provision for retirement gratuity	50	50
Directors' fees	365	341
Audit fees:		
- auditors of the Company	173	170
- other auditors	167	182
Non audit fees:		
- auditors of the Company	131	93
- other auditors	201	37
Allowance for doubtful debts	–	45

9 Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2014 and 2013 are:

	Group 2014 $'000	Group 2013 $'000
Consolidated income statement:		
Current income tax		
- Current income taxation	14,455	12,942
- Under/(over) provision in respect of previous years	40	(1,089)
	14,495	11,853
Deferred income tax		
- Origination and reversal of temporary differences (Note 21)	(33)	(305)
Income tax expense recognised in profit or loss	14,462	11,548

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 2014 and 2013 are as follow:

	Group	
	2014	**2013**
	$'000	$'000
Profit before taxation	70,828	65,879
Tax calculated using Singapore corporate tax rate of 17% (2013: 17%)	12,041	11,199
Adjustments:		
Non-deductible expenses	77	287
Effect of different tax rates in other countries	3,412	2,397
Deferred tax (liabilities)/assets not recognised	101	(25)
Benefits from previously unrecognised tax losses	(111)	(5)
Non-taxable income	(229)	(546)
Effect of partial tax exemption and tax relief	(161)	(82)
Under/(over) provision in respect of previous years	40	(1,089)
Share of results of associates	(715)	(605)
Others	7	17
Taxation for the year	14,462	11,548

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

As at 31 March 2013, certain subsidiaries have unabsorbed tax losses of approximately $669,000 that were available for offset against future taxable profits of the subsidiaries. These tax losses were fully utilised by the subsidiaries during the year.

10 Dividends

	Group and Company 2014 $'000	Group and Company 2013 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2013: 5.50 cents (31 March 2012: 6.00 cents)	12,925	14,100
Proposed but not recognised as a liability at 31 March		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2014: 6.00 cents (31 March 2013: 5.50 cents)	14,100	12,925

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 2014	Group 2013
	$'000	$'000
Profit for the year attributable to owners of the Company	54,936	52,841
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	235,004	235,004

12 Property, plant and equipment

	Freehold premises $'000	Leasehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Group					
Cost:					
At 1 April 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 22)	–	–	(2,410)	–	(2,410)
Foreign currency translation adjustment	(36)	–	(331)	1	(366)
At 31 March 2013 and 1 April 2013	14,115	6,557	29,715	1,312	51,699
Additions	6,628	–	3,767	876	11,271
Disposals/write-offs	–	–	(1,754)	(349)	(2,103)
Foreign currency translation adjustment	(656)	70	(889)	2	(1,473)
At 31 March 2014	20,087	6,627	30,839	1,841	59,394
Accumulated depreciation:					
At 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 22)	–	–	(1,082)	–	(1,082)
Foreign currency translation adjustment	(9)	–	(203)	–	(212)
At 31 March 2013 and 1 April 2013	4,757	25	17,113	586	22,481
Depreciation charge for the year	325	169	5,859	248	6,601
Disposals/write-offs	–	–	(1,706)	(349)	(2,055)
Foreign currency translation adjustment	(178)	–	(526)	(1)	(705)
At 31 March 2014	4,904	194	20,740	484	26,322
Net carrying value:					
At 31 March 2014	15,183	6,433	10,099	1,357	33,072
At 31 March 2013	9,358	6,532	12,602	726	29,218

12 Property, plant and equipment (cont'd)

(a) Freehold premises (at cost)

	Group	
	2014	**2013**
	$'000	$'000
Singapore		
638 square metres office unit at 302 Orchard Road, Tong Building	7,664	7,664
Australia		
439 square metres shop unit at 70 Castlereagh Street, Sydney	8,320	2,995
294 square metres office unit at 70 Castlereagh Street, Sydney	2,040	2,276
318 square metres shop unit at 252 Collins Street, Melbourne	901	1,005
Malaysia		
116 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur	169	175
281 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur	993	–
	20,087	14,115

(b) Leasehold premises (at cost)

Singapore		
564 square metres warehouse unit at Eunos Warehouse Complex at Kaki Bukit Road 2	1,677	1,677
Hong Kong		
202 square metres office unit at Starhouse, No. 3 Salisbury Road, Kowloon	4,950	4,880
	6,627	6,557

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 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 22)	–	–	(2,410)	–	(2,410)
At 31 March 2013 and 1 April 2013	7,664	1,677	17,511	964	27,816
Additions	–	–	2,932	814	3,746
Disposals/write-offs	–	–	(1,561)	(290)	(1,851)
At 31 March 2014	7,664	1,677	18,882	1,488	29,711
Accumulated depreciation:					
At 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 22)	–	–	(1,082)	–	(1,082)
At 31 March 2013 and 1 April 2013	3,014	17	10,245	420	13,696
Depreciation charge for the year	153	70	3,910	179	4,312
Disposals/write-offs	–	–	(1,543)	(290)	(1,833)
At 31 March 2014	3,167	87	12,612	309	16,175
Net carrying value:					
At 31 March 2014	4,497	1,590	6,270	1,179	13,536
At 31 March 2013	4,650	1,660	7,266	544	14,120

13 Investment properties

Statements of financial position

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
At 1 April	19,434	20,629	12,126	9,100
Additions	–	1,820	–	1,820
Gain from fair value adjustments recognised in income statement	3,068	1,954	1,152	1,206
Transfer to property, plant and equipment at fair value	–	(4,880)	–	–
Foreign currency translation adjustment	(716)	(89)	–	–
At 31 March	21,786	19,434	13,278	12,126

Income statement

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Rental income from investment properties	968	1,058	726	692
Direct operating expenses arising from investment properties that generated rental income	215	222	75	61

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

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on latest valuations performed near to the end of reporting period. The valuations are performed by accredited independent valuers with a recognised and relevant professional qualification and 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. Details of valuation techniques and inputs used are disclosed in Note 35.

13 Investment properties (cont'd)

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 2014 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
42 square metres unit at Centrepoint situated at 176 Orchard Road, Singapore	Shop	Leasehold	64 years
114 square metres unit at Peninsula Plaza situated at 111 North Bridge Road, Singapore	Shop	Leasehold	814 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 Eunos Warehouse Complex at Kaki Bukit Road 2, Singapore	Warehouse	Leasehold	27 years

14 Intangible assets

	Group and Company	
	2014	**2013**
	$'000	$'000
Franchise fees		
Cost:		
At 1 April	–	–
Additions	399	–
At 31 March	399	–
Accumulated amortisation:		
At 1 April	–	–
Amortisation charge for the year	81	–
At 31 March	81	–
Net carrying value	318	–

15 Investment in subsidiaries

	Company 2014 $'000	Company 2013 $'000
Shares, at cost	20,459	20,459

Details of the subsidiaries as at 31 March are:

Name of company/ principal activities	Country of incorporation	Percentage of equity held by the Group 2014 %	2013 %	Cost of investments 2014 $'000	2013 $'000
Held by the Company					
Retailing and distribution of watches, jewellery and related products					
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
Investment holding					
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.

16 Investment in associates

	Group 2014 $'000	Group 2013 $'000
Unquoted shares, at cost	1,479	1,479
Share of post-acquisition reserves	7,355	4,396
Foreign currency translation adjustment	(480)	101
	8,354	5,976

Name of company / Principal activities	Country of incorporation	Proportion (%) of ownership interest 2014 %	Proportion (%) of ownership interest 2013 %
Held through subsidiary			
① THG Prima Times Co., Ltd *Retailling and distribution of watches and related products*	Thailand	50	50
Held through associate			
① Royal Paragon Watch Limited *Retailling and distribution of watches and related products*	Thailand	60*	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:

	2014 $'000	2013 $'000
Assets and liabilities:		
Total assets	44,836	37,647
Total liabilities	24,857	24,345
Results:		
Revenue	91,720	51,675
Profit for the year	8,097	3,797

17 Loan to subsidiaries

As at 31 March 2013, loan to a subsidiary of $8,000,000 was non-trade, unsecured and classified as a non-current asset as it was not expected to be repaid within the next twelve months. The loan was partially repaid during the financial year with the remaining amount of $2,000,000 (Note 24) classified as a current asset in the balance sheet as at 31 March 2014. The loan bore interest ranging from 3.93% to 4.00% (2013: 3.93% to 3.95%) per annum.

As at 31 March 2014, loan to a subsidiary of $770,000 (2013: $842,000) is non-trade, unsecured, and is not expected to be repaid within the next twelve months. The loan bears interest ranging from 5.14% to 5.35% (2013: 5.43% to 5.84%) per annum.

18 Loan to an associate

Loan to an associate is non-trade, unsecured, and is not expected to be repaid within the next twelve months. Interest is chargeable at Thailand's minimum lending rate ("MLR"), ranging from 6.75% to 7.00% (2013: 7.00% to 7.13%) per annum during the year. Loan to an associate is to be settled in cash.

19 Investment securities

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Available-for-sale financial assets:				
Quoted equity shares				
At 1 April	25	783	–	783
Additions	–	27	–	–
Foreign currency translation adjustment	(1)	–	–	–
Impairment loss on investment securities	–	(785)	–	(783)
At 31 March	24	25	–	–

Impairment loss

In prior year, the Group recognised an impairment loss of $785,000 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. No impairment loss was recognised by the Group during the financial year.

20 Trade and other receivables

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade and other receivables (current)					
Trade receivables		15,092	13,801	5,915	6,112
Goodwill compensation		355	326	355	316
Deposits		1,395	1,362	1,034	767
Recoverables and sundry debtors		3,361	4,875	2,763	4,513
Staff loans		17	9	14	8
		20,220	20,373	10,081	11,716
Other receivables (non-current)					
Deposits		6,009	5,713	2,299	2,365
Total trade and other receivables (current and non-current)		26,229	26,086	12,380	14,081
Add:					
- Loan to subsidiaries	17	–	–	770	8,842
- Loan to associate	18	2,118	2,738	–	–
- Amount due from associates	23	33	51	–	–
- Amounts due from subsidiaries	24	–	–	5,708	3,426
- Cash and cash equivalents	25	116,379	79,536	48,318	32,757
Total loans and receivables		144,759	108,411	67,176	59,106

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 730 days (2013: 365 days) as at the end of the reporting period but not impaired.

20 Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to approximately $1,327,000 (2013: $1,155,000) 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	
	2014	**2013**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	601	187
30 to 60 days	299	391
61 to 90 days	98	90
91 to 120 days	72	22
More than 120 days	257	465
	1,327	1,155

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	
	2014	**2013**
	$'000	$'000
Trade receivables – nominal amounts	93	165
Allowance for impairment	(93)	(165)
	–	–
Movements in allowance account:		
At 1 April	165	145
Written back	(27)	(24)
Charge for the year	–	45
Written Off	(41)	–
Foreign currency translation adjustment	(4)	(1)
At 31 March	93	165

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.

20 Trade and other receivables (cont'd)

Other receivables (current) that are impaired

	Group 2014	Group 2013
	$'000	$'000
Other receivables - nominal amounts	478	471
Allowance for impairment	(478)	(471)
	–	–
Movements in allowance account:		
At 1 April	471	477
Foreign currency translation adjustment	7	(6)
At 31 March	478	471

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 2014	Group 2013
	$'000	$'000
Swiss Franc	210	318
Australian Dollar	236	51
Singapore Dollar	7	45

21 Deferred tax (liabilities)/assets

	Group						Company	
	Consolidated statement of financial position		Consolidated income statement		Consolidated statement of comprehensive income		Statement of financial position	
	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities								
Differences in depreciation for tax purposes	(551)	(645)	(94)	54	–	–	(551)	(645)
Provisions	528	550	23	27	–	–	528	550
	(23)	(95)					(23)	(95)
Deferred tax assets								
Differences in depreciation for tax purposes	1,146	1,060	(192)	(301)	–	–	–	–
Revaluation of investment properties to fair value	(1,748)	(1,296)	574	31	–	–	–	–
Revaluation of premises to fair value	(27)	(30)	–	–	–	–	–	–
Provisions	1,620	1,374	(372)	(103)	–	–	–	–
Unrealised foreign exchange gain/(loss)	33	63	28	(35)	–	–	–	–
Others	–	–	–	22	–	–	–	–
	1,024	1,171					–	–
			(33)	(305)	–	–		

Tax consequences of proposed dividends

There are no income tax consequences for 2014 and 2013 attached to the dividends to the shareholders proposed by the Company and hence no liability has been recognised in the financial statements (Note 10).

22 Stocks

Statements of financial position:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Finished goods				
- at cost	168,787	188,549	89,312	104,117
- at net realisable value	94,493	77,193	66,383	51,105
Total finished goods at lower of cost and net realisable value	263,280	265,742	155,695	155,222

Income statement:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Inventories recognised as an expense in cost of sales	528,916	460,905	299,384	277,607
Inventories written-down	7,546	7,969	4,832	5,574
Reversal of write-down of inventories	(6,374)	(5,182)	(4,508)	(3,778)

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

In FY2013, the Group and Company transferred furniture and equipment at their net carrying amounts of $1,328,000 to stocks (Note 12).

23 Amount due from associates

	Group	
	2014	**2013**
	$'000	$'000
Amount due from associates		
- trade	33	51

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

24 Amount due from subsidiaries

	Company	
	2014	2013
	$'000	$'000
Amounts due from subsidiaries		
- non-trade	5,708	3,426

Non-trade balances with subsidiaries are unsecured and repayable on demand.

Included in amount due from subsidiaries was an amount of $2,000,000 which bears interest of 4.00% per annum.

25 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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash and bank balances	76,088	51,945	48,318	32,757
Fixed deposits with banks	40,291	27,591	–	–
	116,379	79,536	48,318	32,757

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
United States Dollar	126	36	126	3
Swiss Franc	248	363	234	307
Singapore Dollar	335	184	–	–
Others	62	10	55	5

26 Loans and borrowings

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Unsecured borrowings	39,738	41,198	38,000	38,000

Interest bearing loans and borrowings

The Group's unsecured loans and borrowings comprise:

(i) Revolving credits of $38,000,000 (2013: $38,000,000) is repayable within 12 months after the reporting date. Interest is charged at rates ranging from 0.98% to 1.13% (2013: 0.88% to 1.13%) per annum. The loan is denominated in Singapore Dollar.

(ii) Revolving credits of $1,738,000 (2013: $3,198,000) is repayable within 12 months after the reporting date. Interest is charged at rates from 3.93% to 4.18% (2013: 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.

27 Trade and other payables

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Financial liabilities					
Trade payables		18,080	12,677	3,502	3,036
Deposits from customers		8,067	5,998	4,430	3,180
Accruals		5,447	6,271	3,308	4,588
Other payables		1,377	1,380	978	992
		32,971	26,326	12,218	11,796
Non-financial liabilities					
Provisions		14,649	14,146	10,966	10,935
Total trade and other payables		47,620	40,472	23,184	22,731
Financial liabilities		32,971	26,326	12,218	11,796
Add: Loans and borrowings	26	39,738	41,198	38,000	38,000
Total financial liabilities carried at amortised cost		72,709	67,524	50,218	49,796

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

27 Trade and other payables (cont'd)

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	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Singapore Dollar	1,244	568	–	–
Swiss Franc	2,554	2,927	203	826
Others	19	15	19	15

28 Share capital

	Group and Company			
	2014		**2013**	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
Balance at beginning of year and end of the year	235,004	67,638	235,004	67,638

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.

29 Reserves

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Revenue reserve	302,216	260,205	136,770	127,463
Foreign currency translation reserve	(7,095)	(308)	–	–
Asset revaluation reserve	3,101	3,101	–	–
Total reserves	298,222	262,998	136,770	127,463

29 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.

30 Related party transactions

(a) Sale and purchase of goods and services

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

	Sale of goods $'000	Management fees received $'000	Interest income $'000	Purchase of goods $'000	Rental expenses $'000	Commission paid $'000	Purchase of leasehold premise $'000	Services rendered $'000	Rental income $'000
2014									
Associates	3	453	162	–	–	–	–	10	–
Directors of the Company	286	–	–	–	–	–	–	–	–
Directors of the subsidiaries	146	–	–	–	120	–	–	–	–
Director-related companies	–	–	–	35	333	–	–	–	31
Other related entity	–	–	–	–	–	28	–	–	–
Key management personnel	13	–	–	–	–	–	–	–	–
2013									
Associate	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	–	–	–	–	–	–	–	–

30 Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group 2014 $'000	Group 2013 $'000
Short-term employee benefits	10,884	10,284
Provident fund contributions	142	134
Total compensation paid to key management personnel	11,026	10,418
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	7,326	6,970
- Other key management personnel	3,700	3,448
	11,026	10,418

31 Commitments

(a) Capital commitments

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

	Group 2014 $'000	Group 2013 $'000
Capital expenditure approved and contracted for: furniture and fittings	1,013	47

(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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Not later than one year	584	648	492	519
Later than one year but not later than five years	289	729	289	729
	873	1,377	781	1,248

31 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	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Not later than one year	19,957	17,254	12,487	11,088
Later than one year but not later than five years	20,961	26,438	12,860	15,554
Later than five years	820	1,013	516	11
	41,738	44,705	25,863	26,653

32 Contingent liabilities

Guarantees

The Company has provided corporate guarantees to banks for loans amounted to $1,738,000 (2013: $3,198,000) and $4,390,000 (2013: $1,376,000) taken by subsidiaries and associates respectively. The loans are repayable within the next 12 months.

33 Segment information

Reporting format

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

Geographical segments

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

Business segment

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

Allocation basis and transfer pricing

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

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

33 Segment information (cont'd)

Geographical segments

The following table presents revenue, capital expenditure and certain assets and liabilities information regarding the Group's geographical segments as at and for the years ended 31 March 2014 and 2013.

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	Group $'000
2014						
Segment revenue:						
Sales to external customers	570,547	112,250	682,797	–		682,797
Inter-segment sales	418	10,131	10,549	(10,549)	A	–
Interest income	682	204	886	–		886
Other income	5,923	–	5,923	(663)	B	5,260
Total revenue and other income	577,570	122,585	700,155	(11,212)		688,943
Segment results:						
Segment results	47,185	18,202	65,387	(97)	C	65,290
Finance costs						(489)
Fair value gain on investment properties						3,068
Share of results of associates						2,959
Profit before taxation						70,828
Taxation						(14,462)
Profit for the year						56,366
Other segment information:						
Segment assets	379,010	84,722	463,732	–		463,732
Investment in associates	8,354	–	8,354	–		8,354
Unallocated corporate assets					D	1,024
						473,110
Segment liabilities	80,139	7,459	87,598	–		87,598
Unallocated corporate liabilities					E	8,775
						96,373
Capital expenditure for the year	10,854	417	11,271	–		11,271
Depreciation and amortisation	6,116	566	6,682	–		6,682

33 Segment information (cont'd)

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	Group $'000
2013						
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

33 Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Inter-company dividends are eliminated on consolidation.

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

	2014 $'000	2013 $'000
Profit from inter-segment sales	–	(10)
Inter-company expenses	285	127
Inter-company dividends	(382)	(991)
Total	(97)	(874)

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

	2014 $'000	2013 $'000
Deferred tax assets	1,024	1,171

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

	2014 $'000	2013 $'000
Provision for taxation	8,752	8,151
Deferred tax liabilities	23	95
Total	8,775	8,246

34 Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key risks include interest rate risk, foreign currency risk, other price risk, liquidity risk and credit risk. The Group reviews and agrees policies and procedures for the management of these risks.

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

34 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 (2013: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been $328,000 (2013: $339,000) 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 $771,000 and $415,000 (2013: $593,000 and $315,000) 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	
	2014	**2013**
	Profit net of tax	**Profit net of tax**
	$'000	$'000
CHF		
- strengthened 5% (2013: 5%)	(60)	(66)
- weakened 5% (2013: 5%)	60	66
AUD		
- strengthened 5% (2013: 5%)	10	2
- weakened 5% (2013: 5%)	(10)	(2)

34 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 investments 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-sale 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 2014.

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 2014, the Group has available cash and cash equivalents totalling approximately $116.4 million (2013: $79.5 million) to finance its operations.

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

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

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

Liquidity risk (cont'd)

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

	2014			2013		
Group	**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	–	2,546	2,546	–	3,313	3,313
Trade and other receivables	20,220	6,009	26,229	20,373	5,713	26,086
Amount due from associates	33	–	33	51	–	51
Cash and cash equivalents	116,379	–	116,379	79,536	–	79,536
Total undiscounted financial assets	136,632	8,555	145,187	99,960	9,026	108,986
Financial liabilities						
Trade and other payables	32,913	–	32,913	26,278	–	26,278
Loans and borrowings	39,939	–	39,939	41,313	–	41,313
Total undiscounted financial liabilities	72,852	–	72,852	67,591	–	67,591
Total net undiscounted financial assets	63,780	8,555	72,335	32,369	9,026	41,395
Company						
Financial assets						
Loan to subsidiaries	–	892	892	–	9,923	9,923
Trade and other receivables	10,081	2,299	12,380	11,716	2,365	14,081
Amount due from subsidiaries	5,788	–	5,788	3,440	–	3,440
Cash and cash equivalents	48,318	–	48,318	32,757	–	32,757
Total undiscounted financial assets	64,187	3,191	67,378	47,913	12,288	60,201
Financial liabilities						
Trade and other payables	12,165	–	12,165	11,749	–	11,749
Loans and borrowings	38,194	–	38,194	38,104	–	38,104
Total undiscounted financial liabilities	50,359	–	50,359	49,853	–	49,853
Total net undiscounted financial (liabilities)/assets	13,828	3,191	17,019	(1,940)	12,288	10,348

All capital commitments are repayable within one year.

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

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 (investment securities) and Note 20 (trade and other receivables).

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

35 Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There was no transfer from Level 1 and Level 2 to Level 3 during the financial years ended 31 March 2014 and 2013.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			
	2014			
	Fair value measurements at the end of the reporting period using			
	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	**Total** $'000
Recurring fair value measurements				
Assets				
Financial assets:				
Available-for-sale financial assets				
Investment securities (Note 19)	24	–	–	24
Loans and receivables				
Other receivables (Note 20)	–	–	6,009	6,009
Total financial assets	24	–	6,009	6,033
Non-financial assets:				
Investment properties	–	–	21,786	21,786
Total non-financial assets	–	–	21,786	21,786

35 Fair value of assets and liabilities *(cont'd)*

(b) Assets and liabilities measured at fair value (cont'd)

	Group 2013 Fair value measurements at the end of the reporting period using			
	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	**Total** $'000
Recurring fair value measurements				
Assets				
Financial assets:				
Available-for-sale financial assets				
Investment securities (Note 19)	25	–	–	25
Loans and receivables				
Other receivables (Note 20)	–	–	5,713	5,713
Total financial assets	25	–	5,713	5,738
Non-financial assets:				
Investment properties	–	–	19,434	19,434
Total non-financial assets	–	–	19,434	19,434

35 Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

	Fair Value at 31 March 2014 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Other receivables	6,009	Discounted cash flow	Market incremental lending rate for similar types of borrowings at the balance sheet date [(1)]	1.33%
Investment properties	21,786	Capitalisation approach	Capitalisation rate [(2)]	Offices: 6.25%
		Direct comparison method	Price per square metre [(3)]	Shops: $43,000 - $104,300 Warehouse: $2,500 - $3,300

(1) Any significant isolated increase/(decrease) in these inputs would result in a significantly lower/(higher) fair value measurement.

(2) The fair value measurement varies inversely against the capitalisation rate.

(3) Any significant isolated increase/(decrease) in these inputs would result in a significantly higher/(lower) fair value measurement.

(ii) Movements in Level 3 assets and liabilities measured at fair value

During the year, the Group has recognised gains from fair value adjustments of investment properties which amounted to $3,068,000 (2013: $1,954,000) (Note 13). The disclosure of the movement in the investment properties balance in Note 13 constitutes a reconciliation of the movement of assets which are measured at fair value based on significant unobservable inputs.

35 Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

(iii) Valuation policies and procedures

The senior management of the Group (the "Management") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the Management reviews the appropriateness of the valuation methodologies and assumptions adopted. The Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the Management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(d) 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.

36 Capital management

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

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

37 Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2014 were authorised for issue in accordance with a resolution of the Directors on 30 May 2014.

STATISTICS OF SHAREHOLDINGS AS AT 9 JUNE 2014

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	152	8.77	59,168	0.03
1,000 - 10,000	1,115	64.30	5,147,588	2.19
10,001 - 1,000,000	449	25.89	22,281,036	9.48
1,000,001 and above	18	1.04	207,516,168	88.30
Total :	**1,734**	**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 9 June 2014, approximately 36.50% 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 9 June 2014.

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Direct	%	No. of Shares Deemed	%
TYC Investment Pte Ltd	108,288,397	46.08	-	-
Dr Henry Tay Yun Chwan	15,315,246	6.52	123,535,707 ①	52.57
Key Hope Investment Limited	15,247,310	6.49	-	-
Dato' Dr Jannie Chan Siew Lee	7,472,826	3.18	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 levels have been arithmetically rounded to two decimals.

TWENTY LARGEST SHAREHOLDERS AS AT 9 JUNE 2014

No.	Name	No. of Shares	%
1	TYC INVESTMENT PTE LTD	108,288,397	46.08
2	HENRY TAY YUN CHWAN	15,315,246	6.52
3	KEY HOPE INVESTMENT LIMITED	15,247,310	6.49
4	HSBC (SINGAPORE) NOMINEES PTE LTD	13,896,336	5.91
5	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	7,472,826	3.18
6	DBS NOMINEES (PRIVATE) LIMITED	7,041,904	3.00
7	PHILLIP SECURITIES PTE LTD	6,897,751	2.94
8	LIM & TAN SECURITIES PTE LTD	6,658,794	2.83
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,479,801	1.91
10	RAFFLES NOMINEES (PTE) LIMITED	4,381,889	1.86
11	CITIBANK NOMINEES SINGAPORE PTE LTD	4,258,349	1.81
12	DB NOMINEES (SINGAPORE) PTE LTD	3,822,917	1.63
13	UOB KAY HIAN PRIVATE LIMITED	2,521,825	1.07
14	ONG YEK SIANG	2,039,241	0.87
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,642,660	0.70
16	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,484,922	0.63
17	CHIA KUM HO	1,055,000	0.45
18	BNP PARIBAS SECURITIES SERVICES	1,011,000	0.43
19	BANK OF SINGAPORE NOMINEES PTE. LTD.	983,116	0.42
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	742,849	0.32
	Total :	**209,242,133**	**89.04**

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