THE HOUR GLASS

ANNUAL REPORT 2018

In the distance I can hear a single chime
And within my grasps trickle the sands of time

Contents

CORPORATE DIRECTORY

DIRECTORS

Dr Henry Tay Yun Chwan	Executive Chairman
Dr Kenny Chan Swee Kheng	Group Managing Director
Mr Michael Tay Wee Jin	Group Managing Director
Mr Philip Eng Heng Nee	Independent Non-Executive Director
Mr Kuah Boon Wee	Independent Non-Executive Director
Mr Pascal Guy Chung Wei Demierre	Independent Non-Executive Director
Ms Saw Phaik Hwa	Independent Non-Executive Director
Mr Liew Choon Wei	Independent Non-Executive Director *(appointed on 1 April 2017)*
Mr Jeffry Lee Yu Chern	Independent Non-Executive Director *(appointed on 1 October 2017)*
Mr Robert Tan Kah Boh	Independent Non-Executive Director *(retired on 27 July 2017)*

AUDIT COMMITTEE

Mr Philip Eng Heng Nee	Chairman
Mr Kuah Boon Wee	
Ms Saw Phaik Hwa	
Mr Liew Choon Wei	*(appointed on 1 April 2017)*

REMUNERATION COMMITTEE

Mr Kuah Boon Wee	Chairman *(appointed on 1 October 2017)*
Mr Philip Eng Heng Nee	
Mr Pascal Guy Chung Wei Demierre	
Mr Liew Choon Wei	*(appointed on 1 April 2017)*
Mr Robert Tan Kah Boh	*(retired on 27 July 2017)*

NOMINATING COMMITTEE

Mr Kuah Boon Wee	Chairman
Mr Pascal Guy Chung Wei Demierre	
Dr Kenny Chan Swee Kheng	
Mr Jeffry Lee Yu Chern	*(appointed on 1 October 2017)*
Mr Robert Tan Kah Boh	*(retired on 27 July 2017)*

COMPANY SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

302 Orchard Road
#11-01 Tong Building
Singapore 238862
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Facsimile: (65) 6732 8683
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Website address: www.thehourglass.com

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 2015):
Mrs Lim Siew Koon

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
Dentons Rodyk & Davidson LLP

BOARD OF DIRECTORS

Seated from left:
Ms Saw Phaik Hwa, Dr Henry Tay

Standing from left:
Mr Jeffry Lee, Mr Pascal Demierre, Mr Kuah Boon Wee, Mr Michael Tay, Mr Philip Eng, Dr Kenny Chan, Mr Liew Choon Wei

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 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 was 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. He also received the Community Chest Special Recognition Award presented by the President of the Republic of Singapore in September 2015.

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.

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 25 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.

Dr Chan serves as a Council Member of the Singapore Retailers Association.

MR MICHAEL TAY WEE JIN
GROUP MANAGING DIRECTOR

Mr Michael Tay was appointed Group Managing Director on 1 April 2015, having been The Hour Glass' Executive Director since 2005. He first 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' business from specialty watch manufacturing to wholesale channel distribution and greenfield retail development. He is a member of the cultural committee of the Fondation de la Haute Horlogerie, a member of the jury for the Grand Prix d' Horlogerie de Geneve and a member of the jury for the FP Journe young talent competition. He is a member of the governing council for the NTU Centre for Contemporary Art, an advisory board member of Art Basel Cities and also serves on the board of STPI, institutions engaged in the advancement of the visual arts sector.

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

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.

Mr Eng is also the Non-Executive Director of Frasers Property Limited as well as a Non-Executive Director of Frasers Centrepoint Asset Management Ltd (Chairman from 23 April 2009 until February 2018). 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. He also serves on the board of several local and regional companies notably the SingHealth Group.

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 CHUNG WEI DEMIERRE
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 has been the Executive Director of Halcyon Agri Corporation Limited, a company listed on the Mainboard of the Singapore Exchange, since 8 July 2010. He also sits on the Board of Council Members, and hold the post of Treasurer, at the Alliance Francaise de Singapour.

Mr Demierre graduated from King's College, London with an 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. He is the Chairman of the Company's Nominating and Remuneration Committees and a member of the Company's Audit Committee.

Mr Kuah is the Group Chief Executive Officer of MTQ Corporation Limited. He is also a Non- Executive, Independent Director of UOB-Kay Hian Holdings Limited and Chairman of the Audit Committee and member of its Remuneration Committee. He had served as CEO for South East Asia and Singapore Terminals as well as Chief Financial Officer of PSA International Pte 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 Chairman of the Board of SISTIC.com Pte Ltd. She is also a Director of Globe Telecom Inc., and serves as a Board Member of The Esplanade Co. Ltd and Tan Tock Seng Hospital Community Fund. She is also the Honorary Advisor 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 Group Chief Executive Officer of Auric Pacific Group Limited, Chief Executive Officer of SMRT Corporation Limited, President for DFS South East Asia and a Board Member of Singapore Management University.

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.

BOARD OF DIRECTORS

MR LIEW CHOON WEI
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Liew was appointed to the Board of The Hour Glass Limited on 1 April 2017 as an independent Director and serves as a member of the Company's Audit and Remuneration Committees.

Mr Liew is an Independent Non-Executive Director of Halcyon Agri Corporation Limited since 1 October 2014 and an Independent Non-Executive Director of F J Benjamin Holdings Ltd. He is an Independent Non-Executive Director of Frasers Hospitality Asset Management Pte. Ltd. and Frasers Hospitality Trust Management Pte. Ltd., respectively. The former and latter are the manager of the real estate investment trust (REIT) and the trustee-manager of the business trust (BT), of which the REIT and BT comprise the stapled group, Frasers Hospitality Trust. Mr Liew is also the Chairman of the Internal Audit Committee of Kuok (Singapore) Ltd.

Mr Liew was with an international public accounting firm for more than 30 years before retiring in 2013 as an Audit Partner. He is a retired Fellow of the Association of Chartered Certified Accountants, UK and a Chartered Accountant of Singapore.

MR JEFFRY LEE YU CHERN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Lee joined the Board of The Hour Glass Limited on 1 October 2017 as an independent Director and serves as a member of the Company's Nominating Committee.

Mr Lee is the Senior Vice President of HPL Properties Pte Ltd since December 1988, a wholly-owned subsidiary of Hotel Properties Limited. Prior to joining HPL Properties Pte Ltd, he was an economic research analyst at Jacob Ballas & Co Stockbrokers.

Mr Lee graduated from Loughborough University with a Bachelor of Science degree.

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.

MALAYSIA
THE HOUR GLASS SDN BHD

MR TEH SOON KHENG
GENERAL MANAGER

Mr Teh joined The Hour Glass Sdn Bhd in January 2015. He has overall responsibility for the management of the Malaysia operations. Mr Teh graduated with a Master of Business Administration from University of Ballarat, 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.

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.

JAPAN
THE HOUR GLASS JAPAN LTD

MR ATSUSHI MOMOI
DIRECTOR & GENERAL MANAGER

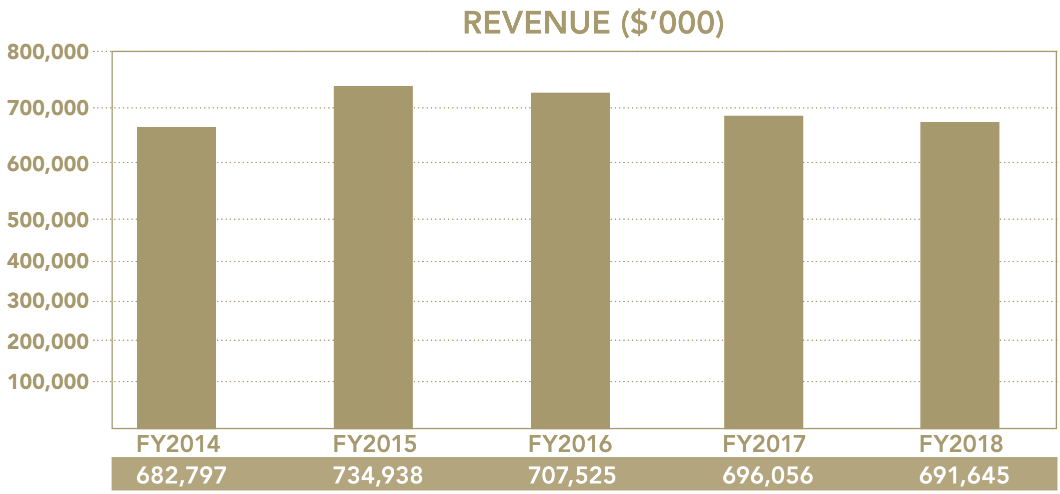
Mr Momoi joined The Hour Glass (Australia) Pty Ltd in November 1988 and was subsequently relocated to Japan to establish The Hour Glass Japan Ltd in July 1996. With more than 30 years of experience in the retail and wholesale distribution of luxury and specialty watches, he is responsible for the strategic planning, business development and sales and marketing of the company.

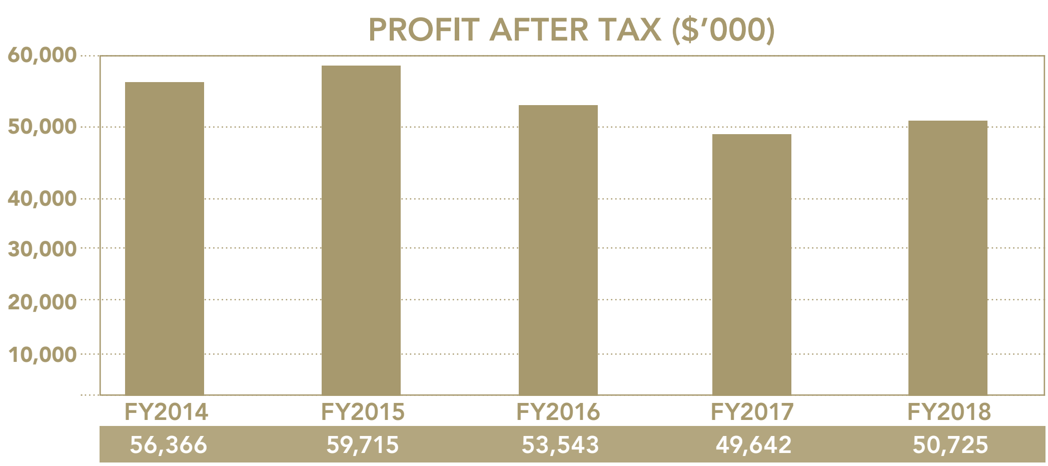
FINANCIAL HIGHLIGHTS

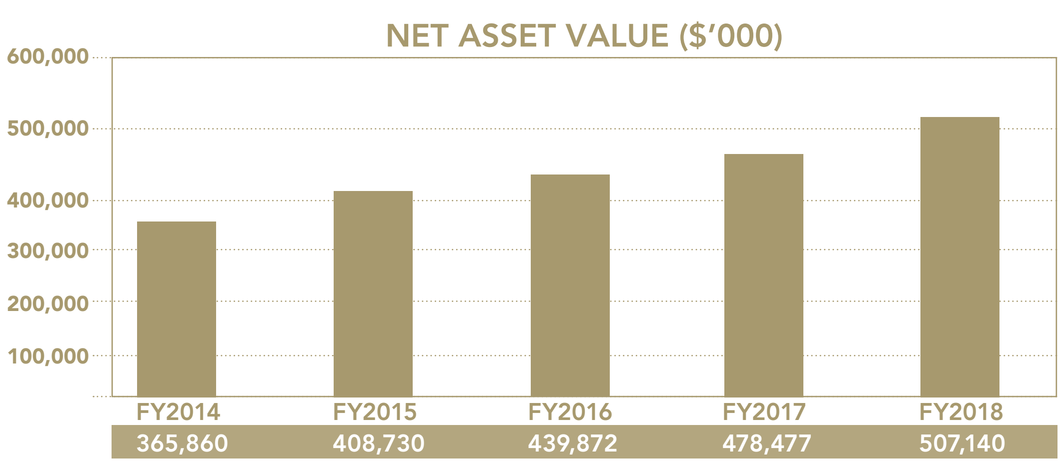
	FY2018	FY2017	FY2016	FY2015	FY2014
FINANCIAL RESULTS	$'000	$'000	$'000	$'000	$'000
Revenue	691,645	696,056	707,525	734,938	682,797
Operating profit [1]	65,861	59,546	64,980	74,010	67,760
Profit before taxation	64,759	62,994	66,968	75,404	70,828
Profit after tax	50,725	49,642	53,543	59,715	56,366
EBITDA [1]	73,641	68,065	72,889	81,994	74,045
FINANCIAL POSITIONS	$'000	$'000	$'000	$'000	$'000
Net asset value	507,140	478,477	439,872	408,730	365,860
Inventories	282,479	307,354	320,127	297,940	263,280
Cash and cash equivalents	180,496	124,849	93,898	98,332	116,379
Loans and borrowings	49,655	51,160	63,422	61,187	39,738
Free cash flow [2]	74,181	57,113	10,453	(13,026)	53,066
FINANCIAL RATIOS					
Gross margin (%)	24.2	22.7	23.7	22.6	23.0
Operating margin (%) [1]	9.5	8.6	9.2	10.1	9.9
Net margin (%)	7.3	7.1	7.6	8.1	8.3
Inventory turnover ratio	1.9	1.8	1.7	1.9	2.0
Debt / equity ratio (%)	9.8	10.7	14.4	15.0	10.9
Earnings per share (cents) [3]	7.07	6.91	7.42	8.22	7.79
Net asset value per ordinary share ($) [4]	0.72	0.68	0.62	0.58	0.52

1. *Excluding 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, intangible asset and investment property in the statement of cash flow.*
3. *For the purpose of comparison, earnings per share for prior corresponding year (FY2014) is adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into three ordinary shares on 28 November 2014.*
4. *For the purpose of comparison, net asset value per ordinary share for prior corresponding year (FY2014) is adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into three ordinary shares on 28 November 2014.*

FINANCIAL HIGHLIGHTS







VISION

To advance watch culture

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 and digital sales and marketing, merchandising and operational excellence

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

For the financial year ended 31 March 2018, the Group registered a 1% decline in sales to $691.6 million and grew our profit-after-tax by a modest 2% to $50.7 million. The Group has been able to not only weather the cyclical downturn that beset the global watch industry since 2012, but more significantly, it has maintained consistent profitability throughout this period: yielding $270.0 million in cumulative net profit-after-tax in the past 5 financial years. A rare performance in the context of the Asian specialty luxury watch retail sector.

The Group produced even stronger cash flow than the prior year, growing its annual free cash flow by 30.0% to $74.2 million with cash and cash equivalents closing at a historic $180.5 million. This is the result of an intensification of our operational oversight over our operating margins and the continued reduction in base inventory levels which saw total inventories decline by $24.9 million. As we begin a new phase of network enhancements and measured retail expansion, coupled with our overall inventory having been rightsized to our desired level of stock turnover, it is highly probable that this pace of cash generation will begin to moderate in the coming year.

On a consolidated net asset basis, the corporate net worth of the company rose by $28.7 million to $507.1 million or $0.72 per share. In view of the Group's respectable financial performance, the Board of Directors is pleased to recommend a first and final dividend of 2 cents per share amounting to $14.1 million.

GENERAL OUTLOOK

The luxury watch market has enjoyed a pronounced turnaround in the last 12 months - driven by a strong global economy and revived demand from Chinese shoppers - proving that my outlook in last year's Chairman's statement was overly cautious. 2017 had started slow for Swiss watchmakers, with the value of watch exports inching up just 0.3% for the first six months of the year. However, by the second semester, exports powered to a 4.9% rise ensuring the year ended up when compared to 2016. This positive uptrend continued in 2018, with like-for-like exports rising 10.1% in the first quarter.

In fact, the swiftness of this market recovery appears to have caught many watchmakers, and retailers, by surprise. And it has inevitably lead to marked shortages for the most desired models, evidenced by the secondary market premiums over suggested retail prices which are at the highest levels in a decade. We expect the upturn to continue for the next 12 to 18 months.

Market Convergence

Despite the good news, the watch industry is still in the process of undergoing substantial change, with developments taking place that promise to shape the industry for decades to come. The premiums commanded by certain watches is reflective of a growing polarisation in the business between strong, successful brands, and everyone else. A handful of watch brands, including the likes of Patek Philippe, Rolex and Audemars Piguet which managed their brands carefully the past five years, staying disciplined in their approach towards consolidating their global distribution networks and ensuring that they neither build mountains of stock nor force feed the market with excess inventory during the slowdown, are emerging stronger than ever before. That means these brands have created sufficient tension between product distribution and client demand, and perhaps for the first time in their operating histories, are experiencing a similar degree of success across all markets globally.

Many of them have expressed a reluctance to increase production to meet demand and those who plan on doing so are only making marginal adjustments. Most are shrewdly tightening pricing structures while disrupting their own commercial channels by trimming

CHAIRMAN'S STATEMENT

traditional wholesale networks; and in particular, within the regions of Europe and the United States where as many as a third of retailers will be reduced. As both the world's luxury giants – Louis Vuitton and Hermes – have demonstrated, fanatical control over distribution is the only way to build bulletproof brand equity while maintaining growth. And for third party retailers like The Hour Glass, the only way to ensure long term success is for us to forge indelible partnerships with the right brands.

The New New Thing

Seemingly more ephemeral yet of growing relevance to our business is the emergence of e-commerce – in all flavours and forms. In the *2017 Global Online Consumer Report* published by KPMG that surveyed over 18,000 participants in 50 countries, the conclusion was that millennials no longer "go shopping". Not because they have lost interest in buying but are in fact literally shopping all the time online.

Several notable developments in online retailing for luxury watches have taken place in 2017, and this is only the beginning. To start with, watch brands themselves have gotten into the game, none more decisively than Richemont. Over the course of the year several of its brands began selling online – only on their own websites – in a meaningful manner, offering a relatively wide variety of products in major markets like the United States and China. In fact, in May 2018 Richemont announced the introduction of Baume, a new brand catered to millennials that is available only online.

Last year, I had commented that Richemont had previously divested itself of its own online multi-brand platform and merging it with its direct rival Yoox forming Yoox Net-a-Porter (YNAP). In a dramatic about-turn in pursuit of its digital ambitions, Richemont acquired the whole of YNAP earlier this year, instantly making itself a key player in luxury e-commerce. And such is the nature of the tech universe where the operating bias of the sector encourages companies to perform strategic 'pivots' in order to maintain a nimble footing with other start-ups in the field. In Richemont's case, it was a €2.7 billion pivot to acquire the remaining 50% of the business it did not already own. Whether YNAP becomes an online mall solely for Richemont brands, or something broader and potentially more influential, remains to be seen.

E-commerce is sufficiently lucrative, and inevitable, that even media platforms like American watch blog Hodinkee have embraced it. Beginning with pre-owned watches, in 2017, it was appointed as an authorised online retailer for a selection of watch brands including Nomos, Vacheron Constantin and Zenith. Its early success have prompted other watch media owners to follow suit as they perceive that this is a pathway to enhancing their revenues and hence, business valuations. This convergence of content and commerce is beginning to gain traction though the extent of converting the audiences of such sites into active purchasing clients is still in its infancy.

The New Old Thing

Inextricably linked to e-commerce is the pre-owned market and the secondary market, or otherwise more commonly referred to as the grey market. Ironically, that segment is further along than watch brands and traditional watch retailers themselves in exploiting the potential of online selling. This is because players in this arena do not have restrictions placed on their operating behaviours.

While auction houses and online marketplaces like Chrono24 have been in operation for several years, the major development in the space is the formation of organised, online specialists in pre-owned watches, and one that has otherwise has been a highly fragmented sector dominated by traditional brick and mortar mom and pop retailers.

The success of online pre-owned retail trading platforms vis-à-vis authorised "e-tailers" selling primary market, new watches is the simple fact that there is a universal value for a pre-owned watch. So whether the item is

CHAIRMAN'S STATEMENT

located in Singapore, Shanghai or San Francisco, there is a high incidence of pricing parity. Hence facilitating a healthy, global commoditised trade for them. According to our research, 80% of buyers in this segment are males over the age of 25 and who are prepared to spend anywhere between \$10,000 to \$15,000 per transaction.

To be successful here requires multiple streams of supply, in-house servicing capabilities and building synergies from such economies of scale. A pioneer in this field is U.K. based Watchfinder, with a reported annualised revenue of £86.0 million in the year to March 2018. A business recently acquired by Richemont. Enterprises such as Watchfinder have also long been a platform for less scrupulous brands to dispose of excess inventory by selling slow-moving new watches as pre-owned in an attempt to achieve a higher trading value for them. Private individuals may also use such sites to sell recently acquired, sought after watches at premium prices for profit.

Traditional watch retailers in Europe and the United States do often already have a pre-owned business operating alongside with their new watch business, similar to that of automobile dealers. This allows them to accept trade-ins of a client's pre-owned watch to facilitate the sale of a new watch to them. Perhaps the most telling is the fact that some brands are dipping their toes into the pre-owned market. The most prominent being Audemars Piguet, which started experimenting selling used Audemars Piguet watches in Geneva. The initial results of such an operation have yet to be conclusive.

CE + CX

Whilst the industry's focus is on creating a digital response to the disruption that technology and e-commerce are having on the future of the watch world, our response has been to spend the past nine months rebooting our attitudes and approach towards client facing interactions. How, and how often we engage our clients, and the service experience we provide them to gain more understanding of their needs and form even greater intimacy with those customers. We do this because we acknowledge what Four Seasons founder Isadore Sharp has often repeated, "The simple idea that if you treat people well, the way you would like to be treated, they will do the same." It is therefore our organisational desire to build a high and consistent standard in every one of our boutiques within our entire retail network, with aspirations to be the Four Seasons of the specialist luxury watch retail industry.

ROUNDING OFF

Leadership rejuvenation at both the management and Board level have been a key agenda item for us as it is a process that requires a multi-year plan to execute. Most important is to identify the appropriate candidates bearing a similar shared vision, with the right cultural fit and then onboarding them into the organisation. I am therefore pleased to welcome Jeffry Lee as an independent director of The Hour Glass. With three decades of hospitality experience as Senior Vice-President at Hotel Properties Limited, building and managing some of the finest hotels in the world, Jeffry brings with him a holistic appreciation of fine watch connoisseurship and a deep understanding of experiential retail marketing, a key thrust for The Hour Glass.

I will also like to take the opportunity to thank three senior directors who have, and who shall be retiring from the Board. Firstly, Robert Tan, who had served with The Hour Glass for 18 years stepped off the Board this past financial year. Robert had performed his directorial duties with incredible distinction, offering wise and important guidance through several difficult market cycles and contributing to our present-day success. Philip Eng chaired the Audit Committee for 8 years and was conscientious about ensuring the implementation of an appropriate balance of corporate governance without stifling commercial and operational efficiency. His ability to execute these duties with diligence and even handedness shored up our standards of governance and raised the bar for both our audit and operations teams. Finally, Saw Phaik Hwa, who was

CHAIRMAN'S STATEMENT

instrumental in advancing our travel retail business in Phuket and whose incisive views on retail businesses promoted a better appreciation of the forces shaping our sector. All three directors will be missed for their experience and counsel.

Discipline is the bridge between goals and accomplishment. And as we set our sights on the objective of qualitative organisational development, I encourage my fellow colleagues to always strive to take the correct path. To exercise a discipline in the manner in which they improve their individual skill sets and to continue to fulfil an attainment for a better self. If we each begin to change the manner we think, behave and perform, over time, these changes aggregated will certainly morph The Hour Glass into an organisation we aspire to become.

HENRY TAY YUN CHWAN
Executive Chairman
31 May 2018

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 2018 ***("FY2018")***.

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. The Company believes that it has complied in all material respects with the principles, guidelines and recommendations of the Code, 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 the 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, sustainability direction and identifying key stakeholder groups whose perceptions can affect the Group's reputation and ensuring that obligations to shareholders and other stakeholders are understood and met. The Board sets the tone from the top for matters such as values and standards (including ethical business practices).

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.

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 Board meets at least once every quarter. Board and Board committee meetings are scheduled prior to the start of each financial 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 Constitution 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.

All incoming 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 as part of their induction, orientation and training, and thereafter are routinely updated on

CORPORATE GOVERNANCE

developments and changes in the operating environment, including revisions to accounting standards, listing rules, and laws and regulations affecting the Company and/or the Group. Where necessary, the Company will arrange training for a first-time director in areas such as accounting, legal and industry-specific knowledge. A newly appointed director will be provided with a formal letter of appointment setting out the director's duties and obligations, and a toolkit for the director relating to certain time-sensitive disclosures such as interests in securities, conflicts of interest in transactions, and interested person transactions.

At the request of directors, the Company will fund directors' participation at industry conferences, seminars or training programmes 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. During the financial year, the Company funded external seminars attended by relevant directors, including the training programme of a first-time director.

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.

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. The Board currently has nine members, consisting of six independent non-executive directors and three executive directors. None of the directors had an alternate director.

The number of independent Board members is in keeping with the recommendation in the Code (which stipulates at least half of the Board should be independent where (among others) the chairman of the Board is not an independent director or is part of the management team or is also the chief executive officer). As the Company's chief executive, the Executive Chairman heads the senior management team.

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. There are no material relationships (including immediate family relationships) between each independent non-executive director and the other directors or the Company or its 10% shareholders. Each of the independent non-executive directors has served on the Board for less than nine years as at 31 March 2018.

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 including in finance, management experience, industry knowledge, strategic planning experience and customer-based experience. The Board believes that its composition which has regard to factors such as the age, gender, cultural and educational background of its members, contributes to the quality of its decision-making. The Company will continue to decide on appointments to the Board having regard to the merit of candidates and believes

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that doing so will be consistent with achieving a diversity of perspectives described above. The Board also considers the current Board size is appropriate, taking into consideration the nature and scope of the Group's operations, the number of independent members, the requirements of the business and the need for an orderly and phased rejuvenation process 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:

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 is a co-founder of The Hour Glass and he is regarded as a controlling shareholder of the Company. Dr Henry Tay is the Executive Chairman of the Company, and Dr Kenny Chan and Mr Michael Tay are the Group Managing Directors of the Company. Mr Michael Tay is the son of Dr Henry Tay and a nephew of Dr Kenny Chan. The executive directors, comprising the Executive Chairman and the Group Managing Directors, take an active role in management and overseeing the Group's operations, providing a division of executive responsibility and authority in the Company. As the Company's chief executive, the Executive Chairman heads the senior management team.

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, objectively scrutinise the development of strategic proposals and constructively challenge management. In addition, the non-executive directors assist the Board in reviewing the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. Mr Kuah Boon Wee is the lead independent director. He is also chairman of the NC and the RC. 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

NAME OF DIRECTOR	AGE*	DATE FIRST APPOINTED AS DIRECTOR	DATE LAST RE-APPOINTED/RE-ELECTED AS DIRECTOR
Dr Henry Tay Yun Chwan	74	11 Aug 1979	20 Jul 2016
Dr Kenny Chan Swee Kheng	64	1 Apr 2004	20 Jul 2016
Mr Michael Tay Wee Jin	42	15 Aug 2005	20 Jul 2016
Mr Philip Eng Heng Nee+	71	1 Oct 2009	20 Jul 2016
Mr Kuah Boon Wee	51	1 Apr 2011	27 Jul 2017
Mr Pascal Guy Chung Wei Demierre	44	1 Apr 2011	27 Jul 2017
Ms Saw Phaik Hwa+	63	1 Sep 2012	15 Jul 2015
Mr Liew Choon Wei	64	1 Apr 2017	27 Jul 2017
Mr Jeffry Lee Yu Chern^	54	1 Oct 2017	NA

NA means not applicable.

** As at the Company's Annual General Meeting on 30 July 2018.*

+ Mr Philip Eng Heng Nee and Ms Saw Phaik Hwa will be retiring from the Board at the close of the Company's Annual General Meeting on 30 July 2018.

^ Mr Jeffry Lee Yu Chern was appointed to the Board after the Company's last Annual General Meeting held on 27 July 2017.

 # The term "10% shareholders" is defined in the Code 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 than 10% of the total votes attached to all the voting shares in the company. "Voting shares" excludes treasury shares.

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 relevant feedback to the Executive Chairman.

At the operational level, the senior management team, which includes the Executive Chairman and the Group Managing Directors, 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, among others, the Group Managing Directors 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 currently has four members and is chaired by Mr Kuah Boon Wee. During the financial year, Mr Kuah Boon Wee, Dr Kenny Chan and Mr Pascal Demierre served on the NC for the full period. Mr Jeffry Lee joined the NC as a member concurrently with his appointment to the Board on 1 October 2017. Mr Robert Tan served as a member of the NC until 27 July 2017 when he retired from the Board. The majority of the NC members, including the chairman of the NC, are independent non-executive directors. The NC met once during the financial year.

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 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. Regular reviews are made by the NC in consultation with the Executive Chairman. The selection of candidates for new appointments to the Board as part of the Board's renewal process is policy-based and includes prerequisites such as independent mindedness, core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors, experience in high-performing organisation, track record and business acumen. Candidates 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, having due regard for the benefits of diversity on

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the Board including age, gender, cultural and education background and skill sets. Candidates may be put forward or sought through contacts and recommendations. The NC is empowered to use the services of external advisers to facilitate the search as it deems necessary. The criteria for appointment of a new Board member will be underscored by the need to shape the Board in line with the medium-term needs of the Company and its strategic goals and business direction for the Group. The size and composition of Board committees is structured to ensure an equitable distribution of responsibilities among Board members, maximise the effectiveness of the Board and foster active participation and contribution. In support of progressive rejuvenation and renewal of the Board, one independent non-executive director retired from the Board during the financial year and two new independent non-executive directors were appointed with consequential changes to the membership of relevant Board committees.

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 on 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 in order that competing time commitments may be practically managed. 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. Likewise, as a director is expected to be able to commit time to the affairs of the Company, the NC would generally not support the appointment of an alternate director.

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, before presenting its findings to the Board for consideration. The Executive Chairman would act on the results of the performance evaluation where appropriate. This includes (in consultation with the NC) proposing new members to be appointed to the Board or seeking the resignation of directors. The Board is of the view that while financial indicators such as share price performance and return-on-equity may provide a means of benchmarking the Board's performance relative to that of competitors and industry peers, non-financial indicators such as feedback received from investors and market analysts also serve as useful qualitative analysis by external parties. Hence, financial indicators in themselves do 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

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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 Board is of the view that during the financial year, its members have performed efficiently and effectively for the Board to function collectively as a whole.

The matrix of Board members' participation and attendance record at meetings of the Board and the specialty Board committees during the financial year is provided at the end of this report. This also reflects a Board member's additional responsibilities and special focus on the respective Board committees of the Company.

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 separate and independent access to the executive directors, management and the company secretary, and vice versa. In general, the agenda and board papers which set out, amongst other things, management information such as financial performance, budgets, financial position, capital expenditure and operational statistics, are sent to all directors at least five days in advance of each scheduled quarterly Board meeting. Any material variance between budgets, projections and actual results are disclosed and explained. 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. All directors are provided with monthly flash reports to enable them to keep abreast of the Group's performance, position and prospects. Relevant information on material events and transactions are circulated to the Board members as and when they arise. Additional information is provided to directors, as and when needed or requested, to enable them to make informed decisions.

The company secretary's duties include assisting the chairman of the Board 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 Constitution provides 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.*

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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 currently has four members, and is chaired by Mr Kuah Boon Wee. The RC is comprised entirely of independent non-executive directors. During the financial year, the other members of the RC were Mr Philip Eng, Mr Pascal Demierre and Mr Liew Choon Wei. Mr Robert Tan was chairman of the RC until 27 July 2017 when he retired from the Board. Mr Kuah Boon Wee was appointed chairman of the RC from 1 October 2017. The RC met two times during the financial year.

The RC's scope of authority is formalised in its terms of reference. The RC's primary role is to review, determine and recommend to the Board, the framework of remuneration, terms of engagement, compensation and benefits for senior executives, including the specific remuneration packages for 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. As part of its review, the RC takes into consideration the salary and employment conditions within the same industry and in comparable companies. The RC, in carrying out its functions, has access to professional advice on human resource matters whenever there is a need to consult externally. There was no necessity for external advice to be obtained during the financial year.

The RC's terms of reference cover all aspects of remuneration but do not include the annual review and recommendation of the fees for non-executive directors of the Company (to be put to shareholders in Annual General Meeting ***("AGM")*** 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. In determining the quantum of such fees, factors such as time spent and responsibilities are taken into account. Market benchmarking is done periodically to ensure that that the directors' fees are within market norms and commensurate with responsibilities of the non-executive directors. Executive directors do not receive directors' fees as they are remunerated as executive employees. No individual director decides his or her own remuneration.

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. When deciding on performance-related remuneration, the RC also takes into account the risk policies of the Company, risk outcomes and time horizon of risks that might be undertaken. The employment terms of executive directors and certain senior key management personnel stipulate a fixed component in the form of base salary and a variable component linked to the pre-tax profits of the reporting entity and include provisions which entitle the Board to recompute (and, as applicable, either claw-back or top-up) 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. Termination clauses for executive directors and key management personnel are structured to operate fairly and reasonably and not be overly generous. 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 as disclosed in the notes to the financial statements. The Company does not presently operate an employee share option, share-based or long-term incentive scheme. The RC will consider a suitable scheme as and when it deems necessary. For the present, the RC is of the

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view that current remuneration incentives are adequate and effective as motivational tools to encourage the performance and retention of the executive directors and key management personnel.

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 five 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 five key management personnel (who are not directors) for the financial year were $6,199,898 and $2,629,693, respectively. The aggregate directors' fees of $361,311 paid to the non-executive directors for the financial year was within the amount of up to $396,000 approved at the AGM on 27 July 2017. During the year, Mrs Choy Siew Sen (an employee in an Australia subsidiary of the Company) who is the sister of 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' Statement 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, including requirements under the Listing Manual. 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 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 oversees management in the design, implementation and monitoring of the risk management and internal control systems. 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

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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 the 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, various Board committees and the Board, 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 2018 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.

In addition, the Board has received assurance from the Group Managing Directors and Chief Financial Officer that the financial records for the financial year ended 31 March 2018 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 adequate and 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.*

The AC currently has four members and is chaired by Mr Philip Eng. The other members of the AC are Mr Kuah Boon Wee, Ms Saw Phaik Hwa and Mr Liew Choon Wei, all of whom served on the AC for the financial year. The AC consists entirely of independent non-executive directors. The Board is of the view that all four AC members possess the relevant expertise to discharge the functions of an AC. Three members of the AC, including the chairman of the AC, are qualified chartered accountants. Collectively, the AC members have extensive experience in accounting, business administration and management. None of the AC members was a former partner of the Company's existing external auditor, Ernst & Young LLP, within the previous twelve months or has any financial interest in the firm.

The AC's scope of authority is 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. The AC has explicit authority to investigate any matter within its terms of reference.

During the financial year, the AC met four times. The activities of the AC include reviewing with the external auditor its (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. Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC at its meetings The AC also reviews the assistance given by management to the external auditor, 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 auditor is appointed as auditor 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 auditor. The AC also recommends the appointment or re-appointment of the external auditor, 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 auditor.

In the review of the financial statements, the AC discussed with management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The AC also considered the clarity of disclosures on significant matters in the financial statements. Among other matters, the following key audit matters as reported by the external auditor for the year ended 31 March 2018 were reviewed and discussed by the AC with management and the external auditor:

- Inventory allowances
- Valuation of investment properties

Following the review and discussion, the AC was satisfied with the approach and appropriateness of methodologies used by management, as adopted and disclosed in the financial statements, and recommendation was made by the AC to the Board to approve the financial statements.

The AC has undertaken a review of all non-audit services provided by the external auditor during the financial year, and is of the view that they would not affect the independence of the external auditor. The aggregate amount of audit and non-audit fees paid to the external auditor in the year under review can be found at note 8 to the financial statements, in 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 auditor or other professionals. The AC has full access to and co-operation of the Company's management and the internal auditor and has full discretion to invite any executive director or officer to attend its meetings. Both the internal and external auditors 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 auditor, and with the internal auditor, without the presence of management, at least annually.

The Company's external auditor carries out, in the course of its 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 its audit plan. Material non-compliance and internal control weaknesses noted during the audit and the external auditor's recommendations to address such

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non-compliance and weaknesses are reported to the AC. Management follows up and implements the external auditor's recommendations.

The Company has in place a "whistle blowing" policy whereby staff and others may, in confidence, raise concerns about possible impropriety in matters of financial reporting, fraudulent acts or behavior that might constitute a contravention of any rules, regulations or internal policies. The AC oversees this policy, including ensuring that procedures are in place for independent investigations and appropriate follow up action. A copy of the policy is posted on the Company's intranet.

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 AC ensures that the internal audit function has appropriate standing within the Company and that it is staffed by persons with appropriate qualifications and experience. The Company's internal audit function is headed by a manager, who reports directly to the chairman of the AC on audit matters and to the Group Managing Directors on administrative matters. The AC reviews the internal audit reports and activities as well as the adequacy and effectiveness of the internal audit function, at least annually. The AC also reviews and approves the annual internal audit plan.

The AC participates in and approves the hiring, removal, 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's corporate governance practices promote fair and equitable treatment of all shareholders. The Company communicates information to shareholders 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. Information is provided in an understandable and balanced manner, and on a timely basis so as to enable shareholders to make informed decisions in respect of their investments in the Company.

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 shareholders and 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 including the chairmen of the respective Board committees, senior management and

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the external auditor are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask questions regarding the Company, its strategies and performance, and seek clarification on a resolution before it is put to the vote. In addition, the Company also attends to enquiries from shareholders, analysts and the press. Such enquiries are handled by specifically designated members of senior management in lieu of a dedicated investor relations team. Resolutions put to the general meetings are separate unless they are interdependent and linked, and the reasons and material implications are explained.

The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote at general meetings in his/her stead. Shareholders who are "relevant intermediaries" (such as banks and capital markets services licence holders which provide custodial services for securities) are not constrained by the two proxy limitation and are able to appoint more than two proxies to attend, speak and vote at general meetings. Shareholders also have the flexibility to appoint the chairman of the meeting as their proxy and specify the manner in which their votes are to be cast. Voting in absentia by mail, email or fax has not been implemented due to authentication of shareholder identity concerns and other related security issues, and pending legislative clarity to recognise absentee voting. For greater transparency in the voting process at its general meetings, the Company has implemented electronic poll voting. An independent scrutineer is appointed by the Company in respect of the general meeting to ensure satisfactory procedures of the voting process are in place and to supervise the count of the votes. Shareholders and proxies in attendance at the meeting are informed of the house rules and the voting process. The detailed results (ie., the number of votes cast for and against and the percentage) of the vote on every resolution polled are disclosed at the general meeting and are announced by the Company after the meeting in accordance with relevant requirements of the SGX-ST Listing Manual.

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.

DISCLOSURE OF REMUNERATION

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

The fees proposed for payment to non-executive directors for FY2018 was determined based on the following formula, which is substantially the same as that applied in the previous year:

CORPORATE GOVERNANCE

	FY2018 FEE QUANTUM $
BOARD DIRECTORS	
Basic fee	30,000
Attendance fee for each Board Meeting	2,000
Attendance fee for each non-scheduled meeting	1,000
LEAD INDEPENDENT DIRECTOR	7,500
AUDIT COMMITTEE	
Chairman	40,000
Member	15,000
REMUNERATION COMMITTEE	
Chairman	17,000
Member	5,000
NOMINATING COMMITTEE	
Chairman	12,000
Member	5,000

CORPORATE GOVERNANCE

SUMMARY REMUNERATION TABLES – FY2018

(I) DIRECTORS

Name	Position	Salary* %	Bonus# %	Fees %	Other benefits %	Total %
$2,250,000 to below $2,500,000						
Dr Kenny Chan Swee Kheng	*Group Managing Director*	20%	76%	0%	4%	100%
Mr Michael Tay Wee Jin	*Group Managing Director*	21%	79%	0%	0%	100%
$1,250,000 to below $1,500,000						
Dr Henry Tay Yun Chwan	*Executive Chairman*	22%	69%	0%	9%	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 Chung Wei Demierre	*Independent Director*	0%	0%	100%	0%	100%
Ms Saw Phaik Hwa	*Independent Director*	0%	0%	100%	0%	100%
Mr Liew Choon Wei	*Independent Director*	0%	0%	100%	0%	100%
Mr Jeffry Lee Yu Chern^	*Independent Director*	0%	0%	100%	0%	100%

* *Salary includes employer's CPF contribution.*
\# *Accrued for FY2018.*
@ *Retired as a Director of the Company on 27 July 2017.*
^ *Appointed to the Board on 1 October 2017.*

(II) KEY MANAGEMENT OF THE GROUP *(AS AT 31 MARCH 2018)*

Name of Company	Name	Position
The Hour Glass Limited	Mr Ng Siak Yong	Chief Financial Officer
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 Teh Soon Kheng	General Manager
Glajz-THG Pte Ltd	Mr John Glajz	Managing Director

No. of key executives in remuneration bands	FY2018
Above $750,000 to below $1,000,000	1
$500,000 to below $750,000	2
$250,000 to below $500,000	1
Below $250,000	1

CORPORATE GOVERNANCE

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN FY2018

Board composition & Committees	**Board**	**AC**	**RC**	**NC**
No. of meetings held	**4**	**4**	**2**	**1**
	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended
Dr Henry Tay Yun Chwan	4	NA	NA	NA
Dr Kenny Chan Swee Kheng	4	NA	NA	1
Mr Michael Tay Wee Jin	4	NA	NA	NA
Mr Robert Tan Kah Boh #	1	NA	1	1
Mr Philip Eng Heng Nee	4	4	2	NA
Mr Kuah Boon Wee @	3	3	1	1
Mr Pascal Guy Chung Wei Demierre	4	NA	2	1
Ms Saw Phaik Hwa	4	4	NA	NA
Mr Liew Choon Wei	3	3	1	NA
Mr Jeffry Lee Yu Chern ^	2	NA	NA	NA

NA means not applicable.

Retired as a Director of the Company, chairman of the RC and member of the NC with effect from the close of the Annual General Meeting on 27 July 2017.

@ *Appointed chairman of the RC with effect from 1 October 2017.*

^ *Appointed as a Director of the Company and member of the NC with effect from 1 October 2017.*

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 SGX-ST Listing Manual) 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, the following transaction was conducted with an interested person which amounted to $100,000 or more in value. The Company did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST during the financial year.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Amstay Pte Ltd (an associate of Dr Henry Tay Yun Chwan and Mr Michael Tay Wee Jin)	*$1,066,464	-

* *Comprises gross rental in respect of 3-year lease renewal of office premises at 12th floor, Tong Building, Singapore, commencing January 2018, leased from Amstay Pte Ltd.*

Financial Statements

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of The Hour Glass Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2018.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Group and 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.

Directors

The directors in office at the date of this statement are:

Dr Henry Tay Yun Chwan
Dr Kenny Chan Swee Kheng
Mr Michael Tay Wee Jin
Mr Philip Eng Heng Nee
Mr Kuah Boon Wee
Mr Pascal Guy Chung Wei Demierre
Ms Saw Phaik Hwa
Mr Liew Choon Wei (appointed on 1 April 2017)
Mr Jeffry Lee Yu Chern (appointed on 1 October 2017)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Ordinary shares of the Company				
Henry Tay Yun Chwan	56,687,668	56,687,668	378,172,869	378,172,869
Kenny Chan Swee Kheng	2,725,497	2,725,497	448,878	448,878
Michael Tay Wee Jin	1,804,098	1,804,098	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2018.

Directors' interests in shares and debentures (cont'd)

By virtue of Section 4 of the Singapore Securities and Futures Act, Chapter 289, Dr Henry Tay Yun Chwan is deemed to have interests in the shares of the subsidiaries held by the Company.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

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 four independent non-executive directors. The members of the Audit Committee at the date of this statement are:

Mr Philip Eng Heng Nee	(Chairman)
Mr Kuah Boon Wee	
Ms Saw Phaik Hwa	
Mr Liew Choon Wei	(appointed on 1 April 2017)

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 auditor, including the nature and scope of the audit before the audit commenced;

(e) the audit report submitted by the external auditor;

(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 auditor; and

(i) the nature and extent of non-audit services provided by the external auditor.

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 the external auditor of the Company at the forthcoming Annual General Meeting.

Further details regarding the Audit Committee are disclosed in the report on Corporate Governance.

Auditor

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

On behalf of the Board of Directors,

Henry Tay Yun Chwan
Executive Chairman

Kenny Chan Swee Kheng
Group Managing Director

Singapore
31 May 2018

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2018
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of The Hour Glass Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2018
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

Key Audit Matters (cont'd)

Areas of focus	How our audit addressed the risk factors
Inventory allowances	
The Group's inventories, which represents the most significant component of the Group's assets, amounted to $282,479,000 as at 31 March 2018. Inventories are carried at the lower of cost and net realisable value. The determination of net realisable value of inventories in the retail industry is subject to estimation uncertainty, in particular due to uncertain consumer demand. The nature of the Group's business which sells luxury timepieces and jewellery subject to changing consumer demands and fashion trends further increases the level of judgement required to assess the appropriate level of allowances for items which may be sold below cost or remained unsold as a result of a reduction in consumer demand. Such judgements include management's expectations of future sales and inventory liquidation plans. Accordingly, we have identified this as a key audit matter. Refer to Note 2.15 (accounting policy) and Note 21 (financial statement's disclosures).	• We reviewed the basis of the inventory allowances and the consistency of providing for inventory allowances with the Group's policy. • We assessed the adequacy of the Group's inventory allowances by checking on a sample basis that inventory items were categorised appropriately in the relevant ageing bracket and assessing the reasonableness of the allowance percentages applied. • We also assessed the appropriateness of the inventory allowances by considering the historical accuracy of allowances by obtaining an understanding of the ageing profile of the inventories, the process of making specific provision for certain inventories and the historical utilization rates.
Valuation of investment properties	
The Group owns a portfolio of investment properties which are carried at fair value, with changes in fair values recognised in the income statement. The portfolio of investment properties is valued at $67,202,000 as at 31 March 2018. The valuation of the portfolio of investment properties is a key audit matter due to its magnitude and the complexity of the fair valuation underpinned by a number of assumptions such as capitalisation yields and future lease income. The Group uses professionally qualified external valuers to fair value the Group's investment properties annually. The valuation exercise relies on the accuracy of the underlying lease and financial information provided to the valuers by management. Refer to Note 2.8 (accounting policy) and Note 13 (financial statement's disclosures).	• We assessed management's process for reviewing and assessing the work of the external valuers. • We obtained the external valuation reports and inquired with the external valuers of the portfolio to discuss the basis and results of their work. • We assessed the appropriateness of the valuation model, performance of the portfolio and significant assumptions and critical judgement areas, including lease incentives, future lease income and capitalization yields. • We considered the competency, capabilities and objectivity of the external valuers. • We tested a sample of properties through benchmarking of yields, understanding the valuation methodology and testing the integrity of a sample of the information provided to the external valuer by agreeing that information to underlying lease agreements.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2018
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

Other Information

Management is responsible for the other information. The other information comprise the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lim Siew Koon.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore
31 May 2018

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $'000	2017 $'000
Revenue	4	691,645	696,056
Other income	5	3,229	7,896
Total revenue and other income		694,874	703,952
Cost of goods sold		524,590	538,110
Salaries and employees benefits		42,811	41,713
Depreciation of property, plant and equipment	12	7,173	7,342
Selling and promotion expenses		14,548	14,711
Rental expenses		29,900	29,901
Finance costs	6	1,267	1,609
Foreign exchange loss		195	490
Other operating expenses	7	12,496	10,398
Total costs and expenses		(632,980)	(644,274)
Share of results of associates		2,865	3,316
Profit before taxation	8	64,759	62,994
Taxation	9	(14,034)	(13,352)
Profit for the year		50,725	49,642
Profit attributable to:			
Owners of the Company		49,817	48,698
Non-controlling interests		908	944
		50,725	49,642
Earnings per share (cents)			
Basic and diluted	11	7.07	6.91

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 2018

	2018 $'000	2017 $'000
Profit for the year	50,725	49,642
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(7,826)	4,356
Other comprehensive (loss)/income for the year, net of tax	(7,826)	4,356
Total comprehensive income for the year	42,899	53,998
Total comprehensive income attributable to:		
Owners of the Company	42,763	52,705
Non-controlling interests	136	1,293
	42,899	53,998

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Assets					
Non-current assets					
Property, plant and equipment	12	34,066	37,109	8,933	12,212
Investment properties	13	67,202	71,825	11,181	12,137
Intangible assets	14	5,216	4,446	936	75
Investment in subsidiaries	15	–	–	52,074	52,074
Investment in associates	16	28,744	24,753	68	–
Loan to subsidiaries	17	–	–	–	809
Loan to an associate	18	–	2,224	–	–
Other receivables	19	6,878	7,341	3,566	3,535
Deferred tax assets	20	441	582	211	469
		142,547	148,280	76,969	81,311
Current assets					
Inventories	21	282,479	307,354	164,196	176,878
Trade and other receivables	19	16,839	17,704	6,707	5,779
Prepaid operating expenses		968	747	469	275
Amounts due from associates	22	2,751	70	2,720	–
Amounts due from subsidiaries	23	–	–	5,610	7,247
Cash and cash equivalents	24	180,496	124,849	76,120	52,626
		483,533	450,724	255,822	242,805
Total assets		626,080	599,004	332,791	324,116
Equity and liabilities					
Current liabilities					
Loans and borrowings	25	49,655	51,160	26,000	26,000
Trade and other payables	26	45,651	46,534	22,716	19,640
Amount due to subsidiaries	23	–	–	5,327	6,012
Provision for taxation		8,049	6,726	4,603	4,210
		103,355	104,420	58,646	55,862
Net current assets		380,178	346,304	197,176	186,943
Non-current liabilities					
Provisions		241	229	–	–
Deferred tax liabilities	20	1,413	1,386	–	–
Other non-current liabilities		1,474	1,171	1,474	1,171
		3,128	2,786	1,474	1,171
Total liabilities		106,483	107,206	60,120	57,033
Net assets		519,597	491,798	272,671	267,083
Equity attributable to owners of the Company					
Share capital	27	67,638	67,638	67,638	67,638
Reserves	28	439,502	410,839	205,033	199,445
		507,140	478,477	272,671	267,083
Non-controlling interests		12,457	13,321	–	–
Total equity		519,597	491,798	272,671	267,083
Total equity and liabilities		626,080	599,004	332,791	324,116

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 2018

	Attributable to owners of the Company							
	Share capital $'000	Foreign currency translation reserve $'000	Capital 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 2016	67,638	(13,872)	(142)	3,372	382,876	439,872	12,374	452,246
Profit for the year	–	–	–	–	48,698	48,698	944	49,642
Other comprehensive income	–	4,007	–	–	–	4,007	349	4,356
Total comprehensive income for the year	–	4,007	–	–	48,698	52,705	1,293	53,998
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 10)	–	–	–	–	(14,100)	(14,100)	–	(14,100)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(346)	(346)
Total transactions with owners in their capacity as owners	–	–	–	–	(14,100)	(14,100)	(346)	(14,446)
Balance at 31 March 2017	67,638	(9,865)	(142)	3,372	417,474	478,477	13,321	491,798

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 2018

	Attributable to owners of the Company							
	Share capital $'000	Foreign currency translation reserve $'000	Capital 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 (cont'd)								
Balance at 1 April 2017	67,638	(9,865)	(142)	3,372	417,474	478,477	13,321	491,798
Profit for the year	–	–	–	–	49,817	49,817	908	50,725
Other comprehensive income	–	(7,054)	–	–	–	(7,054)	(772)	(7,826)
Total comprehensive income for the year	–	(7,054)	–	–	49,817	42,763	136	42,899
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 10)	–	–	–	–	(14,100)	(14,100)	–	(14,100)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1,000)	(1,000)
Total transactions with owners in their capacity as owners	–	–	–	–	(14,100)	(14,100)	(1,000)	(15,100)
Balance at 31 March 2018	67,638	(16,919)	(142)	3,372	453,191	507,140	12,457	519,597

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital $'000	Revenue reserve $'000	Total equity $'000
Company			
Balance at 1 April 2016	67,638	185,937	253,575
Profit for the year, representing total comprehensive income for the year	–	27,608	27,608
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 2017 and 1 April 2017	67,638	199,445	267,083
Profit for the year, representing total comprehensive income for the year	–	19,688	19,688
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 2018	67,638	205,033	272,671

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $'000	2017 $'000
Operating activities			
Profit before taxation		64,759	62,994
Adjustments for:			
Finance costs		1,267	1,609
Interest income		(977)	(605)
Depreciation of property, plant and equipment		7,173	7,342
Amortisation of intangible assets		317	173
Foreign currency translation adjustment		(80)	248
Net loss on disposal of property, plant and equipment		151	224
Fair value loss/(gain) on investment properties		1,102	(3,448)
Share of results of associates		(2,865)	(3,316)
Operating cash flows before changes in working capital		70,847	65,221
Decrease in inventories		22,045	13,005
Decrease/(increase) in receivables		446	(1,118)
Increase in prepaid operating expenses		(244)	(216)
(Increase)/decrease in amount due from associates		(366)	10
Increase in payables		369	1,311
Cash flows from operations		93,097	78,213
Income taxes paid		(12,158)	(10,674)
Interest paid		(1,267)	(1,609)
Interest received		977	605
Net cash flows from operating activities		80,649	66,535
Investing activities			
Investment in an associate		(68)	–
Additions to intangible assets		(687)	–
Proceeds from disposal of property, plant and equipment		1	2
Purchase of property, plant and equipment		(5,781)	(9,422)
Net cash flows used in investing activities		(6,535)	(9,420)
Financing activities			
Proceeds from loans and borrowings		47,907	14,823
Repayment of loans and borrowings		(47,907)	(27,800)
Dividends paid to non-controlling interests		(1,000)	(346)
Dividends paid on ordinary shares		(14,100)	(14,100)
Net cash flows used in financing activities		(15,100)	(27,423)
Net increase in cash and cash equivalents		59,014	29,692
Effect of exchange rate changes on cash and cash equivalents		(3,367)	1,259
Cash and cash equivalents at 1 April		124,849	93,898
Cash and cash equivalents at 31 March	24	180,496	124,849

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2018

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 have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) for the financial year beginning 1 April 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to SFRS(I), the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 April 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 April 2017. The Group expects to reclassify an amount of $9,865,000 of foreign currency translation reserve to the opening retained earnings as at 1 April 2017.

Other than the effects of the matter as described above, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application.

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 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
(a) Amendments to FRS 103 *Business Combinations*	1 January 2019
(b) Amendments to FRS 111 *Joint Arrangements*	1 January 2019
(c) Amendments to FRS 12 *Income Taxes*	1 January 2019
(d) Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group adopted SFRS(I) on 1 April 2018. Upon adoption of SFRS(I) on 1 April 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 were adopted at the same time.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information and expects that the adoption of FRS 115 will not have a material impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in FY2019.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 109 in FY2019.

2. Summary of significant accounting policies (cont'd)

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

FRS 109 Financial Instruments (cont'd)

Classification and measurement

The Group's trade receivables include receivables from its retailing and distribution business. The Group intends to hold these receivables to collect contractual cash flows, and accordingly, these are measured at amortised cost when the Group applies FRS 109.

Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group do not expect a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Except for FRS 116, the directors expect that the adoption of the other SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 are described below.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 April 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact on adoption.

2.4 Foreign currency

The financial statements are presented in SGD, 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.

2. Summary of significant accounting policies (cont'd)

2.4 Foreign currency (cont'd)

(a) Transactions and balances (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(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 average rates prevailing at the date of the transactions. 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 profit or loss.

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

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 control 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; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. Summary of significant accounting policies (cont'd)

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

(b) Business combinations and goodwill

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.

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 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.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

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.

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. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. 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 10 years
Motor vehicles	– 5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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, and adjusted prospectively, if appropriate.

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 on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 Investment properties

Investment properties are properties that are either owned by the Group 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.

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 profit or loss 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 profit or loss 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 investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.10 Intangible assets

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

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 of 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 de-recognition 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.

Intangible assets of the Group comprised:

(a) Brand

The brand was acquired in a business combination. The useful life of the brand is estimated to be 50 years.

(b) Franchise fees

Franchise fees paid are amortised over the estimated useful lives of 5 years based on the expected pattern of consumption of future economic benefits.

(c) Computer software

Computer software comprises software purchased from third parties and related development expenditure with future economic benefits. Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the income statement using the straight-line method over their estimated useful lives of 3 years. Subsequent expenditure on capitalised intangible assets is added to the carrying value only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

Computer software integral to a related item of equipment is accounted for as property, plant and equipment.

Amortisation methods, useful lives and residual values are reviewed at each financial year ended and adjusted if appropriate.

2.11 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. The Group accounts for its investment in an associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. 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 associates are eliminated to the extent of the interest in the associates.

2. Summary of significant accounting policies (cont'd)

2.11 Associates (cont'd)

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 associate. 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 or loss.

The financial statements of the associates are prepared as 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 the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

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 indication exists, or when an annual impairment testing 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 inflows 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.

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.

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 profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

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 profit or loss, directly attributable transaction costs.

Subsequent measurement

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 profit or loss 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.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flow from the asset has expired. On de-recognition 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 profit or loss.

(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 profit or loss, 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 profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

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 discounted cash flow 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 profit or loss.

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 amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(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.

2. Summary of significant accounting policies (cont'd)

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. Summary of significant accounting policies (cont'd)

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 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 profit or loss 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 in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(b). Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (cont'd)

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, 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 is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(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) Dividend income

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

2. Summary of significant accounting policies (cont'd)

2.22 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 profit or loss except to the extent that tax relates to items recognised outside profit or loss, 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 goodwill or 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 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.

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

2.23 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. Summary of significant accounting policies (cont'd)

2.24 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.

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. 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 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	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Deferred tax assets	441	582	211	469
Provision for taxation	8,049	6,726	4,603	4,210
Deferred tax liabilities	1,413	1,386	–	–

3. Significant accounting judgements and estimates (cont'd)

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) Inventory allowance

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 inventories has been made in the financial statements. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 21 to the financial statements.

(b) 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 the end of the reporting period. The fair values of investment properties are determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the capitalisation and direct comparison methods. 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.

(c) 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 10 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 2018 was $34,066,000 (2017: $37,109,000). 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.

(d) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 19 to the financial statements.

4. Revenue

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

5. Other income

	Group	
	2018	**2017**
	$'000	$'000
Rental income	1,724	2,430
Interest income from:		
- Loan to an associate	137	135
- Cash at banks and short-term deposits	840	470
Management fee from associates	771	700
Fair value (loss)/gain on investment properties	(1,102)	3,448
Others	859	713
	3,229	7,896

6. Finance costs

	Group	
	2018	**2017**
	$'000	$'000
Interest on bank term loans	1,264	1,606
Interest on bank overdrafts	3	3
	1,267	1,609

7. Other operating expenses

	Group	
	2018	**2017**
	$'000	$'000
Net loss on disposal of property, plant and equipment	151	224
Facilities cost	4,159	4,300
Professional fees	2,059	1,848
General administrative expenses	6,127	4,026
	12,496	10,398

8. Profit before taxation

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

	Note	Group 2018 $'000	Group 2017 $'000
Salaries and employees benefits (including executive directors):			
- salaries, bonuses and other costs		39,324	38,300
- provident fund contributions		3,487	3,413
Directors' fees		430	389
Audit fees:			
- auditor of the Company		225	219
- other auditors		195	197
Non-audit fees:			
- auditor of the Company		85	89
- other auditors		77	92
Allowance for doubtful debts	19	–	131

9. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2018 and 2017 are:

	Group 2018 $'000	Group 2017 $'000
Consolidated income statement:		
Current income tax		
- Current income taxation	14,546	13,061
- Overprovision in respect of previous years	(731)	(255)
	13,815	12,806
Deferred income tax		
- Origination and reversal of temporary differences (Note 20)	219	546
Income tax expense recognised in profit or loss	14,034	13,352

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 2018 and 2017 are as follow:

	Group	
	2018	**2017**
	$'000	$'000
Profit before taxation	64,759	62,994
Less: share of results of associates	(2,865)	(3,316)
	61,894	59,678
Tax calculated using Singapore corporate tax rate of 17% (2017: 17%)	10,522	10,145
Adjustments:		
Non-deductible expenses	1,688	741
Effect of different tax rates in other countries	2,875	3,065
Deferred tax assets not recognised	–	100
Effect of partial tax exemption and tax relief	(155)	(505)
Overprovision in respect of previous years	(731)	(255)
Others	(165)	61
Taxation for the year	14,034	13,352

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

As at 31 March 2018, certain subsidiary has unabsorbed tax losses of approximately $500,000 (2017: $1,704,000) that are available for offset against future taxable profits of the subsidiary in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The tax losses do not have an expiry date. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in which the subsidiary operates.

10. Dividends

	Group and Company	
	2018	**2017**
	$'000	$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2017: 2.00 cents (31 March 2016: 2.00 cents)	14,100	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 2018: 2.00 cents (31 March 2017: 2.00 cents)	14,100	14,100

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	
	2018	**2017**
	$'000	$'000
Profit for the year attributable to owners of the Company	49,817	48,698
	'000	'000
Weighted average number of ordinary shares for calculation of basic and diluted earnings per share	705,012	705,012

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 2016	18,568	7,020	43,839	1,974	71,401
Additions	2,195	–	7,227	–	9,422
Disposals/write-offs	(69)	–	(6,146)	–	(6,215)
Foreign currency translation adjustment	263	136	(12)	5	392
At 31 March 2017 and 1 April 2017	20,957	7,156	44,908	1,979	75,000
Additions	–	–	5,781	–	5,781
Transferred to intangible assets (Note 14)	–	–	(400)	–	(400)
Reclassification	768	–	(768)	–	–
Disposals/write-offs	–	–	(2,270)	–	(2,270)
Foreign currency translation adjustment	(688)	(390)	(319)	(16)	(1,413)
At 31 March 2018	21,037	6,766	46,932	1,963	76,698
Accumulated depreciation:					
At 1 April 2016	5,414	533	29,544	948	36,439
Depreciation charge for the year	390	167	6,443	342	7,342
Disposals/write-offs	(31)	–	(5,958)	–	(5,989)
Foreign currency translation adjustment	64	9	20	6	99
At 31 March 2017 and 1 April 2017	5,837	709	30,049	1,296	37,891
Depreciation charge for the year	433	164	6,299	277	7,173
Disposals/write-offs	–	–	(2,118)	–	(2,118)
Foreign currency translation adjustment	(134)	(37)	(127)	(16)	(314)
At 31 March 2018	6,136	836	34,103	1,557	42,632
Net carrying value:					
At 31 March 2018	14,901	5,930	12,829	406	34,066
At 31 March 2017	15,120	6,447	14,859	683	37,109

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

(a) Freehold premises (at cost)

	Group 2018 $'000	Group 2017 $'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	9,962	9,778
294 square metres office unit at 70 Castlereagh Street, Sydney	1,764	1,877
318 square metres shop unit at 252 Collins Street, Melbourne	780	829
Malaysia		
281 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur	867	809
	21,037	20,957

The charge on a subsidiary's freehold premises with net carrying value approximately $8,248,000 as at 31 March 2017 to secure bank borrowings of that subsidiary was released during the year.

(b) Leasehold premises (at cost)

	Group 2018 $'000	Group 2017 $'000
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	5,089	5,479
	6,766	7,156

(c) Assets under construction (at cost)

The Group's furniture and equipment included $1,932,000 (2017: $2,492,000) which relates to expenditure in relation to renovation activities carried out in a subsidiary's property.

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

	Freehold premises $'000	Leasehold premises $'000	Furniture and equipment $'000	Motor vehicles $'000	Total $'000
Company					
Cost:					
At 1 April 2016	7,664	1,677	25,491	1,605	36,437
Additions	–	–	2,617	–	2,617
Disposals/write-offs	–	–	(3,403)	–	(3,403)
Transferred from a subsidiary	–	–	1,026	–	1,026
At 31 March 2017 and 1 April 2017	7,664	1,677	25,731	1,605	36,677
Additions	–	–	524	–	524
Transferred to intangible assets (Note 14)	–	–	(400)	–	(400)
Disposals/write-offs	–	–	(1,082)	–	(1,082)
At 31 March 2018	7,664	1,677	24,773	1,605	35,719
Accumulated depreciation:					
At 1 April 2016	3,473	203	19,035	617	23,328
Depreciation charge for the year	153	58	3,356	317	3,884
Disposals/write-offs	–	–	(3,263)	–	(3,263)
Transferred from a subsidiary	–	–	516	–	516
At 31 March 2017 and 1 April 2017	3,626	261	19,644	934	24,465
Depreciation charge for the year	153	58	2,902	267	3,380
Disposals/write-offs	–	–	(1,059)	–	(1,059)
At 31 March 2018	3,779	319	21,487	1,201	26,786
Net carrying value:					
At 31 March 2018	3,885	1,358	3,286	404	8,933
At 31 March 2017	4,038	1,416	6,087	671	12,212

13. Investment properties

Statements of financial position

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
At 1 April	71,825	66,682	12,137	12,719
(Loss)/gain from fair value adjustments recognised in income statement	(1,102)	3,448	(956)	(582)
Foreign currency translation adjustment	(3,521)	1,695	–	–
At 31 March	67,202	71,825	11,181	12,137

Income statement

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Rental income from investment properties	1,724	2,430	411	282
Direct operating expenses arising from investment properties that generated rental income	745	675	52	75

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 other than capital expenditure approved and contracted for renovation of one of the investment properties disclosed within Note 30(a).

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 34.

13. Investment properties (cont'd)

The investment properties held by the Group as at 31 March 2018 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	60 years
114 square metres unit at Peninsula Plaza situated at 111 North Bridge Road, Singapore	Shop	Leasehold	810 years
612 square metres unit at Eunos Warehouse Complex at Kaki Bukit Road 2, Singapore	Warehouse	Leasehold	23 years
1,027 square metres unit at 252 Collins Street, Melbourne, Australia*	Office	Freehold	N/A
95 square metres unit at 70 Castlereagh Street, Sydney, Australia	Office	Freehold	N/A
1,029 square metres unit at 192 Pitt Street, Sydney, Australia	Shop and office	Freehold	N/A
752 square metres unit at 201 Elizabeth Street, Brisbane, Australia	Shop and office	Freehold	N/A
116 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur, Malaysia	Office	Freehold	N/A

A subsidiary's investment properties with carrying value of $44,491,000 (2017: $47,644,000) are charged to secure the bank borrowings of that subsidiary (Note 25).

* As at the end of the reporting period, the property was under re-development.

14. Intangible assets

	Brand $'000	Franchise fees $'000	Software $'000	Total $000
Group				
Cost:				
At 1 April 2016, 31 March 2017 and 1 April 2017	4,594	399	–	4,993
Additions	–	–	687	687
Transferred from property, plant and equipment (Note 12)	–	–	400	400
Disposals	–	(399)	–	(399)
At 31 March 2018	4,594	–	1,087	5,681
Accumulated amortisation:				
At 1 April 2016	131	243	–	374
Amortisation charge for the year	92	81	–	173
At 31 March 2017 and 1 April 2017	223	324	–	547
Amortisation charge for the year	91	75	151	317
Disposals	–	(399)	–	(399)
At 31 March 2018	314	–	151	465
Net carrying value:				
At 31 March 2018	4,280	–	936	5,216
At 31 March 2017	4,371	75	–	4,446

As at the end of the reporting period, the brand and software have remaining amortisation periods of 46 and 2 (2017: 47 and Nil) years respectively.

14. Intangible assets (cont'd)

	Franchise fees $'000	Software $'000	Total $000
Company			
Cost:			
At 1 April 2016, 31 March 2017 and 1 April 2017	399	–	399
Additions	–	687	687
Transferred from property, plant and equipment (Note 12)	–	400	400
Disposals	(399)	–	(399)
At 31 March 2018	–	1,087	1,087
Accumulated amortisation:			
At 1 April 2016	243	–	243
Amortisation charge for the year	81	–	81
At 31 March 2017 and 1 April 2017	324	–	324
Amortisation charge for the year	75	151	226
Disposals	(399)	–	(399)
At 31 March 2018	–	151	151
Net carrying value:			
At 31 March 2018	–	936	936
At 31 March 2017	75	–	75

15. Investment in subsidiaries

	Company 2018 $'000	Company 2017 $'000
Shares, at cost	52,074	52,074

Details of the subsidiaries as at 31 March are:

Name of company/ principal activities	Country of incorporation	Percentage of equity held by the Group 2018 %	Percentage of equity held by the Group 2017 %	Cost of investments 2018 $'000	Cost of investments 2017 $'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	100	100	2,045	2,045
② The Hour Glass (HK) Limited	Hong Kong	100	100	10,261	10,261
② The Hour Glass (Australia) Pty Ltd	Australia	100	100	21,308	21,308
③ The Hour Glass Japan Ltd	Japan	100	100	3,630	3,630
① Watches of Switzerland Pte Ltd	Singapore	100	100	13,338	13,338
Investment holding					
② ④ The Hour Glass Holding (Thailand) Co., Ltd	Thailand	49	49	2	2
				52,074	52,074
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		
② Watches of Switzerland (2014) Sdn Bhd	Malaysia	100	100		

① Audited by Ernst & Young LLP, Singapore.

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

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

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

15. Investment in subsidiaries (cont'd)

The Group has the following subsidiary that has non-controlling interests ("NCI") that is material to the Group:

	Glajz-THG Pte Ltd	
	2018	**2017**
	%	%
Proportion of ownership interest held by NCI	40	40

	2018	**2017**
	$'000	$'000
Profit after tax allocated to NCI	874	906
Accumulated NCI at the end of the reporting period	12,126	13,036
Dividends paid to NCI	1,000	346

Summarised financial information about subsidiary with material NCI

	2018	**2017**
	$'000	$'000
Statement of financial position		
Non-current assets	108	241
Current assets	33,647	37,141
Current liabilities	(3,439)	(4,792)
Net assets	30,316	32,590
Statement of comprehensive income		
Revenue	34,278	42,082
Profit for the year, representing total comprehensive income for the year	2,186	2,265
Other summarised information		
Net cash flows from operations	791	1,402

16. Investment in associates

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Unquoted shares, at cost	1,547	1,479	68	–
Share of post-acquisition reserves	25,820	22,955	–	–
Foreign currency translation adjustment	1,377	319	–	–
	28,744	24,753	68	–

Name of company/ Principal activities	Country of incorporation	Proportion (%) of ownership interest 2018 %	2017 %
Held by the Company			
① THG S&S Company Limited *Retailing and distribution of watches and related products*	Vietnam	50	–
Held through subsidiary			
② THG Prima Times Co., Ltd *Retailing and distribution of watches and other luxury products*	Thailand	50	50
Held through associates			
② Royal Paragon Watch Limited *Retailing and distribution of watches and related products*	Thailand	60*	60*
② Siam Dynasty Limited *Retailing and distribution of watches and leasing of building, furniture, equipment and properties*	Thailand	100#	–
③ S&S – Indochine Company Limited *Retailing and distribution of watches and related products*	Vietnam	100#	–

① Audited by PwC (Vietnam) Limited.

② Audited by PricewaterhouseCoopers ABAS Ltd, Thailand.

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

* The effective percentage of equity held by the Group is 30%.

The effective percentage of equity held by the Group is 50%.

16. Investment in associates (cont'd)

The summarised financial information of the associates, based on their FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	THG Prima Times Co., Ltd and subsidiary	
	2018	**2017**
	$'000	$'000
Statement of financial position		
Current assets	67,113	68,280
Non-current assets	8,179	9,698
Total assets	75,292	77,978
Current liabilities	8,112	14,572
Non-current liabilities	234	4,639
Total liabilities	8,346	19,211
Net assets	66,946	58,767
Less: NCI of an associate	(9,582)	(9,261)
	57,364	49,506
Proportion of the Group's ownership	50%	50%
Group's share of net assets/carrying amount of the investment	28,682	24,753
Statement of comprehensive income		
Revenue	127,840	134,719
Profit for the year, representing total comprehensive income for the year	6,779	8,444

Information about the Group's investments in associates that are not individually material are as follows:

	2018	**2017**
	$'000	$'000
Loss for the year, representing total comprehensive loss for the year	(13)	–

17. Loan to subsidiaries

As at 31 March 2017, loan to a subsidiary of $809,000 was non-trade and unsecured. The loan was fully repaid during the financial year. The loan bore interest ranging from 2.46% to 2.50% (2017: 3.97% to 4.00%) per annum.

18. Loan to an associate

As at 31 March 2017, loan to an associate was non-trade and unsecured. Interest was chargeable at Thailand's minimum lending rate ("MLR") of 6.25% (2017: 6.25% to 6.50%) per annum during the year. The loan was fully repaid during the financial year.

19. Trade and other receivables

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Trade and other receivables (current)					
Trade receivables		10,930	9,903	2,743	1,162
Goodwill compensation		–	350	–	350
Deposits		1,726	2,319	474	993
Recoverables and sundry debtors		4,183	5,132	3,490	3,274
		16,839	17,704	6,707	5,779
Other receivables (non-current)					
Deposits		6,878	7,341	3,566	3,535
Total trade and other receivables (current and non-current)		23,717	25,045	10,273	9,314
Representing:					
- Financial assets		23,540	24,680	10,273	9,314
- Non-financial assets		177	365	–	–
Financial assets		23,540	24,680	10,273	9,314
Add:					
- Loan to subsidiaries	17	–	–	–	809
- Loan to an associate	18	–	2,224	–	–
- Amounts due from associates	22	2,751	70	2,720	–
- Amounts due from subsidiaries	23	–	–	5,610	7,247
- Cash and cash equivalents	24	180,496	124,849	76,120	52,626
Total loans and receivables		206,787	151,823	94,723	69,996

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

The goodwill compensation receivable arose from a principal for giving up distribution rights in certain territories/countries in the Asia Pacific region. This receivable was written off during the financial year.

19. Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to approximately $1,234,000 (2017: $1,607,000) 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	
	2018	**2017**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	732	803
30 to 60 days	212	311
61 to 90 days	36	39
91 to 120 days	56	109
More than 120 days	198	345
	1,234	1,607

Trade receivables that are impaired

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

	Group	
	2018	**2017**
	$'000	$'000
Trade receivables – nominal amounts	205	219
Less: Allowance for impairment	(205)	(219)
	–	–
Movements in allowance account:		
At 1 April	219	72
Allowance for the year	–	220
Written off	–	(72)
Foreign currency translation adjustment	(14)	(1)
At 31 March	205	219

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

19. Trade and other receivables (cont'd)

Other receivables (current) that are impaired

	Group	
	2018	**2017**
	$'000	$'000
Other receivables - nominal amounts	756	794
Less: Allowance for impairment	(756)	(794)
	–	–
Movement in allowance accounts:		
At 1 April	794	868
Allowance for the year	–	263
Write back	–	(352)
Foreign currency translation adjustment	(38)	15
At 31 March	756	794

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	
	2018	**2017**
	$'000	$'000
Swiss Franc	798	470
Australian Dollar	207	80
Singapore Dollar	–	16

20. Deferred tax (liabilities)/assets

	Group						Company	
	Consolidated statement of financial position		Consolidated income statement		Consolidated statement of comprehensive income		Statement of financial position	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities								
Differences in depreciation for tax purposes	1,134	1,600	378	(1,820)	–	–	–	–
Revaluation of investment properties to fair value	(3,747)	(4,031)	(47)	4,063	–	–	–	–
Revaluation of premises to fair value	(25)	(25)	–	25	–	–	–	–
Provisions	1,864	1,725	(246)	(1,606)	–	–	–	–
Unrealised foreign exchange loss	–	–	–	(14)	–	–	–	–
Fair value adjustment on acquisition of subsidiary	(639)	(655)	(16)	(16)	–	–	–	–
	(1,413)	(1,386)					–	–
Deferred tax assets								
Differences in depreciation for tax purposes	(340)	(283)	57	1,491	–	–	(360)	(250)
Revaluation of investment properties to fair value	–	–	–	(2,847)	–	–	–	–
Revaluation of premises to fair value	–	–	–	(24)	–	–	–	–
Provisions	761	798	46	1,361	–	–	548	651
Unrealised foreign exchange loss	(3)	(1)	2	1	–	–	–	–
Other items	23	68	45	(68)	–	–	23	68
	441	582					211	469
			219	546	–	–		

20. Deferred tax (liabilities)/assets (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised aggregated to $46,825,000 (2017: $38,713,000). The deferred tax liability is estimated to be $4,035,000 (2017: $3,268,000).

Tax consequences of proposed dividends

There are no income tax consequences for 2018 and 2017 attached to the dividends to the shareholders proposed by the Company and hence no liability has been recognised in the financial statements (Note 10).

21. Inventories

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Statements of financial position:				
Total finished goods at lower of cost and net realisable value	282,479	307,354	164,196	176,878
Income statement:				
Inventories recognised as an expense in cost of sales	527,983	539,708	287,172	303,911
Inventory allowance charged to income statement, net	1,560	3,526	1,272	2,421

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

22. Amounts due from associates

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Amount due from associates				
- trade	31	70	–	–
- non-trade	2,720	–	2,720	–
	2,751	70	2,720	–

Non-trade receivable from the associate relates to a non-interest bearing loan receivable convertible into shares of the associate within the next financial year. The loan is denominated in United States Dollar.

Trade receivables from associates are unsecured, non-interest bearing and are repayable on demand.

23. Amounts due from/(to) subsidiaries

	Company	
	2018	**2017**
	$'000	$'000
Amounts due from subsidiaries - non-trade	5,610	7,247
Amounts due to subsidiaries - trade	(5,327)	(6,012)

Non-trade balances with subsidiaries are unsecured, non-interest bearing and repayable on demand.

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

24. 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	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Cash and bank balances	136,844	97,017	76,120	52,626
Fixed deposits with banks	43,652	27,832	–	–
	180,496	124,849	76,120	52,626

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	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Swiss Franc	54	540	36	514
Singapore Dollar	416	386	–	–
Australian Dollar	564	388	–	–
Hong Kong Dollar	419	217	284	166
United States Dollar	273	58	273	58
Others	120	42	118	40

25. Loans and borrowings

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Secured loan	23,655	25,160	–	–
Unsecured loan	26,000	26,000	26,000	26,000
	49,655	51,160	26,000	26,000

(a) During the year, the Group's secured term loans of $25,160,000 as at 31 March 2017 were refinanced via revolving credits of $23,655,000. Interest is charged at rates ranging from at 2.75% to 4.04% (2017: 3.07% to 4.04%) per annum.

The loan is secured by first mortgage over certain investment properties (Note 13) of the subsidiary and corporate guarantees provided by the Company (Note 31).

The secured loan is denominated in Australian Dollars.

(b) The Group's unsecured loans and borrowings comprise revolving credits of $26,000,000 (2017: $26,000,000) is repayable within 12 months after the reporting date. Interest is charged at rates ranging from 0.91% to 1.54% (2017: 0.91% to 1.54%) per annum. The loans are denominated in Singapore Dollar.

(c) In 2016, the Company established a $500,000,000 Multicurrency Medium Term Note Programme (the "Programme"). The net proceeds arising from the issuance of the Multicurrency Medium Term Note (the "Note") under the Programme (after deducting issue expenses) will be used for general corporate purposes, including financing investments, acquisitions and strategic expansions, general working capital and capital expenditure requirements of the Company and its subsidiaries as well as to refinance existing borrowings of the Company and its subsidiaries or such other purpose as may be specified in the relevant pricing supplement. No Note has been issued by the Company at the end of the reporting period (2017: $Nil).

A reconciliation of liabilities arising from financing activities is as follows:

	2017	**Cash flows**	**Foreign exchange movement (non-cash)**	**2018**
	$'000	$'000	$'000	$'000
Loans and borrowings	51,160	–	(1,505)	49,655

26. Trade and other payables

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Financial liabilities					
Trade payables		16,506	20,803	5,408	3,727
Deposits from customers		12,804	8,724	5,931	4,059
Accruals		3,194	4,027	1,957	2,476
Other payables		1,440	1,248	730	826
		33,944	34,802	14,026	11,088
Non-financial liabilities					
Provisions		11,707	11,732	8,690	8,552
Total trade and other payables		45,651	46,534	22,716	19,640
Financial liabilities		33,944	34,802	14,026	11,088
Add:					
- Loans and borrowings	25	49,655	51,160	26,000	26,000
- Amount due to subsidiaries	23	–	–	5,327	6,012
Total financial liabilities carried at amortised cost		83,599	85,962	45,353	43,100

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

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

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Singapore Dollar	1,654	175	–	–
Swiss Franc	2,404	9,307	834	375
Others	15	6	–	5

27. Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
Balance at beginning of the year and end of the year	705,012	67,638	705,012	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.

28. Reserves

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revenue reserve	453,191	417,474	205,033	199,445
Foreign currency translation reserve	(16,919)	(9,865)	–	–
Asset revaluation reserve	3,372	3,372	–	–
Capital reserve	(142)	(142)	–	–
Total reserves	439,502	410,839	205,033	199,445

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.

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.

Capital reserve

The capital reserve represents the effects of change in ownership interests in a subsidiary when there is no change in control.

29. Related party transactions

(a) Sale and purchase of goods and services

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

	Sale of goods	Management fees received	Interest income	Purchase of goods	Rental expenses	Commission received	Services rendered	Rental income
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018								
Associates	115	771	137	382	–	7	2	–
Directors of the Company	380	–	–	7	–	–	–	–
Directors of the subsidiaries	286	–	–	86	120	–	–	–
Directors-related companies	–	–	–	–	355	–	–	31
Key management personnel	2	–	–	–	–	–	–	–
Other related entity	70	–	–	–	–	–	–	–
2017								
Associates	363	700	135	377	–	–	5	–
Directors of the Company	140	–	–	–	–	–	–	–
Directors of the subsidiaries	41	–	–	–	120	–	–	–
Directors-related companies	2	–	–	–	326	–	–	31

29. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2018	**2017**
	$'000	$'000
Short-term employee benefits	8,695	9,266
Provident fund contributions	134	187
Total compensation paid to key management personnel	8,829	9,453
Comprise amounts paid to:		
- Directors of the Company	6,200	5,906
- Other key management personnel	2,629	3,547
	8,829	9,453

30. Commitments

(a) Capital commitments

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Capital expenditure approved and contracted for: renovation and software development	1,267	2,338	180	196

(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	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Not later than one year	1,138	889	394	384
Later than one year but not later than five years	2,401	1,427	552	829
Later than five years	161	–	–	–
	3,700	2,316	946	1,213

30. Commitments (cont'd)

(c) Operating lease commitments – As lessee

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

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Not later than one year	23,466	26,250	15,778	17,731
Later than one year but not later than five years	44,048	39,355	36,691	31,185
Later than five years	12,935	16,548	10,474	13,819
	80,449	82,153	62,943	62,735

31. Contingent liabilities and other commitments

Guarantees

(a) The Company has provided corporate guarantees to banks for loans amounted to $200,000 (2017: $2,294,000) taken by associates. The loans are repayable within the next 12 months.

(b) The Company has provided corporate guarantees to a bank for loan amounting to $23,655,000 (2017: $25,160,000) taken by a subsidiary (Note 25). The loan is repayable within the next 12 months.

32. Segment information

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.

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 and other luxury products. All relevant information regarding the business segment has been disclosed elsewhere in the financial statements.

32. Segment information (cont'd)

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.

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 2018 and 2017.

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	Group $'000
2018						
Segment revenue:						
Sales to external customers	589,493	102,152	691,645	–		691,645
Inter-segment sales	4,449	–	4,449	(4,449)	A	–
Interest income	847	130	977	–		977
Other income	4,286	1	4,287	(2,035)	B	2,252
Total revenue and other income	599,075	102,283	701,358	(6,484)		694,874
Segment results:						
Segment profit/(loss)	52,563	13,206	65,769	(1,506)	C	64,263
Finance costs						(1,267)
Fair value loss on investment properties						(1,102)
Share of results of associates						2,865
Profit before taxation						64,759
Taxation						(14,034)
Profit for the year						50,725
Other segment information:						
Segment assets	514,793	82,102	596,895	–		596,895
Investment in associates	28,744	–	28,744	–		28,744
Unallocated corporate assets					D	441
						626,080
Segment liabilities	88,515	8,506	97,021	–		97,021
Unallocated corporate liabilities					E	9,462
						106,483
Capital expenditure for the year	6,030	438	6,468	–		6,468
Depreciation and amortisation	7,097	393	7,490	–		7,490

32. Segment information (cont'd)

Geographical segments (cont'd)

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	Group $'000
2017						
Segment revenue:						
Sales to external customers	601,510	94,546	696,056	–		696,056
Inter-segment sales	104	2,518	2,622	(2,622)	A	–
Interest income	553	52	605	–		605
Other income	17,261	1	17,262	(9,971)	B	7,291
Total revenue and other income	619,428	97,117	716,545	(12,593)		703,952
Segment results:						
Segment profit/(loss)	55,569	12,253	67,822	(9,983)	C	57,839
Finance costs						(1,609)
Fair value gain on investment properties						3,448
Share of results of associates						3,316
Profit before taxation						62,994
Taxation						(13,352)
Profit for the year						49,642
Other segment information:						
Segment assets	501,704	71,600	573,304	–		573,304
Investment in associates	24,753	–	24,753	–		24,753
Unallocated corporate assets					D	947
						599,004
Segment liabilities	93,563	5,531	99,094	–		99,094
Unallocated corporate liabilities					E	8,112
						107,206
Capital expenditure for the year	9,382	40	9,422	–		9,422
Depreciation and amortisation	7,064	451	7,515	–		7,515

32. Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Inter-company dividends are eliminated on consolidation.

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

	Group	
	2018	**2017**
	$'000	$'000
Inter-company income	(6)	(45)
Inter-company dividends	(1,500)	(9,938)
Total	(1,506)	(9,983)

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

	Group	
	2018	**2017**
	$'000	$'000
Tax recoverable	–	365
Deferred tax assets	441	582
Total	441	947

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

	Group	
	2018	**2017**
	$'000	$'000
Provision for taxation	8,049	6,726
Deferred tax liabilities	1,413	1,386
Total	9,462	8,112

33. Financial risk management objectives and policies

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

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

Interest rate risk

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

The Group's exposure to interest rate risk arises primarily from its loans and borrowings and its investment portfolio in fixed deposits. The Group's borrowings are predominantly denominated in floating rates and are expected to be repriced at intervals of less than one year from the financial year end. At present, the Group's policy is to obtain the most favourable interest rate arrangements 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 (2017: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been $381,000 (2017: $392,000) 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), Australian Dollar (AUD) and United States Dollar (USD).

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 $1,846,000 and $711,000 (2017: $1,631,000 and $778,000) 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 reasonable possible change in the CHF exchange rate against SGD, with all other variables held constant, of the Group's profit net of tax:

	Group	
	2018 Profit net of tax	**2017 Profit net of tax**
	$'000	$'000
CHF		
- Strengthened 5% (2017: 5%)	(55)	(275)
- Weakened 5% (2017: 5%)	55	275

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

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 2018, the Group has available cash and cash equivalents totalling approximately $180,496,000 (2017: $124,849,000) to finance its operations. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group. Short-term funding may be obtained from short-term loans where necessary.

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

	2018			2017		
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	–	–	–	–	2,641	2,641
Trade and other receivables	16,662	6,878	23,540	17,339	7,341	24,680
Amount due from associates	2,751	–	2,751	70	–	70
Cash and cash equivalents	180,496	–	180,496	124,849	–	124,849
Total undiscounted financial assets	199,909	6,878	206,787	142,258	9,982	152,240
Financial liabilities						
Trade and other payables	33,926	–	33,926	34,624	–	34,624
Loans and borrowings	49,685	–	49,685	54,297	–	54,297
Total undiscounted financial liabilities	83,611	–	83,611	88,921	–	88,921
Total net undiscounted financial assets	116,298	6,878	123,176	53,337	9,982	63,319

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

Liquidity risk (cont'd)

	2018			2017		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Company	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Loan to subsidiaries	–	–	–	–	905	905
Trade and other receivables	6,707	3,566	10,273	5,779	3,535	9,314
Amount due from associate	2,720	–	2,720	–	–	–
Amount due from subsidiaries	5,610	–	5,610	7,247	–	7,247
Cash and cash equivalents	76,120	–	76,120	52,626	–	52,626
Total undiscounted financial assets	91,157	3,566	94,723	65,652	4,440	70,092
Financial liabilities						
Trade and other payables	14,009	–	14,009	10,993	–	10,993
Loans and borrowings	26,030	–	26,030	26,191	–	26,191
Amount due to subsidiaries	5,327	–	5,327	6,012	–	6,012
Total undiscounted financial liabilities	45,366	–	45,366	43,196	–	43,196
Total net undiscounted financial assets	45,791	3,566	49,357	22,456	4,440	26,896

All capital commitments are repayable within one year.

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.

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

Credit risk (cont'd)

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 (trade and other receivables).

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

34. 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 than 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 2018 and 2017.

(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			
	2018			
	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				
Non-financial assets:				
Investment properties (Note 13)	–	–	67,202	67,202
Total non-financial assets	–	–	67,202	67,202

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

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

	Group			
	2017			
	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				
Non-financial assets:				
Investment properties (Note 13)	–	–	71,825	71,825
Total non-financial assets	–	–	71,825	71,825

34. 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)

Description	Fair Value $'000	Valuation techniques	Unobservable inputs	Range
At 31 March 2018				
Investment properties	67,202	Capitalisation approach	Capitalisation rate (1)	Offices: 6.00% Shops: 3.75% - 6.25%
		Direct comparison method	Price per square metre (2)	Shops: $43,700 - $95,600 Warehouse: $2,200 - $3,000 Office: $3,100 - $3,400
At 31 March 2017				
Investment properties	71,825	Capitalisation approach	Capitalisation rate (1)	Offices: 6.75% Shops: 3.75% - 6.25%
		Direct comparison method	Price per square metre (2)	Shops: $25,000 - $139,000 Warehouse: $2,600 - $2,900

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

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

34. Fair value of assets and liabilities (cont'd)

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

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

During the year, the Group has recognised losses from fair value adjustments of investment properties which amounted to $1,102,000 (2017: gains of $3,448,000). 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.

(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.

35. Capital management

Capital includes debt and equity items.

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

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

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors on 31 May 2018.

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STATISTICS OF SHAREHOLDINGS AS AT 14 JUNE 2018

Number of Shares	:	705,011,880
Class of Shares	:	Ordinary
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	37	2.02	1,483	0.00
100 - 1,000	98	5.35	51,708	0.01
1,001 - 10,000	597	32.60	3,242,433	0.46
10,001 - 1,000,000	1,076	58.77	53,554,575	7.59
1,000,001 and above	23	1.26	648,161,681	91.94
Total :	**1,831**	**100.00**	**705,011,880**	**100.00**

PUBLIC FLOAT, TREASURY SHARES AND SUBSIDIARY HOLDINGS

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 14 June 2018, approximately 25.65% 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 or subsidiary holdings (as defined in the Listing Manual) as at 14 June 2018.

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Direct	%	No. of Shares Deemed	%
TYC Investment Pte Ltd	340,291,669	48.27	-	-
Dr Henry Tay Yun Chwan	66,669,368	9.46	378,172,869 ①	53.64
AMSTAY Pte Ltd	36,881,200	5.23	-	-
Dato' Dr Jannie Chan Siew Lee	99,300	0.01	340,291,669 ②	48.27
FMR LLC	-	-	70,501,100	10.00
Fidelity Management & Research Company	-	-	70,501,100	10.00

① Dr Henry Tay Yun Chwan's deemed interests arise from his interests in TYC Investment Pte Ltd, AMSTAY Pte Ltd and AMS Lifestyle Pte. Ltd..

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 14 JUNE 2018

No.	Name	No. of Shares	%
1	TYC INVESTMENT PTE LTD	340,291,669	48.27
2	HENRY TAY YUN CHWAN	56,687,668	8.04
3	CITIBANK NOMINEES SINGAPORE PTE LTD	55,297,795	7.84
4	HSBC (SINGAPORE) NOMINEES PTE LTD	37,345,821	5.30
5	RAFFLES NOMINEES (PTE) LIMITED	34,383,553	4.88
6	PHILLIP SECURITIES PTE LTD	21,006,922	2.98
7	DBS NOMINEES (PRIVATE) LIMITED	19,608,175	2.78
8	DB NOMINEES (SINGAPORE) PTE LTD	19,578,087	2.78
9	UOB KAY HIAN PRIVATE LIMITED	10,787,507	1.53
10	LIM & TAN SECURITIES PTE LTD	9,860,482	1.40
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,761,279	1.10
12	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	6,192,346	0.88
13	ONG YEK SIANG	5,880,824	0.83
14	OCBC SECURITIES PRIVATE LIMITED	4,594,080	0.65
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,760,676	0.53
16	CHIA KUM HO	3,015,000	0.43
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,125,797	0.30
18	CHAN KENNY SWEE KHENG	2,101,707	0.30
19	NG KWONG CHONG OR LIU OI FUI IVY	1,931,328	0.27
20	TAY WEE JIN MICHAEL (ZHENG WEIJUN MICHAEL)	1,804,098	0.26
	Total :	**644,014,814**	**91.35**

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