THE HOUR GLASS

ANNUAL REPORT 2016

Time, that aged nurse,
Rocked me to patience.

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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
Dato' Dr Jannie Chan Siew Lee	Non-Independent, Non-Executive Director
Mr Robert Tan Kah Boh	Independent Non-Executive Director
Mr Philip Eng Heng Nee	Independent Non-Executive Director
Mr Kuah Boon Wee	Independent Non-Executive Director
Mr Pascal Guy Demierre Chung Wei	Independent Non-Executive Director
Ms Saw Phaik Hwa	Independent Non-Executive Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Ms Christine Chan Meng Yook

REGISTERED OFFICE

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Tong Building
Singapore 238862
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Co. Registration: 197901972D

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:
Dr Henry Tay

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

BOARD OF DIRECTORS

DR HENRY TAY YUN CHWAN
EXECUTIVE CHAIRMAN

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

Dr Tay graduated with a MBBS (Honours) from Monash University, Melbourne and prior to 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.

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 also served as a Council Member for the Singapore Retailers Association from 2000 to 2002.

MR MICHAEL TAY WEE JIN
GROUP MANAGING DIRECTOR

Mr Michael Tay was appointed as Group Managing Director of The Hour Glass Limited on 1 April 2015, having joined the Company in January 1999 as its Business Re-Engineering Manager.

Mr Tay has developed extensive watch industry experience having headed multiple facets of The Hour Glass' businesses from specialty watch manufacturing, global marketing and distribution to greenfield retail development, group marketing and merchandising, corporate communications and investor relations. He is a member of the governing Cultural Committee of the Fondation de la Haute Horlogerie and a member of the jury for the Fondation du Grand Prix d' Horlogerie de Genève. Mr Tay also serves on the boards of the National Heritage Board, the Singapore Tyler Print Institute and ART BASEL CITIES, all non-profit organisations engaged in the heritage and visual arts sector. He is also a director of Mercy Relief, an international humanitarian disaster and relief NGO located in Singapore.

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

BOARD OF DIRECTORS

DATO' DR JANNIE CHAN SIEW LEE NON-INDEPENDENT, NON-EXECUTIVE DIRECTOR

Dato' Dr Jannie Chan was appointed to the Board of The Hour Glass Limited on 1 April 2016 as a Non-Independent and Non-Executive Director and a member of its Nominating Committee. Since its founding on 11 August 1979 till 31 March 2004, she served as its Managing Director. Thereafter, she was appointed as its Executive Vice Chairman and Executive Director from 1 April 2004 till her retirement on 31 March 2016.

In recognition of her outstanding professional achievements, Dato' Dr Chan was the recipient of the 2004 Monash University Distinguished Alumni Award, an institution from which she obtained both a Bachelor of Science degree in Physiology (Honours) and a Masters of Science degree in Pharmacology. She was conferred the Darjah Sultan Ahmad Shah Pahang (DSAP) which carries the title Dato' in 2003.

Dato' Dr Chan was the Chairman of the Federation of Asia-Pacific Retailers Association, President of the Singapore Retailers Association, Chairman of The Retail Academy of Singapore and former Chairman of the Retail Industry Skills and Training Council. She served as the President of the Asean Business Forum, Chairman of the Commonwealth Business Women Leaders Network, the first female Executive Board Member of the Commonwealth Business Council and Founder President of the International Women's Forum in Singapore.

She is also the Founder and current President of the Women's Business Connection. She was appointed First Co-Chair of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific ("UNESCAP") in 2004. UNESCAP's mandate is to foster cooperation between its members in order to promote economic and social development in the Asia Pacific region. Having previously served on the Women's Leadership Board of the John F. Kennedy School of Government, Harvard University and the United Nations Office for Project Services, she was named as one of the 50 Leading Women Entrepreneurs of the World in 1997. In 2009, Dato' Dr Chan was the first woman to receive Enterprise Asia's APEA Woman Entrepreneur of The Year Award. She received the Lifetime Achievement for Outstanding Contribution to Tourism Award in 2011 from the Singapore Tourism Board, and was conferred the World Chinese Economic Forum Lifetime Achievement Award in 2012.

A tireless worker for charitable causes and the Arts, she has raised significant sums for the Community Chest of Singapore, the Autism Resource Centre, the Canossian School for the Hearing Impaired, the Ong Teng Cheong Music Fund and the Timor-Leste Foundation.

MR ROBERT TAN KAH BOH INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

BOARD OF DIRECTORS

MR PHILIP ENG HENG NEE
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

He is the Non-Executive Chairman of mDR Limited, Frasers Centrepoint Asset Management Ltd and is also a Non-Executive Director of Frasers Centrepoint Limited. In addition, he is Singapore's High Commissioner to Canada. Prior to this, Mr Eng spent 23 years with the Jardine Cycle & Carriage Group before retiring in February 2005 as Group Managing Director.

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

MR PASCAL GUY DEMIERRE CHUNG WEI
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Demierre is the Executive Director of Halcyon Agri Corporation Limited since 8 July 2010. He also sits on the Board of Council Members 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 and serves as a Chairman of the Company's Nominating Committee and a member of its Audit Committee.

Mr Kuah is the Group Chief Executive Officer of MTQ Corporation Limited. He 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 and ST Engineering Ltd. Mr Kuah is a qualified chartered accountant from the ICAEW and graduated with a Bachelor of Engineering degree from the Imperial College of Science and Technology.

MS SAW PHAIK HWA
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Ms Saw is the 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, Singapore Management University and Tan Tock Seng Hospital Community Charity Fund. She is also the First Vice Chairman of Singapore Wushu Dragon and Lion Dance Federation and President of the Singapore Jian Chuan Tai Chi Chuan Physical Culture Association. She was formerly the Group Chief Executive Officer of Auric Pacific Group Limited, Chief Executive Officer of SMRT Corporation Limited and President for DFS South East Asia.

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

KEY EXECUTIVES

SINGAPORE
THE HOUR GLASS LIMITED

MR NG SIAK YONG
CHIEF FINANCIAL OFFICER

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

THE HOUR GLASS LIMITED

MS WONG MEI LING
MANAGING DIRECTOR (SINGAPORE)

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

THE HOUR GLASS LIMITED

MS LIM JEE YAH
MANAGING DIRECTOR
LUXURY ENTERPRISES

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

AUSTRALIA
THE HOUR GLASS (AUSTRALIA) PTY LTD

MS LIDIA EMMI
GENERAL MANAGER

Ms Emmi joined The Hour Glass (Australia) Pty Ltd in March 1994 and is responsible for the day-to-day operations of The Hour Glass' Australia business unit. Ms Emmi holds a Bachelor degree in Commerce from James Cook University, Australia and is a member of the Institute of Certified Practicing Accountants in Australia.

HONG KONG
THE HOUR GLASS (HK) LIMITED

MR CHUNG WAI YANG
MANAGING DIRECTOR

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

KEY EXECUTIVES

JAPAN
THE HOUR GLASS JAPAN LTD

MR ATSUSHI MOMOI
DIRECTOR & GENERAL MANAGER

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

SINGAPORE
GLAJZ-THG PTE LTD

MR JOHN GLAJZ
MANAGING DIRECTOR

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

MALAYSIA
THE HOUR GLASS SDN BHD

MR 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.

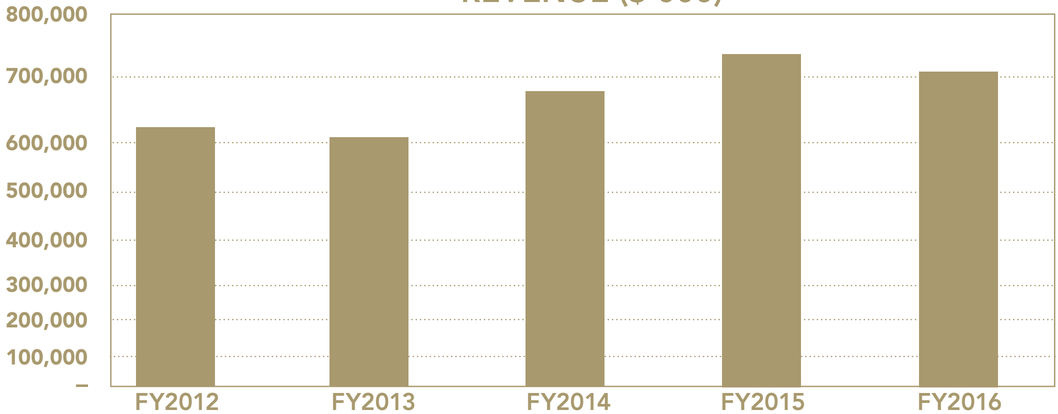
FINANCIAL HIGHLIGHTS

	FY2016	FY2015	FY2014	FY2013	FY2012
FINANCIAL RESULTS	$'000	$'000	$'000	$'000	$'000
Revenue	707,525	734,938	682,797	601,936	607,009
Operating profit [1]	64,980	74,010	67,760	64,710	68,890
Profit before taxation	66,968	75,404	70,828	65,879	69,338
Profit after tax	53,543	59,715	56,366	54,331	56,209
EBITDA [1]	72,889	81,994	74,045	70,122	74,172
FINANCIAL POSITIONS	$'000	$'000	$'000	$'000	$'000
Net asset value	439,872	408,730	365,860	330,636	294,739
Stocks	320,127	297,940	263,280	265,742	230,954
Cash and cash equivalents	93,898	98,332	116,379	79,536	53,701
Loans and borrowings	63,422	61,187	39,738	41,198	3,069
Free cash flow [2]	10,453	(13,026)	53,066	1,505	24,949
FINANCIAL RATIOS					
Gross margin (%)	23.7	22.6	23.0	23.9	24.1
Operating margin (%) [1]	9.2	10.1	9.9	10.8	11.3
Net margin (%) [3]	7.6	8.1	8.3	9.0	9.4
Stock turn ratio	1.7	1.9	2.0	1.7	2.0
Debt / equity ratio (%)	14.4	15.0	10.9	12.5	1.0
Earnings per share (cents) [4]	7.42	8.22	7.79	7.50	7.78
Net asset value per ordinary share ($) [5]	0.62	0.58	0.52	0.47	0.42

1. *Excluding impairment loss on investment securities and fair value adjustment on investment properties.*
2. *Free cash flow refers to net cash flow from operating activities less purchase of property, plant and equipment and investment property in the statement of cash flow.*
3. *Excluding impairment loss on investment securities.*
4. *For the purpose of comparison, earnings per share for prior corresponding years (FY2012 to FY2014) are adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into three ordinary shares on 28 November 2014.*
5. *For the purpose of comparison, net asset value per ordinary share for prior corresponding years (FY2012 to FY2014) are adjusted retrospectively pursuant to the sub-division of every one existing ordinary share into three ordinary shares on 28 November 2014.*

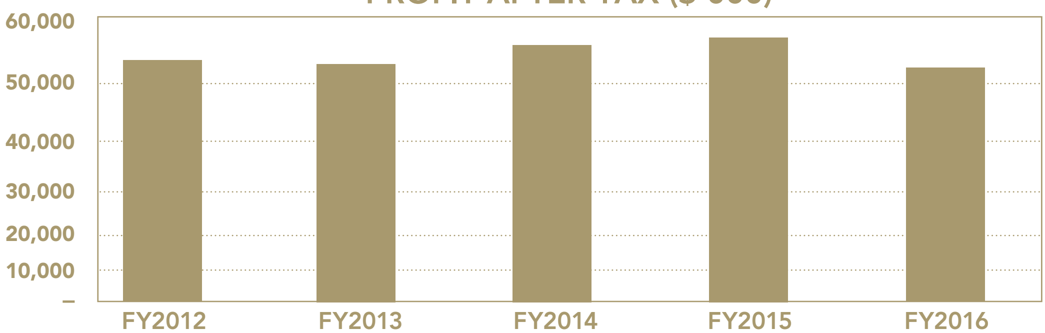
FINANCIAL HIGHLIGHTS

REVENUE ($'000)



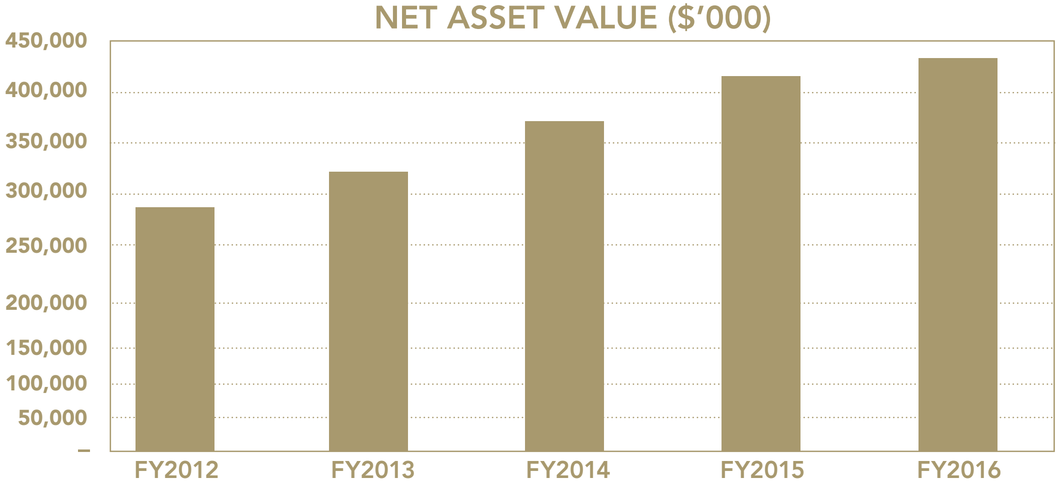
FY2012	FY2013	FY2014	FY2015	FY2016
607,009	601,936	682,797	734,938	707,525

PROFIT AFTER TAX ($'000)



FY2012	FY2013	FY2014	FY2015	FY2016
56,209	54,331	56,366	59,715	53,543

NET ASSET VALUE ($'000)



FY2012	FY2013	FY2014	FY2015	FY2016
294,739	330,636	365,860	408,730	439,872

VISION

Advancing the culture of watch collecting throughout the world

ENTERPRISE MISSION

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

BUSINESS MISSION

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

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

For the financial year ended 31 March 2016, The Hour Glass registered a modest 4% contraction in revenues to $707.5 million whilst net profit after tax declined 10% to $53.5 million. Given the intensity of headwinds faced by the global specialty and luxury watch market in the preceding two years, this set of results serve as consolation that The Hour Glass' business, though impacted, remain resilient and able to withstand the vagaries of the market.

Where we experienced a significant downdraft in demand, management took a contrarian approach and tightened prices. As a result, the Group achieved a 5% gain in gross margins thereby offsetting the drop in sales. While this margin optimization strategy has served us well, we are fully aware that it is also not without limits and in time, we may be required to adjust our tactics.

Part of the expansion of our annual operating expenses, and one that led to the subsequent compression in earnings, can be attributed to a one-time SG50 corporate donation of $5.0 million made to three charitable institutions in Singapore; namely the Community Chest, the National Kidney Foundation and the National Heritage Board. These funds also qualified for the government's dollar-for-dollar matching grants and so doubled the impact of our donations to $10.0 million. Responsive philanthropy is a value that has been woven into our corporate fabric since its founding and as a Singaporean company that has benefited from the tremendous economic success of this nation, this gift is important as we believe it serves to progress the lives of our fellow Singaporeans.

We employ significant operating leverage in our business, primarily in the manner in which our teams are compensated and our present metric of salaries are set within an acceptable industry range. Where we have to remain more vigilant is in our facilities costs. Due to an intensive network expansion plan over the past five years that saw us opening 16 new boutiques over that period, our rentals as a percentage of sales have risen 60% from FY2012 to the latest financial year.

The momentum in which cash is being absorbed back into the business is decelerating. This is a good thing and it is a key management goal to ensure we continue enhancing both the productivity of our assets and our cash conversion cycle. With 6 new store openings in the last 12 months alone, it has meant that we deployed $36.2 million into capex and working capital to broaden our inventory base. This resulted in stock turn ratios declining by 11% to 1.7 times (our target is 2.0 times). As we reach the end of our 5 year network developmental cycle and transition into an era of slower expansion, we are confident that we will be improving the quality of our free cash flow generation. This is already evident in FY2016 as our free cash flow turned positive from the prior year, producing $10.5 million in free cash.

On a consolidated net asset basis, our corporate net worth increased by $31.1 million to $439.9 million or $0.62 per share. Given our consistent operating 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 COMMENTARY

2015 saw Swiss watch exports consolidate for the first time in five years falling 3.3%. The pace of decline precipitated into the first quarter of 2016 where exports again fell by another 8.9%. Key markets including Hong Kong, Singapore and the United States contracted by 32%, 15.3% and 15.4% respectively. This is a worrisome trend as it means that the downward pressures continue and that markets have yet to hit bottom. Should the current trajectory of these declines maintain, the Hong Kong market may end 2016 at a level 50% of its peak. We believe these results can be primarily attributed to persistent China weakness as well as a glut of inventory in global wholesale networks. This excess inventory will take

CHAIRMAN'S STATEMENT

at least another 12 to 18 months to regularize as manufacturers dial back production.

If there is a historical analogy that can neatly package the retail mood within the luxury watch industry today, it will have to be the '97 / '98 Asian Financial Crisis. It is worthwhile noting that though a very unprepared The Hour Glass suffered a 40% drop in revenue during the AFC, we do not anticipate that our sales will chart a downward trajectory to levels experienced then. This view is merely an expression of the prevailing market sentiment prevalent amongst players in the sector.

The watch industry's current predicament is the product of both cyclical as well as structural forces and this situation is posing an existential threat to many industry participants with brands rethinking their future networks and retailers, their future clients. One thing we are sure of is that when we come out of this, the world is not going to be the same as before. But we are also certain that any re-ordering of the watch industry architecture will gradually unfold over the next several years.

A New World Order

In this new order we see three things occurring. Firstly, as the demand equation rebalances, so will the brand's production output and distribution as both wholesale and direct owned store networks will be rightsized. Whilst certain watch brands continue to advance their intentions to go the last mile and engage end clients, others have begun the painful process of consolidating their presence and retreat from the problems of over-distribution in markets. In the case of Hong Kong and China where there have been an excess of both multi-brand and monobrand boutiques, we anticipate networks may contract by up to 40% with some historic retailers exiting the market completely.

Secondly, we need to recognize that there is a generational shift in the status quo. As has been repeated time and again to our senior team, there will be more of them (the millennials) and less of us (Baby Boomers and Gen Xers). Anecdotally, this is also reflected in our organization's composition where millennials make up 40% of the team, Gen Xers 45% and Baby Boomers 15%. Within five years, millennials will constitute over 45% of the team. So the basis is that we cannot expect the younger generation to adapt to us, it is us who must adapt to them. This transition will have a profound impact in the manner in which we engage our future clients. At both the brand and retail levels, the watch industry still exist in a pre-digital era and most have not fully embraced the challenge head on. Physical showrooms alone are no longer the final retail solution and our watch retail business model will begin to alter form. With the internet of things, how traditional brick and mortar retailers deliver an integrated online-offline service to their clients will determine the winners in this new world order. 'Disrupt yourself before someone disrupts you' has never been a more appropriate maxim.

Lastly, every luxury consumer today is a global shopper. And as technology continues to discombobulate shopping in the form of online category killer classifieds, online marketplaces and price comparison apps offering enhanced object recognition software, we believe that brands will trend towards ensuring that there is less retail pricing dissonance globally and advance towards a higher degree of pricing parity between markets. External factors that will also have to be closely monitored are how exchange rate fluctuations contribute almost immediately to the flow of shoppers to the lowest priced markets. We witnessed that when both the Yen and Australian Dollar depreciated against the US Dollar and the Hong Kong Dollar. Overnight, tourist spend in our boutiques in Japan and Australia rose to 40% of overall sales. So how a brand sets their prices in each capital city will have to take account such flows as the sophisticated Asian luxury shopper traverses the world seeking arbitrage.

Doubt Is The Origin Of Wisdom

I will be the first in my organization to admit that in the months that have passed since the beginning of

CHAIRMAN'S STATEMENT

2014, our executive committee have engaged in many moments of deep reflection and examination. As financial market volatility and economic uncertainty cast a wet shroud over the enthusiasm of global luxury shoppers, questions over the veracity and validity of our assumptions and the developmental road map we drew up in 2012 have been raised.

Principal to this was defining the point in the economic cycle we were currently in. Though none of us are trained economists, our modus operandi has always been to deploy capital during down cycles. In 2012, we were accurate with our assessment of the macro environment and anticipated an impending softening of the markets. Our view stood that at the very latest, the market will have bottomed out by year-end 2015 and mapped our growth plans on that basis to capture the upswing that would ensue (As an aside, one must appreciate that opening a retail store doesn't happen overnight; it can take as long as 3 years of planning and negotiations). We certainly did not anticipate major structural shifts to occur in the global economy but by mid-2014, were persuaded that post 1990 Japan may not have been an isolated case and the world's economies were entering a period of secular stagnation characterized by low growth, low consumption and low returns. Singapore and Hong Kong are prime examples where we are already experiencing a slow-burn recession like environment.

Over the past decade, most of what our senior teams have engaged in is managing the business to capture the rising markets. The time has come to refactor our thinking and adapt ourselves to managing a downturn, transforming the way we do our business. One key action in such a situation is to focus on being micro-prudential and upping of the intensity of our operational efficiency. In this respect, we began with an internal review of all our policies and processes. Within our human resource framework in Singapore alone, we have been able to fix legacy systems and save over 30 man days every year just from reorganizing our data and approval flow for payroll. We have also successfully introduced an entirely new employee development initiative aimed at ensuring retail succession and create multiple career pathways for our sales personnel to remain committed to the organization. Slower periods also enable us to begin with new upgrade cycles for our technological platforms and base ERP infrastructure. Our aim is to complete the implementation of this programme and the training of our teams by 2020 at the latest. Most importantly though, recognizing that access to funding may be possibly curtailed in the coming years, we worked with our banks to prepare extra lines of credit and launched a $500 million medium term note programme in the event we need to respond to any opportunity that may arise in the coming years.

A Bite Of History

My parents established our family's roots in the watch retail trade in Singapore in 1942, opening a humble kiosk in the New World Amusement Park selling entry level Swiss watches such as Enicar, Titoni and Titus. Shortly after, the Japanese occupation forced them to cease all operations and it was not till 1946 that they were able to re-open their first physical store at 100 North Bridge Road. Trading under the name 'Lee Chay & Co', the store presented an assortment of merchandise including electrical appliances, watches, clocks and writing instruments. On a visit to Singapore in 1948, the founder of Rolex S.A. Mr Hans Wilsdorf called on my parents and they had a positive exchange. Seeing that we were already representing Swiss brands, Mr Wilsdorf confidently opened a dealership account with Lee Chay to retail Rolex watches. I still retain fond memories of those pioneering years as Mr Wilsdorf made it a point to visit the market annually. Each time he came, I would find myself perched on his lap whilst he held discussions with my parents. This fortuitous opening of the Rolex dealership was shortly followed by the representation of Patek Philippe in the early 50s when Mr Henri Stern was then President of the manufacture. Being of a similar vintage, I was fortunate to later acquaint myself with his son, Philippe who had also begun touring Singapore and the Far East.

CHAIRMAN'S STATEMENT

In 1971, upon the completion of our university degrees, both Jannie and I decided to return to Singapore. It was truly then that we spawned an active interest in watches and the broader luxury goods market. During that period, I maintained the pursuit of my medical practice whilst Jannie, a then lecturer at the University of Singapore, was fascinated by the opportunities presented by the business environment and readily spent her days off classes at Lee Chay selling watches. It was against this backdrop that in 1979, Jannie and I decided to follow in the footsteps of my parents and strike out on our own by co-founding The Hour Glass. We were uncertain of the challenges that lay ahead but we were absolutely clear that success was within the envelope of outcomes. The rest, as it is said, is history.

After 36 years of dedicated service to the Company, Jannie has chosen to relinquish her executive functions within the Group and retire as the Executive Vice-Chairman of The Hour Glass Limited. We are happy she continues to remain on the Board as a Non-Independent and Non-Executive Director and serves in the capacity of Senior Advisor to The Hour Glass.

As many of us who have had the privilege to work alongside her, Jannie's entrepreneurial vigour and persistence, her inspirational "never say die" attitude, transparent, inclusive and motherly management style helped forge a corporate culture that till today remains the bedrock of our company. In the foundational years, our roles were divided. Jannie was The Hour Glass' front facing spokesperson whilst I was happy contributing from behind the scenes. We formed a formidable partnership and that was a decisive element in our ability to scale the business in a relatively short period of time. In rapid succession, Jannie led the establishment of The Hour Glass into the then emerging luxury markets of Australia, Malaysia and Thailand. All major pillars of our Group today. She has developed an impressive curriculum vitae that includes her being the longest serving President of the Singapore Retailers Association, won multiple international business awards and has a veritable list of achievements and accolades that can fill notebooks. But I personally believe that her singular most important accomplishment, and what will be regarded as the legacy of her life, is that she shaped an organization that will survive well beyond her. On behalf of the Board of Directors, management and team at The Hour Glass, we wish her a well-deserved retirement and success in all her future endeavours.

ROUNDING OFF

Since January 2016, we began a new tradition at our weekly Monday operations meetings. We now close each session with every member of the team offering appreciation and gratitude to an individual or an event that occurred the week before. A statement shared where more often than not, is in recognition of another co-worker's exceptional contribution, a client's generosity or simply, how they enjoyed downtime with the family. At a time where pressing competition and the volatility of the markets can impair sentiment and create negative clouds in the mind, this humble exercise serves a greater purpose. It encourages the development of humility and compassion within our team. That at the start of each week, it allows us to focus on reinforcing the positive. It is with this positive cast I wish to conclude this year's letter.

We offer gratitude to our clients who continue to choose to patronize our boutiques, our brand partners for ensuring that we have the merchandise to support our business goals, our independent directors and our teams who contribute so much of themselves and their lives to the purposeful advancement of our organization.

To our recently departed friend and business partner Mr Jopie Ong – who in 1979 took that initial leap of faith and invested behind Jannie and myself, believing in what we both dreamt of building. Without him, The Hour Glass will not exist in its current form. Jopie, thank you for making our dreams real.

HENRY TAY YUN CHWAN
Executive Chairman
31 May 2016

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 2016 ***("FY2016").***

The Company's corporate governance practices and activities in relation to each of the principles of the Code of Corporate Governance 2012 ("Code") are set out in the following segments, and deviations from the Code are explained. Unless otherwise stated, the corporate governance processes were in place during the financial year.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The Board is entrusted with the overall management of the business affairs of Company, and sets the overall strategy and policies on the Group's business direction and long-term sustainability. It reviews significant investment and divestment proposals, funding decisions, financial performance and key operational initiatives, and oversees the implementation of appropriate systems to manage the Group's business risks. Other functions include considering and approving nominations and re-nominations to the Board, reviewing management performance and reviewing and endorsing the recommended framework of remuneration for the Board and key executives. The Board also assumes responsibility for corporate governance.

The Board has put in place financial authorisation limits for operating and capital budgets, procurement of goods and services, and cheque signatory arrangements. Approval sub-limits are also provided at management level to facilitate operational efficiency. Matters that are specifically reserved for the Board's decision include interested person transactions, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividend payments to shareholders, and other transactions of a material nature requiring announcement under the listing rules of the Singapore Exchange Securities Trading Limited ***("SGX-ST")***. The Board also approves the periodic and full-year financial results for release to the SGX-ST.

The Board meets at least four times a year. In addition to scheduled Board meetings, ad hoc meetings are convened as and when circumstances require. The Board met four times during the financial year. To facilitate the Board's decision-making process, the Company's Constitution (referred to as Articles of Association prior to 3 January 2016) provides for directors to participate in Board meetings by conference telephone and similar communications equipment, and for Board resolutions to be passed in writing, including by electronic means.

Directors and senior executives are briefed on the Group's operations and furnished with information on the Group's corporate governance practices at the time of appointment as part of their orientation and are routinely updated on 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. 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 any training programme in connection with their duties as directors of the Company. The Company brings to the directors' attention, information on seminars that may be of relevance or use to them.

The Board is accountable to shareholders while management is accountable to the Board. Each director is expected to act in good faith and in the best interests of the Company at all times in the exercise of his or her duties and powers as a director. In the discharge of its functions, the Board is supported by specialty Board committees that provide independent oversight of management, and which

CORPORATE GOVERNANCE

also serve to ensure that there are appropriate checks and balances. These key committees are the Audit Committee ***("AC")***, the Remuneration Committee ***("RC")*** and the Nominating Committee ***("NC")***. The AC and RC are made up entirely of independent non-executive directors, and the NC comprises a majority of independent non-executive directors.

BOARD COMPOSITION AND GUIDANCE

Principle 2: ***There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders[#]. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

Independent non-executive directors make up more than half of the Board. During the financial year, the Board had nine members, consisting of five independent non-executive directors, and four executive directors.

The Board has adopted the definition in the Code of what constitutes an independent director. The independent non-executive members of the Board comprise seasoned professionals with management, financial, accounting, investment, private equity, retail and commercial backgrounds. This enables the executive directors and management to benefit from their external and objective perspectives of issues that are brought before the Board. It also provides a broad spectrum of business acumen and skill sets to help shape the strategic process, monitor the performance of management and operate as an appropriate check and balance.

The independence of each independent member of the Board is reviewed annually and is subject to particularly rigorous review where such person has served on the Board beyond nine years. The NC assists the Board with such reviews. 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. Except for Mr Robert Tan, each of the independent non-executive directors has served on the Board for less than nine years as at 31 March 2016. The Board believes that a person's independence should not be circumscribed by an arbitrarily set period. The Board recognises that Mr Robert Tan has over the course of his tenure as a Board member gained significant insights in the Group's business and operations, which in turn enables him to provide meaningful and valuable contribution to the Board as a whole. The Board has determined, after a rigorous review by the NC, that Mr Robert Tan is independent as he has continued to demonstrate independence in character and judgment in the manner in which he has discharged his responsibilities, and there are no relationships or circumstances which affect or would be likely to affect his judgement and ability to discharge his responsibilities as an independent member of the Board and to contribute to the Board in such capacity. In its review, the NC noted that Mr Robert Tan had been forthcoming in expressing his individual viewpoints, active in providing constructive inputs and debating issues, and was objective in his scrutiny and challenges to management. He had also actively sought clarification and amplification of Board affairs as he deemed necessary through direct access to management and the Group's executives.

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 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 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:

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NAME OF DIRECTOR	AGE*	DATE FIRST APPOINTED AS DIRECTOR	DATE LAST RE-APPOINTED/ RE-ELECTED AS DIRECTOR
Dr Henry Tay Yun Chwan	72	11 Aug 1979	15 Jul 2015
Dato' Dr Jannie Chan Siew Lee	71	11 Aug 1979	15 Jul 2015
Dr Kenny Chan Swee Kheng	62	1 Apr 2004	23 Jul 2014
Mr Michael Tay Wee Jin	40	15 Aug 2005	17 Jul 2013
Mr Robert Tan Kah Boh	70	18 Nov 1999	15 Jul 2015
Mr Philip Eng Heng Nee	69	1 Oct 2009	17 Jul 2013
Mr Kuah Boon Wee	49	1 Apr 2011	23 Jul 2014
Mr Pascal Guy Demierre Chung Wei	42	1 Apr 2011	15 Jul 2015
Ms Saw Phaik Hwa	61	1 Sep 2012	15 Jul 2015

** As at the Company's Annual General Meeting on 20 July 2016.*

 # 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

***Principle 3:** There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Dr Henry Tay and Dato' Dr Jannie Chan are the founders of The Hour Glass. Dr Henry Tay and Dato' Dr Jannie Chan are regarded as controlling shareholders of the Company. Dr Henry Tay is the Executive Chairman of the Company. Dato' Dr Jannie Chan is a non-independent and non-executive director, and was the Executive Vice Chairman and an executive director of the Company during the financial year until her retirement from active service with effect from 31 March 2016. 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 Dato' Dr Jannie Chan, and Dr Kenny Chan is the brother of Dato' Dr Jannie Chan. The executive directors take an active role in management and overseeing the Group's operations, providing a division of executive responsibility and authority in the Company.

The Company believes that it has effective independent non-executive directors to provide balance within the workings of the Board and oversight for minority shareholders' interests. Individually and as a group, the independent non-executive directors express individual viewpoints, debate issues and objectively scrutinise and challenge management. In addition, Mr Kuah Boon Wee is the lead independent director since 17 July 2013. He is the chairman of the NC. The role of the lead independent director is to be available to shareholders where they have concerns and for which contact through normal channels of the Executive Chairman or other members of senior management has failed to provide satisfactory resolution, or when such contact is inappropriate. The lead independent director will meet with the other independent members of the Board without the presence of the executive directors as and when necessary, and provide any relevant feedback to the Executive Chairman. At the operational level, during the financial year the senior management team, which includes the Executive Chairman, Executive Vice 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

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Chairman promotes a culture of openness and debate at meetings of the Board, encourages constructive relations among members of the Board and between the Board and management, fosters effective communication with shareholders at the general meetings of the Company and facilitates contributions of the non-executive directors. He also reviews Board papers on significant issues before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information, and that formalities and procedures are observed. The Board, together with management, are responsible for ensuring compliance with applicable laws and regulations.

BOARD MEMBERSHIP AND PERFORMANCE

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

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

The NC is chaired by Mr Kuah Boon Wee, and comprises Dato' Dr Jannie Chan, Dr Kenny Chan, Mr Robert Tan and Mr Pascal Demierre. The majority of the NC members, including the Chairman, are independent non-executive directors.

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

The NC is responsible for reviewing the independence of Board members who are independent directors upon appointment, and thereafter annually or whenever circumstances require. Independent directors are required to notify the NC promptly of any relationships or circumstances which arise that are likely to affect, or could appear to affect, the director's independence.

The NC is also responsible for reviewing the structure, size and composition of the Board and Board Committees. The selection of candidates for new appointments to the Board as part of the Board's renewal process are evaluated taking into account various factors including the current and mid-term needs and goals of the Company, as well as the relevant expertise of the candidates and their potential contributions to the Board, having due regard for the benefits of diversity on the Board including age, gender, cultural and education background and skill sets. Candidates may be put forward or sought through contacts and recommendations. The criteria for appointment of a new Board member will be underscored by the need to shape the Board in line with the medium-term needs of the Company and its strategic goals and business direction for the Group.

Factors which are taken into consideration for the re-nomination of the directors for the ensuing year include not only the directors' attendance and participation at Board meetings and Board committee meetings in the financial year under review, but also whether the Board and management have benefited from an open and healthy exchange of views and ideas. The renewal of a director's Board membership recognises the value of that individual to the Board and the Company, and his or her continued contribution to the on-going needs of the Company and its business. A director's calibre, experience, stature and skills as well as his or her ability to contribute to the proper governance and stewardship of the Company and its operations are important qualities, albeit not capable of precise valuation or measurement, nor need such contributions necessarily be confined to the boardroom. Contributions by a director can take many forms, including providing objective perspectives of issues, facilitating business opportunities and strategic relationships, and accessibility to management outside of a formal environment of Board and/or Board committee meetings. The Board has set as a maximum number, seven other listed company board representations which a director may concurrently hold. A director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. The NC takes this into consideration when evaluating whether the individual is able to or has been adequately discharging his or her duties as a director of the Company.

The NC administers annually, the formal process adopted by the Board for evaluation of the Board's

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performance as a whole, including Board Committees and the contributions of individual directors to the effectiveness of the Board. The performance criteria include assessment of the Board's size and composition, access to information, processes and accountability and Board Committees' performance in relation to discharging their responsibilities set out in their respective terms of reference, while individual directors are assessed on the director's attendance record, preparedness for meetings, participation level and contribution at meetings, analytical skills, knowledge as well as overall contribution to the Board and the Board Committees, as appropriate. Each member of the Board is required to complete an evaluation form. The NC collates the completed forms and compiles a consolidated report for the Board, in consultation with the Executive Chairman. The Board would act on the results of the performance evaluation where appropriate. The Board is of the view that the financial indicators such as share price performance are inappropriate for measuring the Board's performance. Such financial indicators also may not necessarily fully measure the long-term success and value creation of the Company. The Board believes that its performance and that of individual Board members is reflected in, and evidenced by, proper guidance, diligent oversight and able leadership of the Company, and the support that it lends to management in steering the Company and the Group in the appropriate direction. Having regard to its composition and mix, the Board has endeavoured through each director's unique contributions and diversity of experience, to ensure that balanced and well-considered decisions are made in the best interests of the Company.

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

ACCESS TO INFORMATION

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

Non-executive directors have access to the executive directors, management and the company secretary, and vice versa. In general, board papers 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 the Board meeting. Senior managers who have prepared the papers, or who can provide additional insight in the matters to be discussed, are normally invited to present the paper or attend during the Board meeting. Additional information is provided to directors, as and when needed, to enable them to make informed decisions.

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

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company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

DISCLOSURE ON REMUNERATION

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remunerative policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The RC comprises Mr Robert Tan, Mr Philip Eng and Mr Pascal Demierre. All of the RC members are independent non-executive directors. The RC is chaired by Mr Robert Tan. The RC met 3 times during the financial year.

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

The RC's terms of reference do not include the annual 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. Executive directors do not receive directors' fees.

The Company adopts an overall remuneration policy for staff comprising a fixed component in the form of a base salary. The variable component is in the form of a bonus that is linked to the Company's and the individual's performance. The employment terms of executive directors and certain senior key management personnel include provisions which entitle the Board to recompute the incentive component of their remuneration in the event of an adjustment made to, or restatement of, the audited consolidated financial statements of the Group for the relevant financial year (other than due to a change in applicable accounting standards or interpretation). The Company's executive directors are under service contracts. Their contract renewals and any revisions are subject to the review and approval of the RC. There are no termination, retirement and post-employment benefits granted to directors and key management personnel save for the provision of retirement gratuities for the Executive Chairman and the Executive Vice Chairman as disclosed in the notes to the financial statements. At the end of the financial year, in addition to payment in full of her retirement gratuity in accordance with her service agreement, the Company awarded an ex-gratia lump sum payment and gift of a club membership to Dato' Dr Jannie Chan on the occasion of her retirement as Executive Vice Chairman and an executive director of the Company in recognition of her past services and contributions. The Company does not presently operate an employee share option or share-based incentive scheme.

The Company is of the view that disclosure of the remuneration details of each director and key management personnel (who are not directors) in the manner recommended by the Code will be detrimental to the Company's interests, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment in which the Group operates. Instead, the level and mix of the annual remuneration of the directors in remuneration bands of $250,000 and the level of remuneration of the Group's top 8 key management personnel (who are not directors), are disclosed at the end of this report. The aggregate remuneration of the executive directors and of the top 8 key management personnel (who are not directors) for the financial year were $9,782,814 and $3,910,261, respectively. The aggregate directors' fees of $330,500 paid to the non-executive directors for the financial year was within the amount of

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up to $350,000 approved at the AGM on 15 July 2015. During the year, Mrs Choy Siew Sen (an employee in an Australia subsidiary of the Company) who is the sister of Dato' Dr Jannie Chan and Dr Kenny Chan, received an annual remuneration above $250,000 but below $300,000.

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

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

The Company has established risk appetite statements and tolerance limits to monitor shifts in its significant risks and to proactively manage them within acceptable levels.

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

The Company's approach to risk management focuses on ensuring that appropriate controls are in place to effectively manage those risks. Measures are adopted to manage such risks, and risk management policies are monitored by management, and periodically reviewed and approved by the Board. The internal audit plan is developed in conjunction with the Company's Enterprise Risk Management Framework and covers those areas which are considered to pose significant risks to the Company.

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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 2016 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 2016 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 comprises three members, all of whom are independent non-executive directors. The AC is chaired by Mr Philip Eng, and the other members are Mr Kuah Boon Wee and Ms Saw Phaik Hwa. The Board is of the view that the AC members have the relevant expertise to discharge the functions of an AC. The AC's scope of authority are formalised in its terms of reference, which include the statutory functions of an audit committee as prescribed under the Companies Act of Singapore and applicable listing rules of the SGX-ST. In addition, the AC, under its terms of reference as delegated by the Board, has the responsibility to oversee the Group's risk management framework and policies. The AC has explicit authority to investigate any matter within its terms of reference.

During the financial year, the AC met 4 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. 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.

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

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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 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 for staff and others. The AC oversees this policy, including procedures for follow up action and independent investigations.

INTERNAL AUDIT

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

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

The AC participates in the hiring, evaluation and compensation of the head of the internal audit function. The internal audit department has unfettered access to all company documents, records, properties and personnel, including access to the AC. The AC is of the view that the internal audit department is adequately resourced to perform its functions and have, to the best of its ability, maintained its independence from the activities that it audits.

The internal audit department applies the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors in carrying out its functions.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

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

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

***Principle 16:** Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.*

The Company communicates information to shareholders and the investing community through announcements that are released to the SGX-ST via SGXNET. Such announcements include the quarterly and full-year results, material transactions, and other developments relating to the Group requiring disclosure under the corporate disclosure policy of the SGX-ST.

All shareholders of the Company are sent a copy of the Annual Report and notice of the AGM. The notice of AGM which sets out all items of business to be transacted at the AGM, is also advertised in the newspapers. The Company also maintains a website www.thehourglass.com where the public can access information on the Group.

The Company's main forum for dialogue with shareholders takes place at its AGMs, whereat members of the Board, senior management and the external auditor are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask questions regarding the Company. In addition, the Company also attends to enquiries from shareholders, analysts and the press. Such enquiries are handled by specifically designated members

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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 one or two proxies to attend and vote at general meetings in his/her stead. However, following the introduction of the multiple proxies regime under the amended Companies Act of Singapore, which took effect on 3 January 2016, shareholders who are "relevant intermediaries" (such as banks and capital markets services licence holders which provide custodial services for securities) are able to appoint more than two proxies to attend, speak and vote at general meetings, including the forthcoming AGM, notwithstanding that the Company's Constitution does not differentiate between the number of proxies which may be appointed by individual shareholders and relevant intermediaries. For greater transparency in the voting process, the Company will implement electronic poll voting at the forthcoming AGM. The results of the vote on every resolution polled at the general meeting will be announced by the Company in accordance with relevant requirements of the SGX-ST Listing Manual which took effect on 1 August 2015.

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 FY2016 was determined based on the following formula, which is substantially the same as that applied in the previous year:

	FY2016 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 – FY2016

(I) DIRECTORS

Name	Position	Salary* %	Bonus# %	Fees %	Other benefits %	Total %
$3,500,000 to below $3,750,000						
Dato' Dr Jannie Chan Siew Lee	*Executive Vice Chairman@*	9%	27%	0%	64%	100%
$2,250,000 to below $2,500,000						
Dr Kenny Chan Swee Kheng	*Group Managing Director*	20%	77%	0%	3%	100%
Mr Michael Tay Wee Jin	*Group Managing Director*	21%	76%	0%	3%	100%
$1,250,000 to below $1,500,000						
Dr Henry Tay Yun Chwan	*Executive Chairman*	22%	70%	0%	8%	100%
Below $250,000						
Mr Robert Tan Kah Boh	*Independent Director*	0%	0%	100%	0%	100%
Mr Philip Eng Heng Nee	*Independent Director*	0%	0%	100%	0%	100%
Mr Kuah Boon Wee	*Independent Director*	0%	0%	100%	0%	100%
Mr Pascal Guy Demierre Chung Wei	*Independent Director*	0%	0%	100%	0%	100%
Ms Saw Phaik Hwa	*Independent Director*	0%	0%	100%	0%	100%

* *Salary includes employer's CPF contribution.*
\# *Accrued for FY2016.*
@ *Retired as Executive Vice Chairman and executive director of the Company with effect from 31 March 2016. Other benefits include retirement gratuity (accrued for her 36 years of service), and the award of an ex-gratia payment and gift of a club membership in recognition of her past service and contributions.*

(II) KEY MANAGEMENT OF THE GROUP

Name of Company	Name	Position
The Hour Glass Limited	Mr Ng Siak Yong	Chief Financial Officer
The Hour Glass Limited	Ms Wong Mei Ling	Managing Director (Singapore)
The Hour Glass Limited	Ms Lim Jee Yah	Managing Director, Luxury Enterprises
The Hour Glass (Australia) Pty Ltd	Ms Lidia Emmi	General Manager
The Hour Glass (HK) Limited	Mr Chung Wai Yang	Managing Director (Hong Kong)
The Hour Glass Japan Ltd	Mr Atsushi Momoi	Director & General Manager
The Hour Glass Sdn Bhd	Mr Teh Soon Kheng	General Manager
Glajz-THG Pte Ltd	Mr John Glajz	Managing Director

No. of key executives in remuneration bands	FY2016
Above $750,000 to below $1,000,000	1
$500,000 to below $750,000	2
$250,000 to below $500,000	4
Below $250,000	1

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN FY2016

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

NA means not applicable.

CORPORATE GOVERNANCE

ADDITIONAL INFORMATION

ETHICAL STANDARDS AND BUSINESS CONDUCT

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

DEALING IN SECURITIES

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

INTERESTED PERSON TRANSACTIONS

Transactions with the Company's interested persons (as that term is defined in the 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)
Dato' Dr Jannie Chan Siew Lee	*$1,201,000	-

* *Award of ex-gratia lump sum payment and gift of a club membership to Dato' Dr Jannie Chan on the occasion of her retirement, with effect from 31 March 2016 as Executive Vice Chairman and an executive director of the Company, in recognition of her past services and contributions.*

Financial Statements

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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 2016.

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 2016 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
Dato' Dr Jannie Chan Siew Lee
Mr Robert Tan Kah Boh
Mr Philip Eng Heng Nee
Mr Kuah Boon Wee
Mr Pascal Guy Demierre Chung Wei
Ms Saw Phaik Hwa

Arrangements to enable directors to acquire shares and debentures

Neither at the end of 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	91,687,668	56,687,668	324,865,191	361,746,391
Jannie Chan Siew Lee	22,506,478	16,426,478	324,865,191	324,865,191
Kenny Chan Swee Kheng	2,725,497	2,725,497	448,878	448,878
Michael Tay Wee Jin	1,804,098	1,804,098	–	–

As at 21 April 2016, Dato' Dr Jannie Chan Siew Lee's direct and deemed shareholding interests in the Company were 16,525,778 shares and 324,865,191 shares respectively.

Except as disclosed above, there was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2016.

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 and Dato' Dr Jannie Chan Siew Lee are 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 three 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

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 2016

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2016
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUR GLASS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of The Hour Glass Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 36 to 95, which comprise the statements of financial position of the Group and the Company as at 31 March 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore
31 May 2016

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 $'000	2015 $'000
Revenue	4	707,525	734,938
Other income	5	6,504	5,866
Total revenue and other income		714,029	740,804
Cost of goods sold		540,067	569,011
Salaries and employees benefits		44,280	42,365
Depreciation of property, plant and equipment	12	6,586	7,646
Selling and promotion expenses		17,559	17,698
Rental expenses		28,132	24,930
Finance costs	6	1,693	901
Foreign exchange loss/(gain)		541	(551)
Other operating expenses	7	14,752	9,135
Total costs and expenses		(653,610)	(671,135)
Share of results of associates		6,549	5,735
Profit before taxation	8	66,968	75,404
Taxation	9	(13,425)	(15,689)
Profit for the year		53,543	59,715
Profit attributable to:			
Owners of the Company		52,324	57,946
Non-controlling interests		1,219	1,769
		53,543	59,715
Earnings per share (cents)			
Basic and diluted	11	7.42	8.22

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 2016

	2016 $'000	2015 $'000
Profit for the year	53,543	59,715
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Net surplus on revaluation of an investment property (Note 12)	271	–
	271	–
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(6,159)	(96)
	(6,159)	(96)
Other comprehensive loss for the year, net of tax	(5,888)	(96)
Total comprehensive income for the year	47,655	59,619
Total comprehensive income attributable to:		
Owners of the Company	46,794	56,970
Non-controlling interests	861	2,649
	47,655	59,619

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Assets					
Non-current assets					
Property, plant and equipment	12	34,962	31,504	13,109	11,986
Investment properties	13	66,682	65,442	12,719	13,576
Intangible assets	14	4,619	4,796	156	237
Investment in subsidiaries	15	–	–	52,074	50,459
Investment in associates	16	20,082	15,110	–	–
Loan to subsidiaries	17	–	–	762	836
Loan to an associate	18	2,095	2,297	–	–
Other receivables	19	7,806	5,486	3,696	2,846
Deferred tax assets	20	490	1,133	353	274
		136,736	125,768	82,869	80,214
Current assets					
Stocks	21	320,127	297,940	184,485	175,158
Trade and other receivables	19	15,391	15,718	3,789	3,800
Prepaid operating expenses		518	615	148	198
Amount due from associates	22	76	49	–	–
Amounts due from subsidiaries	23	–	–	8,725	5,386
Cash and cash equivalents	24	93,898	98,332	32,092	34,109
		430,010	412,654	229,239	218,651
Total assets		566,746	538,422	312,108	298,865
Equity and liabilities					
Current liabilities					
Loans and borrowings	25	39,060	36,265	36,000	31,000
Trade and other payables	26	45,110	44,445	20,226	22,029
Provision for taxation		4,200	9,872	1,585	5,086
		88,370	90,582	57,811	58,115
Net current assets		341,640	322,072	171,428	160,536
Non-current liabilities					
Loans and borrowings	25	24,362	24,922	–	–
Provisions		282	232	–	–
Deferred tax liabilities	20	764	730	–	–
Other non-current liabilities		722	–	722	–
		26,130	25,884	722	–
Total liabilities		114,500	116,466	58,533	58,115
Net assets		452,246	421,956	253,575	240,750
Equity attributable to owners of the Company					
Share capital	27	67,638	67,638	67,638	67,638
Reserves	28	372,234	341,092	185,937	173,112
		439,872	408,730	253,575	240,750
Non-controlling interests		12,374	13,226	–	–
Total equity		452,246	421,956	253,575	240,750
Total equity and liabilities		566,746	538,422	312,108	298,865

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 2016

	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 2014	67,638	(7,095)	–	3,101	302,216	365,860	10,877	376,737
Profit for the year	–	–	–	–	57,946	57,946	1,769	59,715
Other comprehensive (loss)/income	–	(976)	–	–	–	(976)	880	(96)
Total comprehensive (loss)/income for the year	–	(976)	–	–	57,946	56,970	2,649	59,619
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 10)	–	–	–	–	(14,100)	(14,100)	–	(14,100)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(300)	(300)
Total transactions with owners in their capacity as owners	–	–	–	–	(14,100)	(14,100)	(300)	(14,400)
Balance at 31 March 2015	67,638	(8,071)	–	3,101	346,062	408,730	13,226	421,956

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 2016

	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 2015	67,638	(8,071)	–	3,101	346,062	408,730	13,226	421,956
Profit for the year	–	–	–	–	52,324	52,324	1,219	53,543
Other comprehensive (loss)/income	–	(5,801)	–	271	–	(5,530)	(358)	(5,888)
Total comprehensive (loss)/income for the year	–	(5,801)	–	271	52,324	46,794	861	47,655
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 10)	–	–	–	–	(15,510)	(15,510)	–	(15,510)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(240)	(240)
Total contributions by and distributions to owners	–	–	–	–	(15,510)	(15,510)	(240)	(15,750)
Changes in ownership interest in a subsidiary								
Acquisition of non-controlling interest without a change in control	–	–	(142)	–	–	(142)	(1,473)	(1,615)
Total changes in ownership interest in a subsidiary	–	–	(142)	–	–	(142)	(1,473)	(1,615)
Total transactions with owners in their capacity as owners	–	–	(142)	–	(15,510)	(15,652)	(1,713)	(17,365)
Balance at 31 March 2016	67,638	(13,872)	(142)	3,372	382,876	439,872	12,374	452,246

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 2016

	Share capital $'000	Revenue reserve $'000	Total equity $'000
Company			
Balance at 1 April 2014	67,638	136,770	204,408
Profit for the year, representing total comprehensive income for the year	–	50,442	50,442
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 2015 and 1 April 2015	67,638	173,112	240,750
Profit for the year, representing total comprehensive income for the year	–	28,335	28,335
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 10)	–	(15,510)	(15,510)
Total transactions with owners	–	(15,510)	(15,510)
Balance at 31 March 2016	67,638	185,937	253,575

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 2016

	Note	2016 $'000	2015 $'000
Operating activities			
Profit before taxation		66,968	75,404
Adjustments for:			
Finance costs		1,693	901
Interest income		(547)	(679)
Depreciation of property, plant and equipment		6,586	7,646
Amortisation of intangible assets		177	116
Foreign currency translation adjustment		471	(2,304)
Net gain on disposal of property, plant and equipment		(12)	–
Fair value gain on investment properties		(1,988)	(1,394)
Gain on disposal of investment in quoted shares		–	(168)
Share of results of associates		(6,549)	(5,735)
Operating cash flows before changes in working capital		66,799	73,787
Increase in stocks		(25,320)	(23,726)
(Increase)/decrease in receivables		(2,074)	5,679
Decrease/(increase) in prepaid operating expenses		94	(137)
Increase in amount due from associates		(30)	(13)
Increase/(decrease) in payables		1,644	(3,478)
Cash flows from operations		41,113	52,112
Income taxes paid		(18,648)	(14,745)
Interest paid		(1,693)	(901)
Interest received		547	679
Net cash flows from operating activities		21,319	37,145
Investing activities			
Acquisition of subsidiary, net of cash acquired		–	(12,828)
Proceeds from disposal of property, plant and equipment		182	95
Purchase of investment properties		–	(43,567)
Proceeds on disposal of investment of quoted shares		–	192
Purchase of property, plant and equipment		(10,866)	(6,604)
Net cash flows used in investing activities		(10,684)	(62,712)
Financing activities			
Proceeds from loans and borrowings		23,767	55,787
Repayment of loans and borrowings		(20,583)	(35,762)
Acquisition of non-controlling interests		(1,615)	–
Dividends paid to non-controlling interests		(240)	(300)
Dividends paid on ordinary shares		(15,510)	(14,100)
Net cash flows (used in)/from financing activities		(14,181)	5,625
Net decrease in cash and cash equivalents		(3,546)	(19,942)
Effect of exchange rate changes on cash and cash equivalents		(888)	1,895
Cash and cash equivalents at 1 April		98,332	116,379
Cash and cash equivalents at 31 March	24	93,898	98,332

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

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.

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 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 16 and FRS 38 Clarification of Acceptable *Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisitions of Interest in Joint Operations*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

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

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

Except for FRS 115 and FRS 109, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. 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 principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. 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. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

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.

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 weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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. Summary of significant accounting policies (cont'd)

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.

2.7 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 5 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. Summary of significant accounting policies (cont'd)

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.

2.10 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.

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

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.

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. Summary of significant accounting policies (cont'd)

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.

2.13 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.

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flow from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through 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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in 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 cash flow discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in 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 value 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 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 the 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	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Deferred tax assets	490	1,133	353	274
Provision for taxation	4,200	9,872	1,585	5,086
Deferred tax liabilities	764	730	–	–

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

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

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

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Allowances for inventories

Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying values of the aged inventory items with the respective net realisable values. The purpose is to ascertain whether any allowance is required to be made in the financial statements for slow-moving items. Management is satisfied that adequate allowance for 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 Yield Method and the Discounted Cash Flow Method. The determination of the fair value of the investment properties require the use of estimates such as future cash flows from assets (such as letting, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting date. The key assumptions used to determine the fair value of the investment properties are further explained in Note 13.

(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 5 years, except for freehold and leasehold premises which are depreciated over 50 years. The carrying amount of the Group's property, plant and equipment at 31 March 2016 was $34,962,000 (2015: $31,504,000). 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	
	2016	**2015**
	$'000	$'000
Rental income	2,674	1,459
Interest income from:		
- Loan to an associate	142	146
- Cash at banks and short-term deposits	405	533
Management fee from associates	713	632
Net gain on disposal of property, plant and equipment	12	–
Fair value gain on investment properties	1,988	1,394
Others	570	1,702
	6,504	5,866

6. Finance costs

	Group	
	2016	**2015**
	$'000	$'000
Interest on bank term loans	1,688	897
Interest on bank overdrafts	5	4
	1,693	901

7. Other operating expenses

	Group	
	2016	**2015**
	$'000	$'000
Facilities cost	4,119	3,834
Professional fees	1,430	1,231
General administrative expenses	9,203	4,070
	14,752	9,135

8. Profit before taxation

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

	Group 2016 $'000	Group 2015 $'000
Salaries and employees benefits (including executive directors):		
- salaries, bonuses and other costs	40,748	39,392
- provident fund contributions	3,548	2,922
- (write-back of)/provision for retirement gratuity	(17)	50
Directors' fees	385	379
Audit fees:		
- auditor of the Company	225	219
- other auditors	187	191
Non-audit fees:		
- auditor of the Company	65	119
- other auditors	59	119
Allowance/(write-back of allowance) for doubtful debts	352	(17)
Donations	5,152	132

9. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2016 and 2015 are:

	Group 2016 $'000	Group 2015 $'000
Consolidated income statement:		
Current income tax		
- Current income taxation	12,707	16,070
- Under/(over) provision in respect of previous years	71	(82)
	12,778	15,988
Deferred income tax		
- Origination and reversal of temporary differences (Note 20)	647	(299)
Income tax expense recognised in profit or loss	13,425	15,689

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 2016 and 2015 are as follow:

	Group	
	2016	**2015**
	$'000	$'000
Profit before taxation	66,968	75,404
Less: share of results of associates	(6,549)	(5,735)
	60,419	69,669
Tax calculated using Singapore corporate tax rate of 17% (2015: 17%)	10,271	11,844
Adjustments:		
Non-deductible expenses	1,551	83
Effect of different tax rates in other countries	3,897	3,748
Deferred tax assets not recognised	314	290
Effect of partial tax exemption and tax relief	(2,765)	(133)
Under/(over) provision in respect of previous years	71	(82)
Others	86	(61)
Taxation for the year	13,425	15,689

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

As at 31 March 2016, certain subsidiary has unabsorbed tax losses of approximately $2,060,000 (2015: $980,000) 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 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	
	2016	**2015**
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend in respect of the year ended 31 March 2015: 2.20 cents (31 March 2014: 2.00 cents – based on enlarged share capital per sub-division on 28 November 2014)	15,510	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 2016: 2.00 cents (31 March 2015: 2.20 cents)	14,100	15,510

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	
	2016	**2015**
	$'000	$'000
Profit for the year attributable to owners of the Company	52,324	57,946
	'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 2014	20,087	6,627	30,839	1,841	59,394
Additions	–	–	6,604	–	6,604
Disposals/write-offs	–	–	(1,520)	(235)	(1,755)
Foreign currency translation adjustment	(1,053)	448	(674)	24	(1,255)
Acquisition of a subsidiary	–	–	1,147	235	1,382
At 31 March 2015 and 1 April 2015	19,034	7,075	36,396	1,865	64,370
Additions	–	–	10,347#	519	10,866
Disposals/write-offs	–	–	(2,468)	(402)	(2,870)
Transfer to investment properties*	(142)	–	–	–	(142)
Foreign currency translation adjustment	(324)	(55)	(436)	(8)	(823)
At 31 March 2016	18,568	7,020	43,839	1,974	71,401
Accumulated depreciation:					
At 1 April 2014	4,904	194	20,740	484	26,322
Depreciation charge for the year	395	159	6,732	360	7,646
Disposals/write-offs	–	–	(1,425)	(235)	(1,660)
Foreign currency translation adjustment	(166)	17	(525)	17	(657)
Acquisition of a subsidiary	–	–	980	235	1,215
At 31 March 2015 and 1 April 2015	5,133	370	26,502	861	32,866
Depreciation charge for the year	371	167	5,673	375	6,586
Disposals/write-offs	–	–	(2,418)	(282)	(2,700)
Transfer to investment properties*	(46)	–	–	–	(46)
Foreign currency translation adjustment	(44)	(4)	(213)	(6)	(267)
At 31 March 2016	5,414	533	29,544	948	36,439
Net carrying value:					
At 31 March 2016	13,154	6,487	14,295	1,026	34,962
At 31 March 2015	13,901	6,705	9,894	1,004	31,504

#Included in additions to furniture and fittings during the current financial year are construction in progress of $2,221,000 (2015: $Nil) capitalised in relation to the renovation activities carried out in a subsidiary's property during the year.

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

(a) Freehold premises (at cost)

	Group 2016 $'000	Group 2015 $'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	7,410	7,580
294 square metres office unit at 70 Castlereagh Street, Sydney	1,817	1,859
318 square metres shop unit at 252 Collins Street, Melbourne	803	821
Malaysia		
116 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur*	–	161
281 square metres office unit at Wisma UOA II, 21 Jalan Pinang, Kuala Lumpur	874	949
	18,568	19,034

(b) Leasehold premises (at cost)

	Group 2016 $'000	Group 2015 $'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	5,343	5,398
	7,020	7,075

A subsidiary's freehold premises with net carrying value approximately $6,063,000 (2015: $6,355,000) are charged to secure the bank borrowings of that subsidiary (Note 25).

*During the financial year, a freehold premise was revalued to its fair value, upon transferring to investment property. The Group has revalued the property up to the date of change in use. The Group has recorded the differences between the carrying amount of the property and the fair value in other comprehensive income. The fair value was determined based on the latest valuation near to the transfer date. The valuation was performed by an accredited independent valuer with recent experience in the location and category of the property being valued. The effects of the transfer are as follows:

	2016 $'000
Revalued amount as at the date of transfer	367
Net carrying value up to the date of change in use	96
Revaluation surplus in equity	271

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 2014	7,664	1,677	18,882	1,488	29,711
Additions	–	–	3,547	–	3,547
Disposals/write-offs	–	–	(245)	–	(245)
At 31 March 2015 and 1 April 2015	7,664	1,677	22,184	1,488	33,013
Additions	–	–	4,589	519	5,108
Disposals/write-offs	–	–	(1,282)	(402)	(1,684)
At 31 March 2016	7,664	1,677	25,491	1,605	36,437
Accumulated depreciation:					
At 1 April 2014	3,167	87	12,612	309	16,175
Depreciation charge for the year	153	58	4,597	289	5,097
Disposals/write-offs	–	–	(245)	–	(245)
At 31 March 2015 and 1 April 2015	3,320	145	16,964	598	21,027
Depreciation charge for the year	153	58	3,306	301	3,818
Disposals/write-offs	–	–	(1,235)	(282)	(1,517)
At 31 March 2016	3,473	203	19,035	617	23,328
Net carrying value:					
At 31 March 2016	4,191	1,474	6,456	988	13,109
At 31 March 2015	4,344	1,532	5,220	890	11,986

13. Investment properties

Statements of financial position

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
At 1 April	65,442	21,786	13,576	13,278
Additions	–	43,567	–	–
Transfer from property, plant and equipment at revalued amount* (Note 12)	367	–	–	–
Gain from fair value adjustments recognised in income statement	1,988	1,394	(857)	298
Foreign currency translation adjustment	(1,115)	(1,305)	–	–
At 31 March	66,682	65,442	12,719	13,576

Income statement

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Rental income from investment properties	2,674	1,420	561	639
Direct operating expenses arising from investment properties that generated rental income	712	399	78	80

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

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on latest valuations performed near to the end of reporting period. The valuations are performed by accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations are based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market. Details of valuation techniques and inputs used are disclosed in Note 34.

13. Investment properties (cont'd)

The investment properties held by the Group as at 31 March 2016 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	62 years
114 square metres unit at Peninsula Plaza situated at 111 North Bridge Road, Singapore	Shop	Leasehold	812 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
612 square metres unit at Eunos Warehouse Complex at Kaki Bukit Road 2, Singapore	Warehouse	Leasehold	25 years
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*	Office	Freehold	N/A

*Transferred from owner-occupied property to investment property.

A subsidiary's investment properties with carrying value of $42,970,000 (2015: $43,021,000) are charged to secure the bank borrowings of that subsidiary (Note 25).

14. Intangible assets

	Brand	Franchise fees	Total
	$'000	$'000	$'000
Group			
Cost			
At 1 April 2014	–	399	399
Acquisition of a subsidiary	4,594	–	4,594
At 31 March 2015 and 1 April 2015 and 31 March 2016	4,594	399	4,993
Accumulated amortisation			
At 1 April 2014	–	81	81
Amortisation charge for the year	35	81	116
At 31 March 2015 and 1 April 2015	35	162	197
Amortisation charge for the year	96	81	177
At 31 March 2016	131	243	374
Net carrying value:			
At 31 March 2016	4,463	156	4,619
At 31 March 2015	4,559	237	4,796

As at the end of the reporting period, the brand and franchise fees have remaining amortisation periods of 48 and 2 (2015: 49 and 3) years respectively.

	Franchise fees
	$'000
Company	
Cost	
At 31 March 2015, 1 April 2015 and 31 March 2016	399
Accumulated amortisation	
At 1 April 2014	81
Amortisation charge for the year	81
At 31 March 2015 and 1 April 2015	162
Amortisation charge for the year	81
At 31 March 2016	243
Net carrying value:	
At 31 March 2016	156
At 31 March 2015	237

15. Investment in subsidiaries

	Company 2016 $'000	Company 2015 $'000
Shares, at cost		
At 1 April	50,459	20,459
Acquisition of non-controlling interest without a change in control	1,615	–
Acquisition of subsidiary	–	13,338
Additional investment in a subsidiary	–	16,662
At 31 March	52,074	50,459

Details of the subsidiaries as at 31 March are:

Name of company/ principal activities	Country of incorporation	Percentage of equity held by the Group 2016 %	Percentage of equity held by the Group 2015 %	Cost of investments 2016 $'000	Cost of investments 2015 $'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	95	2,045	430
② The Hour Glass (HK) Limited	Hong Kong	100	100	10,261	10,261
② The Hour Glass (Australia) Pty Ltd	Australia	100	100	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	50,459
Held through subsidiaries					
Retailing and distribution of watches, jewellery and related products					
② THG (HK) Limited	Hong Kong	100	100		
② ④ The Hour Glass (Thailand) Co., Ltd	Thailand	49	49		
② Watches of Switzerland (2014) Sdn Bhd	Malaysia	100	–		

15. Investment in subsidiaries (cont'd)

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.

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

	Glajz-THG Pte Ltd	
	2016	**2015**
	%	%
Proportion of ownership interest held by NCI	40	40

	2016	**2015**
	$'000	$'000
Profit after tax allocated to NCI	1,097	1,387
Accumulated NCI at the end of the reporting period	12,142	11,418
Dividends paid to NCI	240	300

Summarised financial information about subsidiary with material NCI

	2016	**2015**
	$'000	$'000
Statement of financial position		
Non-current assets	240	78
Current assets	38,373	33,846
Current liabilities	(8,259)	(5,378)
Net assets	30,354	28,546
Statement of comprehensive income		
Revenue	53,721	47,199
Profit for the year, representing total comprehensive income for the year	2,743	3,467
Other summarised information		
Net cash flows from operations	4,628	246

15. Investment in subsidiaries (cont'd)

Incorporation of a wholly-owned subsidiary

During the current financial year, the Group's subsidiary, Watches of Switzerland Pte. Ltd., incorporated a wholly-owned subsidiary, Watches of Switzerland (2014) Sdn Bhd. in Malaysia with an initial paid-up capital of RM2.00. The principal activity of the newly incorporated subsidiary is that of retailing of watches.

Acquisition of NCI, without a change in control

During the current financial year, the Company acquired the remaining 5% equity interest in The Hour Glass Sdn Bhd ("THGSB") from its NCI for a cash consideration of $1,615,000. As a result of this acquisition, THGSB became a wholly-owned subsidiary of The Hour Glass Limited. The carrying value of the net assets of THGSB at the acquisition date was $29,475,000 and the carrying value of the additional interest acquired was $1,473,000. The difference of $142,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Capital Reserve" within equity.

The following summarises the effect of the change in the Group's ownership interest in THGSB on the equity attributable to owners of the Company:

	$'000
Consideration paid for acquisition of NCI	1,615
Decrease in equity attributable to NCI	(1,473)
	142

16. Investment in associates

	Group	
	2016	**2015**
	$'000	$'000
Unquoted shares, at cost	1,479	1,479
Share of post-acquisition reserves	19,639	13,090
Foreign currency translation adjustment	(1,036)	541
	20,082	15,110

Name of company / Principal activities	Country of incorporation	Proportion (%) of ownership interest	
		2016	**2015**
		%	%
Held through subsidiary			
① THG Prima Times Co., Ltd *Retailing and distribution of watches and related products*	Thailand	50	50
Held through associate			
① Royal Paragon Watch Limited *Retailing and distribution of watches and related products*	Thailand	60*	60*

① *Audited by Total Audit Solutions, Thailand.*

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

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	
	2016	**2015**
	$'000	$'000
Statement of financial position		
Current assets	67,320	59,949
Non-current assets	9,833	8,809
Total assets	77,153	68,758
Current liabilities	23,118	25,514
Non-current liabilities	4,650	5,320
Total liabilities	27,768	30,834
Net assets	49,385	37,924
Less: NCI of an associate	(9,222)	(7,704)
	40,163	30,220
Proportion of the Group's ownership	50%	50%
Group's share of net assets/carrying amount of the investment	20,082	15,110
Statement of comprehensive income		
Revenue	172,171	145,292
Profit for the year, representing total comprehensive income for the year	17,854	15,273

17. Loan to subsidiaries

As at 31 March 2016, loan to a subsidiary of $762,000 (2015: $836,000) is non-trade, unsecured, and is not expected to be repaid within the next twelve months. The loan bears interest ranging from 4.02% to 4.45% (2015: 4.68% to 4.82%) per annum.

18. Loan to an associate

Loan to an associate is non-trade, unsecured, and is not expected to be repaid within the next twelve months. Interest is chargeable at Thailand's minimum lending rate ("MLR"), ranging from 6.50% to 6.63% (2015: 6.65% to 6.75%) per annum during the year. Loan to an associate is to be settled in cash.

19. Trade and other receivables

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Trade and other receivables (current)					
Trade receivables		11,179	10,325	1,357	810
Goodwill compensation		351	357	351	357
Deposits		1,270	2,433	476	770
Recoverables and sundry debtors		2,584	2,595	1,599	1,855
Staff loans		7	8	6	8
		15,391	15,718	3,789	3,800
Other receivables (non-current)					
Deposits		7,806	5,486	3,696	2,846
Total trade and other receivables (current and non-current)		23,197	21,204	7,485	6,646
Add:					
- Loan to subsidiaries	17	–	–	762	836
- Loan to an associate	18	2,095	2,297	–	–
- Amount due from associates	22	76	49	–	–
- Amounts due from subsidiaries	23	–	–	8,725	5,386
- Cash and cash equivalents	24	93,898	98,332	32,092	34,109
Total loans and receivables		119,266	121,882	49,064	46,977

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

The goodwill compensation receivable arises from a principal for giving up distribution rights in certain territories/countries in the Asia Pacific region. The goodwill compensation is receivable in eight equal instalments of 250,000 Swiss Franc per annum until year 2011. This receivable is past due more than 1,460 days (2015: 1,095 days) as at the end of the reporting period but not impaired.

19. Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to approximately $1,661,000 (2015: $1,069,000) 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	
	2016	**2015**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	847	291
30 to 60 days	286	220
61 to 90 days	53	339
91 to 120 days	36	55
More than 120 days	439	164
	1,661	1,069

Trade receivables that are impaired

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

	Group	
	2016	**2015**
	$'000	$'000
Trade receivables – nominal amounts	72	75
Allowance for impairment	(72)	(75)
	–	–
Movements in allowance account:		
At 1 April	75	93
Written back	–	(17)
Foreign currency translation adjustment	(3)	(1)
At 31 March	72	75

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	
	2016	**2015**
	$'000	$'000
Other receivables - nominal amounts	868	522
Allowance for impairment	(868)	(522)
	–	–
Movements in allowance account:		
At 1 April	522	478
Allowance for the year	352	–
Foreign currency translation adjustment	(6)	44
At 31 March	868	522

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	
	2016	**2015**
	$'000	$'000
Swiss Franc	136	223
Australian Dollar	487	770
Singapore Dollar	24	–

20. Deferred tax (liabilities)/assets

	Group						Company	
	Consolidated statement of financial position		Consolidated income statement		Consolidated statement of comprehensive income		Statement of financial position	
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities								
Differences in depreciation for tax purposes	(220)	–	215	(557)	–	–	–	–
Provisions	140	–	(138)	527	–	–	–	–
Unrealised foreign exchange loss	(14)	–	14	–	–	–	–	–
Fair value adjustment on acquisition of subsidiary	(670)	(730)	(59)	(78)	–	–	–	–
	(764)	(730)					–	–
Deferred tax assets								
Differences in depreciation for tax purposes	1,153	870	(299)	173	–	–	(220)	(306)
Revaluation of investment properties to fair value	(2,735)	(1,915)	853	323	–	–	–	–
Revaluation of premises to fair value	(24)	(24)	–	–	–	–	–	–
Provisions	2,096	2,231	87	(747)	–	–	573	580
Unrealised foreign exchange loss	–	(29)	(26)	60	–	–	–	–
	490	1,133					353	274
			647	(299)	–	–		

Tax consequences of proposed dividends

There are no income tax consequences for 2016 and 2015 attached to the dividends to the shareholders proposed by the Company and hence no liability has been recognised in the financial statements (Note 10).

21. Stocks

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Statements of financial position:				
Finished goods				
- at cost	202,691	200,964	98,265	110,595
- at net realisable value	117,436	96,976	86,220	64,563
Total finished goods at lower of cost and net realisable value	320,127	297,940	184,485	175,158
Income statement:				
Inventories recognised as an expense in cost of sales	544,416	572,076	295,044	322,770
Inventories written-down	9,185	11,980	6,617	7,924
Reversal of write-down of inventories	(7,456)	(5,953)	(4,622)	(4,130)

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

22. Amount due from associates

	Group	
	2016	2015
	$'000	$'000
Amount due from associates		
- trade	76	49

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

23. Amounts due from subsidiaries

	Company	
	2016	2015
	$'000	$'000
Amounts due from subsidiaries		
- non-trade	8,725	5,386

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

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	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Cash and bank balances	74,909	62,569	32,092	24,109
Fixed deposits with banks	18,989	35,763	–	10,000
	93,898	98,332	32,092	34,109

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	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
United States Dollar	13	559	13	559
Swiss Franc	1,622	761	316	753
Singapore Dollar	55	308	–	–
Australian Dollar	214	169	–	–
Others	181	141	165	133

25. Loans and borrowings

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Current loans and borrowings - unsecured	39,060	36,265	36,000	31,000
Non-current loans and borrowings - secured	24,362	24,922	–	–
	63,422	61,187	36,000	31,000

25. Loans and borrowings (cont'd)

(a) The Group's unsecured loans and borrowings comprise:

(i) Revolving credits of $36,000,000 (2015: $32,650,000) is repayable within 12 months after the reporting date. Interest is charged at rates ranging from 1.63% to 1.70% (2015: 1.10% to 1.89%) per annum. The loans are denominated in Singapore Dollar.

(ii) Revolving credits of $3,060,000 (2015: $3,138,000) is repayable within 12 months after the reporting date. Interest is charged at rates from 4.07% to 4.86% (2015: 4.55% to 4.86%) per annum. The loans are denominated in Malaysian Ringgit.

(iii) During the current financial year, the Group repaid the revolving credit of $477,000 outstanding as at 31 March 2015. Interest was charged at rates ranging from 3.45% to 3.48% per annum. The loans were denominated in Australian Dollar.

The unsecured loans and borrowings of a subsidiary are covered by corporate guarantees given by the Company (Note 31).

(b) The Group's secured loans and borrowings comprise:

(i) Term loan of $3,628,000 (2015: $3,712,000) is repayable in March 2018. Interest is charged at a rate of 3.62% (2015: 3.64%) per annum.

(ii) Term loan of $20,734,000 (2015: $21,210,000) repayable in December 2017. An interest rate swap is used to hedge cash flow arising from the interest payments for the floating rate bank loan. The Group pays a fixed rate of interest at 4.04% (2015: 4.04%) per annum based on the arrangement which has the same maturity terms as the bank loan. As at the end of the reporting period, the interest rate swap has a remaining notional amount of $20,734,000 (2015: $21,210,000) and matures in December 2017.

The loans are secured by first mortgage over certain freehold premises (Note 12) and investment properties (Note 13) of the subsidiary and corporate guarantees provided by the Company (Note 31).

The secured loans are denominated in Australian Dollars.

(c) During the current financial year, 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.

26. Trade and other payables

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Financial liabilities					
Trade payables		17,752	13,963	2,440	2,682
Deposits from customers		6,665	7,117	3,323	3,713
Accruals		5,913	5,359	3,275	2,594
Other payables		1,379	1,306	1,005	750
		31,709	27,745	10,043	9,739
Non-financial liabilities					
Provisions		13,401	16,700	10,183	12,290
Total trade and other payables		45,110	44,445	20,226	22,029
Financial liabilities		31,709	27,745	10,043	9,739
Add: Loans and borrowings	25	63,422	61,187	36,000	31,000
Total financial liabilities carried at amortised cost		95,131	88,932	46,043	40,739

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 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Singapore Dollar	363	–	–	–
Swiss Franc	1,721	2,650	46	442
Others	14	115	12	15

27. Share capital

	Group and Company			
	2016		2015	
	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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Revenue reserve	382,876	346,062	185,937	173,112
Foreign currency translation reserve	(13,872)	(8,071)	–	–
Asset revaluation reserve	3,372	3,101	–	–
Capital reserve	(142)	–	–	–
Total reserves	372,234	341,092	185,937	173,112

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 expense	Commission paid	Services rendered	Rental income
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016								
Associates	35	713	142	106	–	–	–	–
Directors of the Company	354	–	–	8	–	–	–	–
Directors of the subsidiaries	26	–	–	3	120	–	–	–
Directors -related companies	–	–	–	–	348	–	–	31
Other related entity	–	–	–	–	–	5	–	–
Key management personnel	65	–	–	–	–	–	–	–
2015								
Associates	63	632	146	492	–	–	2	–
Directors of the Company	91	–	–	–	–	–	–	–
Directors of the subsidiaries	208	–	–	23	120	–	–	–
Directors -related companies	–	–	–	–	348	–	–	31
Other related entity	–	–	–	–	–	12	–	–
Key management personnel	3	–	–	–	–	–	–	–

29. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2016	**2015**
	$'000	$'000
Short-term employee benefits	13,518	12,242
Provident fund contributions	175	107
Total compensation paid to key management personnel	13,693	12,349
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	9,783	8,353
- Other key management personnel	3,910	3,996
	13,693	12,349

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	
	2016	**2015**
	$'000	$'000
Capital expenditure approved and contracted for: furniture and fittings	4,924	465

(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	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Not later than one year	2,175	2,594	223	548
Later than one year but not later than five years	1,460	3,508	41	263
Later than five years	21	103	–	–
	3,656	6,205	264	811

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	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Not later than one year	26,700	16,568	17,030	11,587
Later than one year but not later than five years	48,907	31,363	38,612	27,903
Later than five years	17,813	24,259	17,813	24,259
	93,420	72,190	73,455	63,749

31. Contingent liabilities

Guarantees

(a) The Company has provided corporate guarantees to banks for loans amounted to $3,060,000 (2015: $5,265,000) and $4,320,000 (2015: $5,293,000) taken by subsidiaries and associates respectively. The loans are repayable within the next 12 months.

(b) The Company has provided corporate guarantees to a bank for loans amounting to $24,362,000 (2015: $24,922,000) taken by a subsidiary (Note 25). The loans are repayable in December 2017 and March 2018.

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 2016 and 2015.

	South East Asia and Australia $'000	North East Asia $'000	Total $'000	Eliminations $'000	Note	Group $'000
2016						
Segment revenue:						
Sales to external customers	602,633	104,892	707,525	–		707,525
Inter-segment sales	1	8,248	8,249	(8,249)	A	–
Interest income	495	52	547	–		547
Other income	21,186	5	21,191	(15,234)	B	5,957
Total revenue and other income	624,315	113,197	737,512	(23,483)		714,029
Segment results:						
Segment results	59,142	16,108	75,250	(15,126)	C	60,124
Finance costs						(1,693)
Fair value gain on investment properties						1,988
Share of results of associates						6,549
Profit before taxation						66,968
Taxation						(13,425)
Profit for the year						53,543
Other segment information:						
Segment assets	476,307	69,867	546,174	–		546,174
Investment in associates	20,082	–	20,082	–		20,082
Unallocated corporate assets					D	490
						566,746
Segment liabilities	103,045	6,491	109,536	–		109,536
Unallocated corporate liabilities					E	4,964
						114,500
Capital expenditure for the year	10,443	423	10,866	–		10,866
Depreciation and amortisation	6,311	452	6,763	–		6,763

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
2015						
Segment revenue:						
Sales to external customers	633,930	101,008	734,938	–		734,938
Inter-segment sales	103	7,523	7,626	(7,626)	A	–
Interest income	503	176	679	–		679
Other income	32,992	28	33,020	(27,833)	B	5,187
Total revenue and other income	667,528	108,735	776,263	(35,459)		740,804
Segment results:						
Segment results	81,362	15,631	96,993	(27,817)	C	69,176
Finance costs						(901)
Fair value gain on investment properties						1,394
Share of results of associates						5,735
Profit before taxation						75,404
Taxation						(15,689)
Profit for the year						59,715
Other segment information:						
Segment assets	447,838	74,341	522,179	–		522,179
Investment in associates	15,110	–	15,110	–		15,110
Unallocated corporate assets					D	1,133
						538,422
Segment liabilities	98,186	7,678	105,864	–		105,864
Unallocated corporate liabilities					E	10,602
						116,466
Capital expenditure for the year	50,155	16	50,171	–		50,171
Depreciation and amortisation	7,190	572	7,762	–		7,762

32. Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Inter-company dividends are eliminated on consolidation.

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

	Group	
	2016	**2015**
	$'000	$'000
Inter-company expense/(income)	75	(65)
Inter-company dividends	(15,201)	(27,752)
Total	(15,126)	(27,817)

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

	Group	
	2016	**2015**
	$'000	$'000
Deferred tax assets	490	1,133

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

	Group	
	2016	**2015**
	$'000	$'000
Provision for taxation	4,200	9,872
Deferred tax liabilities	764	730
Total	4,964	10,602

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.

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

Interest rate risk

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

The Group's exposure to interest rate risk arises primarily from its loans and borrowings and its investment portfolio in fixed deposits. The Group's borrowings are predominantly denominated in floating rates and are expected to be repriced at intervals of less than one year from the financial year end. At present, the Group's policy is to obtain the most favourable interest rate arrangements available. An interest rate swap arrangement is used to hedge cash flow arising from the interest payments for a floating rate bank loan (Note 25).

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 (2015: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been $493,000 (2015: $473,000) 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 $2,085,000 and $494,000 (2015: $1,938,000 and $1,445,000) 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

At the end of the reporting period, reasonable fluctuations in CHF, AUD and USD against the SGD, with all other variables including tax rate being held constant, did not have a significant impact to the Group's profit net of tax for the years ended 31 March 2016 and 2015.

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 2016, the Group has available cash and cash equivalents totalling approximately $93,898,000 (2015: $98,332,000) 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.

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

Liquidity risk (cont'd)

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

	2016			2015		
	One year or less $'000	One to five years $'000	Total $'000	One year or less $'000	One to five years $'000	Total $'000
Group						
Financial assets						
Loan to associates	–	2,503	2,503	–	2,756	2,756
Trade and other receivables	15,391	7,806	23,197	15,718	5,486	21,204
Amount due from associates	76	–	76	49	–	49
Cash and cash equivalents	93,898	–	93,898	98,332	–	98,332
Total undiscounted financial assets	109,365	10,309	119,674	114,099	8,242	122,341
Financial liabilities						
Trade and other payables	31,451	–	31,451	27,575	–	27,575
Loans and borrowings	39,414	27,274	66,688	36,517	27,927	64,444
Total undiscounted financial liabilities	70,865	27,274	98,139	64,092	27,927	92,019
Total net undiscounted financial assets/(liabilities)	38,500	(16,965)	21,535	50,007	(19,685)	30,322
Company						
Financial assets						
Loan to subsidiaries	–	863	863	–	954	954
Trade and other receivables	3,789	3,696	7,485	3,800	2,846	6,646
Amount due from subsidiaries	8,725	–	8,725	5,386	–	5,386
Cash and cash equivalents	32,092	–	32,092	34,109	–	34,109
Total undiscounted financial assets	44,606	4,559	49,165	43,295	3,800	47,095
Financial liabilities						
Trade and other payables	9,864	–	9,864	9,650	–	9,650
Loans and borrowings	36,343	–	36,343	31,229	–	31,229
Total undiscounted financial liabilities	46,207	–	46,207	40,879	–	40,879
Total net undiscounted financial (liabilities)/assets	(1,601)	4,559	2,958	2,416	3,800	6,216

All capital commitments are repayable within one year.

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

Credit risk

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

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

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 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 that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

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

There was no transfer from Level 1 and Level 2 to Level 3 during the financial years ended 31 March 2016 and 2015.

(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			
	2016			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Recurring fair value measurements				
Assets				
Financial assets:				
Loans and receivables				
Other receivables (Note 19)	–	–	7,806	7,806
Total financial assets	–	–	7,806	7,806
Non-financial assets:				
Investment properties (Note 13)	–	–	66,682	66,682
Total non-financial assets	–	–	66,682	66,682

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

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

	Group			
	2015			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) $'000	**Significant observable inputs other than quoted prices** (Level 2) $'000	**Significant unobservable inputs** (Level 3) $'000	**Total** $'000
Recurring fair value measurements				
Assets				
Financial assets:				
Loans and receivables				
Other receivables (Note 19)	–	–	5,486	5,486
Total financial assets	–	–	5,486	5,486
Non-financial assets:				
Investment properties (Note 13)	–	–	65,442	65,442
Total non-financial assets	–	–	65,442	65,442

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 2016				
Other receivables	7,806	Discounted cash flow	Market incremental lending rate for similar types of borrowings at the balance sheet date [(1)]	1.81%
Investment properties	66,682	Capitalisation approach	Capitalisation rate [(2)]	Offices: 7.00% Shops: 4.25% - 5.25%
		Direct comparison method	Price per square metre [(3)]	Shops: $25,000 - $108,000 Warehouse: $2,400 - $3,100
At 31 March 2015				
Other receivables	5,486	Discounted cash flow	Market incremental lending rate for similar types of borrowings at the balance sheet date [(1)]	1.59%
Investment properties	65,442	Capitalisation approach	Capitalisation rate [(2)]	Offices: 5.50% Shops: 4.75% - 6.00%
		Direct comparison method	Price per square metre [(3)]	Shops: $38,000 - $113,000 Warehouse: $2,400 - $4,100

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

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

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

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 gains from fair value adjustments of investment properties which amounted to $1,988,000 (2015: $1,394,000) (Note 13). The disclosure of the movement in the investment properties balance in Note 13 constitutes a reconciliation of the movement of assets which are measured at fair value based on significant unobservable inputs.

(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

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 2016 were authorised for issue in accordance with a resolution of the Directors on 31 May 2016.

STATISTICS OF SHAREHOLDINGS AS AT 8 JUNE 2016

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	30	1.66	1,273	0.00
100 - 1,000	88	4.88	44,948	0.01
1,001 - 10,000	594	32.95	3,148,706	0.45
10,001 - 1,000,000	1,067	59.18	54,812,514	7.77
1,000,001 and above	24	1.33	647,004,439	91.77
Total :	**1,803**	**100.00**	**705,011,880**	**100.00**

PUBLIC FLOAT

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires a listed company to ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. The Company has complied with this requirement. As at 8 June 2016, approximately 30.05% of its ordinary shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. The Company did not have any treasury shares as at 8 June 2016.

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Direct	%	No. of Shares Deemed	%
TYC Investment Pte Ltd	330,865,191	46.93	-	-
Dr Henry Tay Yun Chwan	56,687,668	8.04	367,746,391 ①	52.16
AMSTAY Pte Ltd	36,881,200	5.23	-	-
Dato' Dr Jannie Chan Siew Lee	10,525,778	1.49	330,865,191 ②	46.93
FMR LLC	-	-	49,475,500	7.02

① Dr Henry Tay Yun Chwan's deemed interests arise from his interests in TYC Investment Pte Ltd and AMSTAY 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 8 JUNE 2016

No.	Name	No. of Shares	%
1	TYC INVESTMENT PTE LTD	330,865,191	46.93
2	HENRY TAY YUN CHWAN	56,687,668	8.04
3	AMSTAY PTE LTD	36,881,200	5.23
4	HSBC (SINGAPORE) NOMINEES PTE LTD	35,038,808	4.97
5	RAFFLES NOMINEES (PTE) LIMITED	31,666,153	4.49
6	CITIBANK NOMINEES SINGAPORE PTE LTD	31,081,747	4.41
7	PHILLIP SECURITIES PTE LTD	20,209,153	2.87
8	LIM & TAN SECURITIES PTE LTD	19,852,382	2.82
9	DBS NOMINEES (PRIVATE) LIMITED	19,274,015	2.73
10	DB NOMINEES (SINGAPORE) PTE LTD	11,893,500	1.69
11	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	10,426,478	1.48
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,588,375	1.36
13	ONG YEK SIANG	5,675,823	0.81
14	UOB KAY HIAN PRIVATE LIMITED	4,998,375	0.71
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,088,510	0.58
16	CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,475,104	0.49
17	CHIA KUM HO	3,015,000	0.43
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,222,547	0.32
19	CHAN KENNY SWEE KHENG	2,101,707	0.30
20	NG KWONG CHONG OR LIU OI FUI IVY	1,931,328	0.27
	Total :	**640,973,064**	**90.92**

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