

THE HOUR GLASS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 197901972D)

**RESPONSES TO QUESTIONS SUBMITTED IN ADVANCE OF THE
ANNUAL GENERAL MEETING (“AGM”) TO BE HELD ON 29 JULY 2022**

The Hour Glass Limited (the “**Company**”) refers to its announcement of 5 July 2022 on the alternative arrangements for the AGM and in particular, the invitation to shareholders to submit questions in advance of the AGM. The Company thanks shareholders for their questions.

The Company’s responses to the substantial and relevant questions received which relate to the AGM resolutions and the Company’s Annual Report 2022 are set out in the Appendix to this announcement. Where the questions overlap or are closely related, they have been consolidated and rephrased for clarity.

For shareholders’ easy reference, the questions and responses have been arranged by the following topics:

- Business Outlook
- Business Strategy
- Capital Allocation and Share Buyback
- Corporate Governance

By Order of the Board

Christine Chan
Company Secretary
22 July 2022

Appendix

No.	Questions and Responses
Business Outlook	
1.	<p>What is management’s view of the market, given the negative economic developments?</p> <p>We are monitoring the global macro situation closely and do not take it for granted that present conditions of elevated demand will continue unabated should geopolitical tensions heighten further or, economic conditions in the markets we have businesses in begin to deteriorate.</p> <p>Despite potential challenges we may face due to weakening consumer sentiment and possible recessionary projections, we are of the opinion that the watch industry, especially several of the core brands which we represent within our portfolio, will continue to experience a widening audience that drive positive interests exceeding the present levels of supply.</p>
2.	<p>How does the group cultivate the next generation of clients? How confident is management of the continuing strong demand, especially amongst the younger clients?</p> <p>The Group’s mission is to enrich lives with passion by advancing watch culture. We do so through multiple direct and indirect channels of outreach to various watch communities in the markets we operate within. Principally, this is by way of physical interaction between our watch specialists within our boutiques where expert knowledge is shared in a consultative environment. We frequently organise community level events which allow for further face-to-face exchanges between our team members and watch enthusiasts. We are also highly active on social media and produce proprietary content which we share online, engaging with clients who spend their time on these channels and platforms.</p> <p>What has surprised us most since the onset of the pandemic is that the average age of our prospective clients has decreased. This is not peculiar to The Hour Glass. There are multiple reports describing this demographic shift all over the world in other luxury categories. We are confident that this younger generation of watch enthusiasts are eager to acquire knowledge and are rapidly developing a sensitivity to collectible watches. We find this highly encouraging and gratifying.</p>
3.	<p>How significant is the wealth effect on demand for luxury watches? Is there a bubble in the secondary market for luxury watches?</p> <p>The luxury industry is dependent on the overall feel-good factor of consumers and typically, inflating asset prices will lead to more exuberance in consumption. It would be remiss of us to dismiss the influence of the dramatic rise (and decline) in crypto coins on all collectibles – not just on the fine watch market. We had held the view that individuals who were heavily exposed to crypto and other digital tokens were generally prone to speculative behaviour. This has had a distinct influence on secondary market prices of collectibles both physical and digital (i.e. Non-Fungible Tokens). In particular, for the period from November 2021 through to March 2022, secondary market prices appreciated sharply for many collectible categories and watches were not spared. Since then, most ‘hype’ watches have corrected and reverted to their 2021 mean market prices which for many references, are still valued higher than official retail prices. For serious watch buyers and specialist watch retailers, we welcome this reversion.</p>

No.	Questions and Responses
Business Strategy	
4.	<p>How does the Company ensure that it remains competitive and overcome challenges ahead?</p> <p>By ensuring that the Board of Directors and members of The Hour Glass team are constantly reviewing their business and the industry through a multi-decade lens.</p>
5.	<p>Does the Company intend to enter the pre-owned luxury watch market?</p> <p>We have discussed this subject on several occasions in previous Chairman’s statements in our annual reports so we suggest that one should refer to them. To date, we have not decided to operationalize this business category, nor do we have a pre-set time frame or established conditions precedent to do so.</p>
6.	<p>How does management handle the shortage of watches for sale at its stores? How does the Company cultivate customers loyalty in the current situation?</p> <p>The excess demand for watches versus the ability for watch manufacturers to meet that demand is a global issue that is beyond the control of distributors and specialist watch retailers. It can also be argued that in the short to medium term, the watch manufacturers themselves will not be able to correct this state of affairs.</p> <p>In the initial period post lock-down, prospects and clients were extremely frustrated by their inability to “buy now”. However, over the past 18 months, much of that frustration has given way to understanding and an appreciation that for the most desired watch brands and models, one must exercise patience.</p> <p>Different retailers vary on their approach towards prospects and clients who are interested in these high demand models. Our watch specialists are trained extensively to manage the frustration that may arise in the most delicate of approaches, ensuring that we register all our clients’ and prospects’ interest in the watches they most desire.</p> <p>The Hour Glass also has in place a customer management system that allows our team to continue rewarding our most loyal clients. We have discovered that since the pandemic, and despite the re-opening of borders, we received more residents who continue choosing to patronize The Hour Glass locally.</p>
Capital Allocation and Share Buyback	
7.	<p>Share buyback: what are the factors considered in determining how much to buy?</p> <p>The Company’s purchases of its shares from the market are guided by the principles of financial prudence and the prevailing market conditions. Share repurchases are funded by cash surplus to the Company’s needs. When buying back its shares, the Company is cognisant to not disrupt or create a false market and/or misleading appearance of the trading, market or price of the shares.</p>

No.	Questions and Responses
Capital Allocation and Share Buyback	
8.	<p>With increased investments in Australia and New Zealand, what is the foreign exchange hedging strategy?</p> <p>The group’s acquisition of real estate is partly funded by bank borrowings in local currencies, which forms an operational or natural hedge against foreign exchange fluctuations. When internal funds are generated, the bank borrowings may be reduced progressively. There are no specific targets on gearing for specific assets.</p>
9.	<p>How does the board ensure that management does not overpay for its acquisition of real estate?</p> <p>Potential acquisitions are discussed with the board, which pre-approves a limit on the price for the purchase before any negotiation is concluded. Decisions on price take into account the market valuation, potential capital appreciation and own-use scenarios amongst other factors.</p>
Corporate Governance	
10.	<p>Does the Nomination and Remuneration Committee (“NRC”) plan to carry out a comprehensive review of the board composition?</p> <p>The NRC reviews the structure, size and composition of the board and board committees at least annually, and consults with the board chairman and other members of the board from time to time. The NRC and the board have been considering candidates from other disciplines to deepen and broaden skill sets and perspectives on the board. The NRC continuously seeks diversity in the membership of the board.</p>
11.	<p>What are the challenges, if any, in making further changes to the board to address deviations from provisions 2.2 (majority of the board to be independent where chairman is non-independent) and 10.2 (audit committee composition) of the Code of Corporate Governance?</p> <p>Board refreshment is necessarily a phased and orderly process to avoid undue disruptions from changes to the composition of the board and board committees. New appointments to the board will be over time and underscored by the need to shape the board in line with the medium to long-term needs of the Company and its strategic goals and the business direction of the Group.</p>
12.	<p>What are the adjustments for the FY2023 proposed Directors’ fees?</p> <p>Proposed FY2023 fees for non-executive directors have been adjusted to take into account market norms and their responsibilities. For FY2023, basic fees for each director is increased to \$40,000, fees for Audit Committee Chairman to \$50,000, Member of the Audit Committee to \$20,000, fees for NRC Chairman to \$40,000 and Member of NRC to \$15,000. Other fees remained unchanged. The total increase amounts to \$95,000. The last full review for directors’ fees was made more than 10 years ago, except for lead independent director’s and NRC Chairman’s fees, which were revised more than 3 years ago.</p>