

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

---

**RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT 2020**

---

The Hour Glass Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to its Annual Report for the financial year ended 31 March 2020 ("**Annual Report 2020**"). The Company wishes to respond to the queries from Singapore Exchange Securities Trading Limited ("**SGX**") on 3 September 2020 as follows:

1. SGX Query

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

Company's Response

In relation to Listing Rule 1207(10C), in conjunction with, among others, the activities of the Audit Committee ("**AC**"), the following has been disclosed with regard to the internal audit function on page 29 of the Annual Report 2020 (*emphasis added*):

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

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

The Company's internal audit function resides in-house. The Company's internal audit manager, who is a Certified Internal Auditor with the Institute of Internal Auditors (IIA) Singapore, has more than 15 years working experience as an auditor after graduating with a Bachelor of Science degree in Accounting and Finance (Hons) from University of London.

2. SGX Query

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.1 and Provisions 8.2 of the Code with regards to the disclosure of remuneration. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration

policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

#### Company's Response

The Company has disclosed its remuneration policy and practices for staff and directors (executive and non-executive) as well as linkage to performance and value creation where applicable. Such disclosures include, for instance, executive director and key management employment terms which entitle the Company to recompute the incentive component of their remuneration in certain events, the framework of non-executive directors' remuneration and the amount of directors' fees in respect of a relevant financial year. The Company's disclosures on remuneration are on pages 25, 26, 31 and 32 of the Annual Report 2020.

In relation to Provision 8.1 of the Code, the Company has stated (on page 26) its 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 interest, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment in which the Group operates. Notwithstanding this, the Company has provided instead information on 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 six key management personnel (who are not directors). The Company has also disclosed the aggregate remuneration of the executive directors and of the top six key management personnel (who are not directors), respectively, for FY2020.

In relation to Provision 8.2 of the Code, the Company has disclosed the name of the employee, the name and relationship of the employee to the director and the annual remuneration of the employee in the relevant remuneration band, being the requisite information according to Provision 8.2. The relationships of its executive directors were disclosed on page 22 of the Annual Report 2020.

The Company believes that its disclosures on remuneration in the Annual Report 2020, as mentioned above, provide sufficient information for shareholders to have an adequate understanding of its remuneration policies and practices, and that the practices adopted by the Company are appropriate for the continued sustainable performance and value creation of the Company. Accordingly, the Company is of the view that it has considered and addressed the intent of Principle 8 of the Code.

By Order of the Board

Christine Chan  
Company Secretary

4 September 2020