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

RESPONSE TO SGX QUERIES ON THE COMPANY'S UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT RELEASED ON 20 MAY 2021

The Hour Glass Limited (the "**Company**" and together with its subsidiaries, the "**Group**") released its unaudited full year financial statement and dividend announcement for the year ended 31 March 2021 ("**FY2021 Financial Statement Announcement**") on 20 May 2021. The Company wishes to respond to the queries from Singapore Exchange Regulation ("**SGX RegCo**") received on 27 May 2021 as follows:

SGX RegCo's Query 1:

With reference to Page 1 of the FY2021 Financial Statement Announcement

1. Selling and promotion expenses: $15,300,000 – Explain the decrease from $22,352,000.

2. Other expenses: $13,434,000 – Explain the decrease from $18,561,000.

3. Fair value loss on investment properties: $9,997,000 – Explain the increase from $918,000.

The Company's Response:

1. The Group has reduced its advertising and promotion ("**A&P**") activities during Covid-19 restrictions to adhere to governmental advice on curbs regarding gatherings and events, and also to be in line with the global brands' policies. This has resulted in a decrease in A&P expenses by $6.8 million, compared with the previous financial year ("**FY2020**").

2. Higher other expenses in FY2020 included donations (mainly comprising a $2 million donation to SingHealth's Virology Research Fund to benefit Covid-19 research) and higher repair and maintenance expenses for our buildings and boutiques (FY2021: $4.2 million vs FY2020: $6.3 million). In FY2021, reduction in travel and entertainment expenses, in line with Covid-19 restrictions, also contributed to the decrease.

3. The fair value loss on investment properties for FY2021 mainly relates to the $10.2 million adjustment on 139 Collins Street, Melbourne, Australia, to reflect the external professional valuation of this property as at 31 March 2021.

SGX RegCo's Query 2:

With reference to Page 3 of the FY2021 Financial Statement Announcement

1. Property, plant and equipment: $145,509,000 – Explain the increase from $96,714,000.

2. Right-of-use assets: $86,834,000 – Explain the decrease from $103,313,000.

3. Investment properties: $143,739,000 – Explain the increase from $96,511,000.

4 Loans and borrowings: $105,121,000 – Explain the increase from $64,467,000.

5 Trade and other payables: $60,359,000 –Explain the increase from $49,307,000.

The Company's Response:

1. The increase in the carrying values of the Group's property, plant and equipment was a result of store renovations ($12.5 million), the reclassification of a property in New Zealand from investment properties due to change of use ($28.2 million) and exchange translation gain of $14.9 million, off-set by depreciation expense of $7.8 million.

2. The Group leases premises for office and retail use that are non-cancellable within the lease periods and recognises right-of-use assets in accordance with SFRS(I)16. In FY2021, additions and lease modifications of $10.1 million were recognised based on the new leases and changes in lease terms upon renewal. Depreciation charge on the right-of-use assets was $27.0 million for FY2021.

3. The increase in investment properties in FY2021 was due to the purchase of 139 Collins Street, Melbourne, Australia ($72.6 million including stamp duties) and its related fair value loss of $10.2 million in FY2021, off-set by the reclassification and transfer of a New Zealand property to property, plant and equipment, due to change of use ($28.2 million). The Group also accounted for exchange translation gain of $14.0 million on its investment properties.

4. The higher loans and borrowings was due to a loan drawdown of $40.4 million in FY2021 for the financing of the Group's purchase of the investment property located at 139 Collins Street, Melbourne, Australia.

5. The increase in trade and other payables was mainly attributable to higher trade payables (higher by $4.8 million), sales tax payables (increased by $1.4 million), accruals and other payables (higher by $4.6 million). These changes were due to working capital cyclical movements.

Issued by The Hour Glass Limited on 31 May 2021