Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: The Hour Glass Limited

Stock code: AGS

Meeting details:
Date: 28 August 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the chairman's statement, revenue for the financial year ended 31 March 2020 increased by 4% to $749.5 million, with profit after tax increasing by 8.5% to $77.5 million. The net profit margin of 10.3% was achieved with considerable management and operational discipline.

The vision of the group is to "enrich lives with passion by advancing watch culture".

While the group is cognisant of the short to mid-term decline in the business, the chairman re-affirmed his belief that the active promotion and sale of specialty watches will remain a viable and prosperous business in the long term and that the group is on the right path to intermesh the digital and physical realm to deliver the right client experience in both.

(i) With leisure travel halted for the foreseeable future, watch purchases by travelers would have fallen significantly. This has traditionally been a key driver for high-end watches. **What was the revenue generated from travellers in the different markets in the recently concluded financial year? What is management's strategy to mitigate this shortfall in tourist spend?**

(ii) **With several years of digital transformation under its belt, has the group been able to pro-actively reach out to its customers and potential customers via its digital platforms and online interaction and convert these engagements into sales?** For example, property agents and car dealers have claimed various degree of success in selling via virtual tours and online viewing.

(iii) Also, in the chairman's statement, it was shared that Baselworld, the largest and most important watch and jewellery annual trade show since 1917, ended up in a fiery crash in 2020, its demise hastened by the pandemic. **Has the board carried out scenario planning and envisaged a "Baselworld" equivalent for the group? If so, what is the group doing to avoid its "Baselworld"?**

(iv) **Can the board provide more clarity on the group's strategic view on its non-watch luxury related businesses? How much capital and human resources will the group be allocating to grow the non-watch business?**

Q2. Would the board/management also provide shareholders with greater clarity on the following strategic and operational matters? Specifically:

(i) **Senior management:** With the retirement of Dr Kenny Chan Swee Kheng as Group Managing Director, Mr Michael Tay has been appointed as sole Group Managing Director on 1 April 2020. Mr Michael Tay has served in the group for 21 years. **What changes, if any, would there be to the group's day-to-day operations and strategic direction?**

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(ii) **Watches of Switzerland ("WOS"): With more than 5 years of ownership of WOS, has the acquisition met management's expectations, in terms of growth, profitability, customer access etc?**

(iii) **Mansors Jewellers: What is management's estimate of the market size in New Zealand?** In February 2020, the group purchased the business of Auckland-based Mansors Jewellers as the group views New Zealand as a greenfield luxury watch market. Out of the purchase consideration of $18.9 million, the provisional goodwill on acquisition amounted to $11.7 million.

Q3. In the company's second Sustainability Report ("SR") released in August 2019, the scope of the SR report covered only the retailing and distribution of watches and related products in Singapore.

(i) **As the group has significant operations overseas, including Australia, Japan, Malaysia, New Zealand, Thailand, would the group be covering the foreign operations in its update to the SR?**

(ii) **What is the size and the composition of the Group Sustainability Committee?**

The group had carried out an inaugural materiality assessment in FY2018 to identify ESG matters that were important to the group and its stakeholders. Only three material ESG matters were identified: Regulatory Compliance, Training and Talent Management and Security of Information. The materiality matrix is reproduced below for reference:

Figure 3: The Hour Glass' materiality matrix

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Other commonly identified material aspects would include economic performance, anti-corruption, environmental footprint and local communities.

(iii) **Would the board and the sustainability committee be reviewing if there are other material ESG matters that are relevant to the group and should be included in its SR?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)