

Issuer: Cortina Holdings Limited

Security: Cortina Holdings Limited

Meeting details:

Date: 21 July 2017

Time: 9.00AM

Venue: York Hotel, 21 Mount Elizabeth, Singapore 228516

Company Description

Cortina Holdings Limited, an investment holding company, engages in the retail and distribution of timepieces and accessories in Singapore, Malaysia, Thailand, Indonesia, Hong Kong, Taiwan, and Russia. The company operates through Wholesale and Retail segments. The Wholesale segment is involved in the wholesale of time pieces and luxury branded accessories. The Retail segment engages in the retail of time pieces, branded pens, and accessories. The company also operates various boutiques. It sells its products primarily under the Audemars Piguet, Baume & Mercier, Blancpain, Bvlgari, Cartier, Chopard, Chronoswiss, Corum, Gucci, Omega, Patek Philippe, and Piaget. Cortina Holdings Limited was founded in 1972 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C41)

Q1. In the Chairman’s message (pages 2 – 5 of the annual report), it was stated that the group will “continue to fine tune and evolve its business model, taking into account prevailing market conditions and consumer sentiments. (page 4)”.

The Chairman had also mentioned several new or refurbished mono-brand/specialist boutiques in his message, such as the new Rolex boutique in Marina Square, the re-opening of Patek Philippe boutique at The Shoppes at Marina Bay Sands and an upcoming Breitling boutique in KLCC.

- a) **Can management elaborate further on the market and consumer trends in luxury timepieces?**
- b) **How has the group’s business model evolved over the years and what are management’s priorities for the new financial year?**
- c) **How has the group tapped into the shift to mono-brand/specialist boutiques? What is the impact on the group’s multi-brand stores? Is the return on investment (ROI) of specialist boutiques more or less attractive than that of the group’s multi-brand Cortina stores?**

Q2. The Net realisable value of inventories is a key audit matter in the Independent Auditor’s Report (page 49). The group holds inventories of \$203.9 million, accounting for approximately 78% of total assets of the group.

- a) **Can the audit committee/auditor elaborate further on how the net realisable value of inventory was estimated?**
- b) **How extensive was the audit sampling of the inventory to estimate the allowance for obsolescence?**
- c) **What is the group’s inventory turnover days? Can management disclose the ageing on the group’s inventories?**

Q3. In the Corporate Governance Report (page 23 – Guideline 2.4 Review of Independent Directors), it was disclosed that:

“Independent Directors, Mr Lau Ping Sum, Pearce, Mr Foo See Jin, Mr Long Foo Pieng and Mr Chin Sek Peng, Michael have served the Board for more than nine years from the date of each of their first appointment.”

Mr Lau, Mr Long and Mr Chin were appointed to the board in 2002, 2000 and 2007 respectively. In addition, Mr Foo See Jin, Michael is “one of the founders of our Group and was a Non-Executive Director of our Group from 1972. He was designated as Independent Director since November 2013” (page 15).

Also, Mr Foo and Mr Long have shareholdings of 4.3% and 5.2% in the company (page 24).

Notwithstanding that the Nominating committee and the Board have the view that Mr Lau, Mr Foo, Mr Long and Mr Chin have maintained their objectivity and independence at all times in the discharge of each of their duties as Director of the Company, Guideline 2.4 of the Code of Corporate Governance 2012 calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **Can the board provide more detail on its plans to ensure the progressive refreshing of the board?**
- b) **Please also disclose the company’s search and nomination process for new independent directors.**