

Cortina Holdings Limited: SIAS Q&A for AGM 2023

Q1.

(i) Does management anticipate opening a greater number of new mono-brand boutiques compared to multi-brand boutiques?

Evaluating brands is always an ongoing process for us at Cortina. If business opportunities arise with either house or international brands that are strategic to us, we will definitely consider exploring them.

(ii) How is the group leveraging technology, particularly social media, to enhance its experiential retail approach?

The group leverages Customer Relationship Management (CRM) tools and solutions to gain deeper insights into customers' needs, enabling us to deliver personalized services for their watch collecting journey. In addition, utilizing social media, content marketing, search engine optimization, just to name a few, contribute to fostering of an experiential retail experience, providing customers with a holistic and immersive journey in their pursuit of horological passion.

(iii) Have there been any notable changes in customer profiles over the past three years? How have buying patterns evolved in response to marketplace dynamics, such as price increases, supply shortages, and grey market prices?

Over the past three years, the group have prioritized building robust connections with our local customer base. We are dedicated to nurturing long-term relationships with our valued clients. Our retail selling price is determined by the brands' partners' recommended prices and we maintain our independence from grey market prices.

(iv) Does management see interest in luxury Swiss watches remaining strong post-pandemic? In addition, does management expect the demand-supply imbalance to persist?

The industry's resilience, brand prestige, and potential for pent-up demand may sustain interest. However, economic uncertainties and changing consumer preferences could also influence market strength.

(v) Can management clarify whether the group charges customers above the manufacturer's suggested retail price (MSRP) and if so, does this practice align with the agreements the group has with the brands?

The management follows the guidelines of all the brands under Cortina in maintaining recommended prices.

Q2.

- (i) Has the Audit Committee (AC) conducted a reassessment of the size and complexity of the group following the acquisition of Sincere, and have they re-evaluated the criteria for selecting the group's auditor?**

The AC reviews each year the size and complexity of the Group including current year events and developments that may impact on the Group. In 2021, following the acquisition of Sincere, Cortina group has grown significantly larger and the AC has re-evaluated the suitability and quality of the group auditor in respect of skill, experience, knowledge and resources to continue providing an efficient and effective assurance service to the group.

- (ii) How did the board and the AC satisfy themselves that the appointment of different auditors would not compromise the standard and effectiveness of the audit**

In evaluating the different auditors that are involved in the audit of Cortina group, the AC considers the following factors:

- Independence and compliance with code of ethics
- Size and reputation
- Audit and industry experience, knowledge, skill and qualification of the audit partner and team members
- Cooperation, support and communication between the group auditor and the component auditors
- Competency in the use of technology such as data analytics
- Adequacy of competent resources to deal with the enlarged Cortina group and to deliver based on agreed timelines and
- Continuity of these resources

Based on the above evaluation, the AC is satisfied that the use of Deloitte to audit the Sincere group as the main component auditor and RSM to audit Cortina Holdings Ltd as the group auditor with one overseas Cortina subsidiary by Nexia provide an effective strategy in providing the assurance on the financial statements required by Cortina group.

- (iii) How did the AC evaluate the external auditors and on what basis did the AC recommend their re-appointment?**

This has been described under point 7 above. In summary, the AC reviews and ensures that the external auditors have the right combination of size, reputation, qualification, industry experience, skill, knowledge and resources to deliver high quality audits expected by Cortina group. When these criteria are met, the AC recommends their re-appointment each year to the Board to approve.

Q3.

(i) Can management provide details on the specific improvements that have been implemented in the group's IT systems and processes since the cyberattack incident?

We have deployed a Next Gen Endpoint with Managed Detection & Response (MDR) services across all workstations and servers and standardized our firewall solution across the region. Training to enhance security awareness among our staff has been stepped up. In addition, we are also embarking on ISO27001 certification to be audited by a certification body for the adoption of best practices for IT Policies and Procedures by the next quarter.

(ii) Have IT security and customer privacy been identified as key risks by the board and if so, what guidance has the board given to management to pro-actively manage these risks prior to the cyberattack? Does the board possess the necessary expertise to provide effective oversight in these areas?

IT security and customer privacy are issues that have always been of the highest priority for the board. The board ensures that there are regular audits, both internal and external. There were various IT security measures in place at the time of the incident, including a firewall, anti-virus software and password protected accounts and files. However, in the context of the incident, we acknowledge that our IT security measures need to be strengthened.

(iii) Has management experienced any negative repercussions as a result of this incident, and have there been any noticeable changes in the number of physical store visits, website visits, or customer inquiries since the data leak?

(iv) Has the board assessed the extent to which the cyberattack incident has affected the group's reputation and customer trust?

Following the cyberattack, all our customers were immediately notified and a Query Centre Hotline was set up on 7th June with a dedicated team to answer customer queries on the incident via email or telephone. So far, we have received about 100 queries from customers related to the cyberattack. There has not been any discernible impact to our business in-stores. The official website underwent temporary downtime to strengthen its security measures on the backend. Our business has thrived on enduring, multi-generational relationship with our valued customers, and we hold the trust they placed in us in the highest regards. In line with our steadfast commitment to ensuring the security and protection of our customers' data, we have embarked on the ISO27001 certification journey. This strategic endeavor is a testament to our dedication to upholding the standards of information security and further endorsing our pledge to safeguarding our customers' trust.