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: Cortina Holdings Limited

Stock code: C41

Meeting details:
Date: 26 August 2021
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. The group completed the strategic acquisition of Sincere Watch Limited ("Sincere") and its subsidiaries for a purchase consideration of $84,695,000 on 16 March 2021.

At the date of the signing of the sale and purchase agreement, Sincere operated 18 boutiques in Singapore, Malaysia, Thailand and Australia. Sincere's portfolio of distributed brands includes A. Lange & Söhne, Audemars Piguet, Franck Muller, IWC, Jaeger-LeCoultre, Panerai, Omega, Vacheron Constatin and Tudor. It runs multi-brand retail under the Sincere brand in Singapore and Malaysia and under the Pendulum brand in Thailand. In addition, Sincere operates mono-brand boutiques for Franck Muller in Singapore and Australia; A. Lange & Söhne in Malaysia; and A. Lange & Söhne, Breitling and IWC in Thailand. As disclosed by the company, the acquisition would provide the group exclusive distributorship rights to the Franck Muller brand in 13 countries within Asia Pacific pursuant to the exclusive distributor agreement

As noted in the chairman's message, the acquisition would also allow the group to benefit from cost savings and operational synergy through the cross-selling of products and pooling of resources (page 3 of the annual report).

(i) **With more than 5 months since the acquisition, has the integration of Sincere been completed? Is management satisfied with the performance of Sincere since the acquisition?**

(ii) **How long is the exclusive distributorship rights to the Franck Muller brand for the 13 countries?**

(iii) **Can management elaborate further on the opportunities for cross-selling? How successful is the group at cross-selling since the acquisition?**

(iv) **How has the group finetuned its organic growth strategy as a result of the acquisition of Sincere? Please (re)state the key growth drivers for the next 3-5 years.**

Q2. The "Net realisable value of inventories" is a key audit matter (KAM) highlighted by the independent auditor in the Report on the audit of the financial statements (page 65). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, for the financial year ended 31 March 2021, the group holds inventories of $214,439,000 (2020: $143,335,000) as at the end of the reporting year.

Cortina Holdings Limited

In Note 22 (page 114 – Inventories), it can be seen that inventories increased to $214.4 million from $143.3 million a year ago, of which finished goods carried at net realisable value more than doubled to $63.8 million as at 31 March 2021, from $31.2 million.

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22. INVENTORIES

	Group	
	2021 $'000	2020 $'000
Finished goods		
- at cost	150,625	112,130
- at net realisable value	63,814	31,205
Total finished goods at lower of cost and net realisable value	214,439	143,335

(Source: company annual report)

(i) **How much of the increase in inventories could be attributed to the acquisition of Sincere? Is the group able to improve on its working capital management (especially inventory) given the economies of scale with the Sincere acquisition?**

(ii) **What is the reason that inventories carried at net realisable value more than doubled to $63.8 million as at 31 March 2021?**

(iii) **Can management provide shareholders with a detailed breakdown of the inventory by age, by brand and by geography?**

Further, it is noted in the chairman's message that Thailand is the top performing region, with Singapore, Malaysia and Taiwan having achieved stable results. In Note 4B (page 93 - Financial information by operating segments), it was disclosed that revenue for Singapore and for South East Asia declined by 21% and 9% to $206 million and $175 million respectively over the financial year.

(iv) **What is the revenue generated (or revenue growth) in Thailand? Can management help shareholders understand the reasons for the strength in domestic spending and consumption in Thailand? How sustainable is this?**

(v) **Furthermore, how much of the top line revenue in each of the key markets can be attributed to domestic consumption?**

Q3. At the company's annual general meeting scheduled to be held on 26 August 2021, the company is proposing that shareholders approve directors' fee of $709,406 for the financial year ending 31 March 2022 (2021: S$589,875).

(i) **Can the board/remuneration committee help shareholders understand the reasons for the 20% increase in directors' fees?**

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(ii) **Can the board confirm that executive directors receive directors' fees as well, on top of salaries and bonuses?**

In addition, the non-executive directors, namely Mr Lau Ping Sum Pearce, Mr Chin Sek Peng Michael and Mr Foo See Jin, are seeking two-tier votes by shareholders on their continued appointment as independent directors. The directors were first appointed on 27 June 2002, 13 September 2007 and 15 December 1972 respectively.

Accordingly, the directors have served on the board for more than 19 years, more than 13 years and more than 48 years respectively. Collectively, the three directors have served on the board for nearly 82 years. Mr Foo See Jin, Michael is also one of the founders of the group and has a 4.29% stake in the company (7.11 million shares).

(iii) **How does the board avoid group-think given that the three independent directors have served on the board for nearly 82 years, along with the executive directors who have been on the board for as long as 48 years (executive chairman since 1972)?**

(iv) **What deliberations did the nominating committee have on the progressive renewal of the board? (Principle 4 of the Code of Corporate Governance 2018)**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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