

ANNUAL GENERAL MEETING TO BE HELD ON 3 SEPTEMBER 2020
- RESPONSE TO QUESTIONS FROM SHAREHOLDER

The Board of Directors (“**Board**”) of Cortina Holdings Limited (“**Company**”) refers to the questions raised by shareholders and the Company’s response thereto.

Question 1:

I refer to page 119 of the Annual Report about “Inventories”. Although the Chairman’s Message mentioned about “outstanding performance driven by proactive stock management”, allowance “charged to profit or loss included in cost of sales” has actually increased 11 times from \$298k in 2019 to \$3.418m in 2020. May I ask the Audit Committee what brands did it mainly pertain to? In view of the Covid situation, how is this trend likely to worsen in FY2021?

Company’s response:

There are multiple factors to consider in making allowance for stock obsolescence, some of which are:

- (i) Certain brands/models may not be performing and the Group has difficulty selling under normal sales terms and conditions
- (ii) Certain brands the Group may have ceased to be the official retailer
- (iii) Certain brands could have been affected by significant events, including for example factory close down, change of ownership and accordingly change of distribution arrangements
- (iv) Certain brands could be dropped off by the Group due to strategic reasons
- (v) The age of stock generally have a bearing on the saleability at normal prices, the older the more difficult

The Group has an ongoing process to feedback its operational performance to its strategy and to re-align its business activities for sustainability. In FY2020 the Covid-19 challenge was also part of the reason that crystallised certain decisions by the Group to more decisively terminate some of the lower performance and non-performing brands – hence the bigger than normal provision for obsolescence and write down.

Question 2:

I refer to page 110 of the Annual Report about “Investment Property”. Under footnote (a), it was stated that “Impairment for prior year is a result of change in fair value of the investment property, which renders the recoverable amount lower than its carrying amount. As a result,

an impairment loss of \$281,000 was recognised to profit and loss as other losses in 2019". Similarly, may I ask the Audit Committee is it likely that the Group faces more impairment loss on Investment property/ Property, plant and equipment/ Right-of-use assets in FY2021?

Company's response:

The investment property is measured at cost model where impairment assessment is performed to determine the carrying value is no more than its recoverable amount. The impairment loss of the investment properties in FY2019 was based on a valuation done by a professional valuer (where the Fair value is deemed as an indicator of impairment assessment).

Whether the group faces more impairment loss on Investment property/ Property, plant and equipment/ Right-of-use assets in FY2021 is not determinable at this stage as the Covid-19 situation is still evolving and its impact is uncertain.

Question 3:

I refer to page 113 of the Annual Report about "Investments in subsidiaries". Under footnote (b), it was stated that "In 2019, the increasing performance of subsidiary Cortina Watch Co. Ltd was considered sufficient to reverse the impairment loss." Similarly, may I ask the Audit Committee is it likely Cortina Watch Co. Ltd faces impairment loss again in FY2021?

Company's response:

The reversal of impairment loss for the investment in Cortina Watch Co Ltd at 31 March 2019 was based on the improved performance of the subsidiary for FY2019, together with the improved business outlook going forward.

As at each year end, any subsidiary incurring operating loss will be reviewed for potential impairment, and provisions for impairment will be made as necessary.

Question 4:

I refer to page 101 of the Annual Report about "Geographical Information". How badly has Covid situation affected Cortina, specifically our two biggest geographical segments i.e. Singapore segment & South East Asia segment?

May I ask the Board of Directors what mitigating measures have been implemented? To what degree have these mitigating measures been helpful to the Group's sales so far?

Company's response:

For FY2020, the Covid-19 virus affected only part of the last month of the year and therefore the impact was not significant. As the virus worsened into a pandemic, movement restrictions, be it local or cross-border, have impacted adversely most businesses and industries, and

Cortina is no exception. As the pandemic continues to evolve, it is becoming increasingly difficult to predict the magnitude of the impact on the Group's operations as the tenure and severity of the virus is still uncertain. In the meanwhile, on top of the standard measures of social distancing and standard precautions, the Group persists with a dual team rotation to reduce the risk of a total paralysis of operations when one member is affected by the virus. The more extensive use of social media and the internet assured us to stay connected with our customers.

The Group will continue to monitor the impact of the virus outbreak as part of its risk management activities.

Question 5:

I refer to page 118 of the Annual Report about "Other Assets, Non-current". It is noted that the Group has "deposits to secure services" amounting to \$6.347m in 2020. What services were these deposits mainly for?

Company's response:

Non-current other assets relate mainly to deposits to parties providing services, including landlords, utility companies and any other service providers.

Question 6A:

I refer to page 57 of the Annual Report about "Remuneration of Directors and the CEO". In 2020, the following 4 Directors have increase in remunerations as shown in the table below:

Name	Remuneration band in FY2019		Remuneration band in FY2020		Increased by
Lim Keen Ban	\$3,000,000	to	\$3,750,000	to	\$0.75million
	\$3,250,000		\$4,000,000		
Lim Jit Ming Raymond	\$2,000,000	to	\$2,500,000	to	\$0.50million
	\$2,500,000		\$2,750,000		
Yu Chuen Tek	\$1,750,000	to	\$2,250,000	to	\$0.50million
	\$2,000,000		\$2,500,000		
Lim Jit Yaw Jeremy	\$1,000,000	to	\$1,250,000	to	\$0.25million
	\$1,250,000		\$1,500,000		

Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase for each of these 4 Directors? How much is attributable to each of these remuneration factor(s)?

Company's response:

Apart from displaying the remuneration bands of each of these directors, Page 57 also provided a breakdown of the remuneration components by percentage. You may have

noticed that the most significant and variable component was Bonus, and this had varied with the financial performance of the Group. For FY2020, the Group improved over FY2019 by 35% both on a profit before-tax and after-tax basis resulting in higher bonus payable to the executive directors.

Question 6B:

Furthermore, I refer to page 58 of the Annual Report about “Remuneration of Key Management Personnel”. In 2020, the total remuneration of the key management personnel has increased by 19.1% from S\$2,490,250 in 2019 to S\$2,968,305 in 2020. Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase? How much is attributable to each of these remuneration factor(s)?

Company’s response:

Remuneration of all senior appointments is based on a fixed plus variable scheme. Please note that while the Group’s financial performance increased 35%, the increase in the remuneration of the key management personnel in FY2020 was only 19%.

Page 58 showed the list of people included in this category, with respective breakdown into remuneration components by percentage.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary

2 September 2020