



Cortina watch

CORTINA HOLDINGS LIMITED (Company Registration No. 197201771W)

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2014

Part 1 - Information required for announcements of quarterly (Q1, Q2 & Q3), half-year and full year results

1(a) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Comprehensive Income

	GROUP			GROUP		
	2014 S\$'000	2013 S\$'000	Increase/ (Decrease) %	2014 S\$'000	2013 S\$'000	Increase/ (Decrease) %
Revenue	97,728	107,267	(8.90)	281,991	300,928	(6.30)
<u>Other items of income</u>						
Interest income	8	3	>100.00	18	8	>100.00
Other credits	993	124	>100.00	2,175	2,356	(7.67)
<u>Other items of expenses</u>						
Change in inventories of finished goods	4,937	2,105	>100.00	17,838	5,040	>100.00
Purchase of goods and consumables	(81,617)	(86,288)	(5.42)	(240,258)	(241,419)	(0.48)
Employee benefit expenses	(4,941)	(5,519)	(10.48)	(15,194)	(15,562)	(2.37)
Rental expenses	(5,987)	(5,510)	8.66	(17,222)	(17,332)	(0.64)
Depreciation expense	(1,002)	(1,007)	(0.50)	(2,806)	(3,137)	(10.56)
Other expenses	(4,979)	(3,884)	28.19	(12,928)	(10,965)	17.91
Other charges	(857)	(186)	>100.00	(413)	(1,277)	(67.66)
Finance costs	(744)	(757)	(1.72)	(2,160)	(2,212)	(2.35)
Share of (loss)/profit from equity-accounted associates	(18)	8	N.M.	(79)	(12)	>100.00
Profit before tax from continuing activities	3,521	6,356	(44.61)	10,965	16,416	(33.21)
Income tax expense	(558)	(1,074)	(48.05)	(1,807)	(2,774)	(34.86)
Profit from continuing activities, net of tax	2,963	5,282	(43.91)	9,158	13,642	(32.87)
Profit attributable to :						
Owners of the parent, net of tax	2,791	4,607	(39.42)	8,497	13,140	(35.34)
Non-controlling interests, net of tax	172	675	(74.52)	661	502	31.68
Profit net of tax	2,963	5,282	(43.92)	9,158	13,642	(32.87)
<u>Statement of Comprehensive Income</u>						
Profit from continuing activities	2,963	5,282	(43.92)	9,158	13,642	(32.87)
Other Comprehensive Income:						
Exchange difference on translating foreign operations, net of tax	485	(82)	N.M.	894	(688)	N.M.
Total comprehensive income for the period	3,448	5,200	(33.70)	10,052	12,954	(22.40)
Total comprehensive income attributable to :						
Owners of the parent	3,359	4,595	(26.90)	9,423	12,724	(25.95)
Non-controlling interests	89	605	(85.29)	629	230	>100
	3,448	5,200	(33.72)	10,052	12,954	(22.40)

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Profit before tax after (charging) / crediting the following :

	3 months ended 31 Dec			9 months ended 31 Dec		
	2014 S\$'000	2013 S\$'000	Increase/ (Decrease) %	2014 S\$'000	2013 S\$'000	Increase/ (Decrease) %
Interest expenses	(744)	(757)	(1.72)	(2,160)	(2,212)	(2.35)
Depreciation of property, plant and equipment and investment properties	(1,002)	(1,007)	(0.50)	(2,806)	(3,137)	(10.56)
Net foreign exchange adjustment gains/(losses)	(796)	(183)	>100	(351)	(1,054)	(66.70)
Gains on disposal of plant and equipment	69	-	N.M.	156	(194)	N.M.
Plant and equipment written off	(58)	-	N.M.	(58)	-	-
Inventories written off	(1)	(3)	(66.67)	(4)	(29)	(86.21)
Bad debts recovered	-	-	-	-	4	(100.00)
Allowance for inventories	(820)	(293)	>100.00	(1,745)	(554)	>100.00
Gains on disposal of investment properties	923	-	N.M.	2,019	2,156	(6.36)

Note : N.M. - not meaningful

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1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	As At 31.12.2014 S\$'000	As At 31.03.2014 S\$'000	As At 31.12.2014 S\$'000	As At 31.03.2014 S\$'000
ASSETS				
Current Assets				
Cash and bank balances	16,963	14,499	762	115
Trade and other receivables	22,146	13,587	8,725	8,625
Inventories	234,525	216,687	-	-
Other assets, current	4,876	2,218	6	12
Assets held for sale under FRS105	9,474	20,125	9,474	20,125
Total current assets	287,984	267,116	18,967	28,877
Non-Current Assets				
Investments in associates	2,469	2,548	1,000	1,000
Investments in subsidiaries	-	-	24,928	22,633
Investment property	218	222	218	222
Property, plant and equipment	10,940	11,529	-	-
Deferred tax assets	1,030	1,035	-	-
Other assets, non-current	5,851	4,656	-	-
Trade and other receivables, non-current	-	-	12,787	12,635
Total non-current assets	20,508	19,990	38,933	36,490
Total Assets	308,492	287,106	57,900	65,367
LIABILITIES				
Current Liabilities				
Trade and other payables	27,137	23,524	2,650	3,749
Income tax payables	887	2,531	25	283
Other liabilities, current	2,151	2,295	-	-
Other financial liabilities, current	116,574	99,562	5,000	5,000
Total current liabilities	146,749	127,912	7,675	9,032
Non-Current Liabilities				
Other financial liabilities, non-current	8,185	10,719	6,250	10,000
Provisions, non-current	941	943	-	-
Deferred tax liabilities	12	12	-	-
Total non-current liabilities	9,138	11,674	6,250	10,000
Total Liabilities	155,887	139,586	13,925	19,032
Net Assets	152,605	147,520	43,975	46,335
EQUITY				
Equity attributable to owners of parent				
Share capital	35,481	35,481	35,481	35,481
Other reserves	(4,792)	(5,718)	-	-
Retained earnings	114,026	110,738	8,494	10,854
Total equity, attributable to owners of the parent	144,715	140,501	43,975	46,335
Non-controlling interests	7,890	7,019	-	-
Total Equity	152,605	147,520	43,975	46,335

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1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31.12.2014		As at 31.03.2014	
Secured	Unsecured	Secured	Unsecured
279,717	116,294,426	524,930	99,037,120

Amount repayable after one year

As at 31.12.2014		As at 31.03.2014	
Secured	Unsecured	Secured	Unsecured
729,453	7,456,000	718,922	10,000,000

Details of any collateral

The finance lease liabilities are secured as the rights to the property, plant and equipment of the Group revert to the lessor in the event of default by the Group. Bank loans of S\$NIL (31 March 2014 : S\$280,000) are secured by mortgage over the Group's freehold properties.

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1(c)(i) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			
	3 months ended		9 months ended	
	31.12.2014 S\$'000	31.12.2013 S\$'000	31.12.2014 S\$'000	31.12.2013 S\$'000
Cash flows from operating activities				
Profit before tax	3,521	6,356	10,965	16,416
Adjustments for :				
Depreciation expense	1,002	1,007	2,806	3,137
Plant and equipment written off	58	-	58	194
Interest income	(8)	(3)	(18)	(8)
Interest expense	744	757	2,160	2,212
Gains on disposal of plant and equipment	(69)	(124)	(156)	(200)
Gains on disposal of assets held for sale under FRS105	(923)	-	(2,019)	(2,156)
Share of losses from equity-accounted associates	18	(8)	79	12
Provisions, non-current	-	(118)	-	(191)
Net effect of exchange rate changes in consolidating foreign operations	917	8	1,300	(526)
Operating cash flows before changes in working capital	5,260	7,875	15,175	18,890
Trade and other receivables	(2,600)	(1,519)	(8,985)	(8,185)
Inventories	(4,936)	(2,105)	(17,838)	(5,041)
Other assets	(814)	(465)	(3,853)	(743)
Trade and other payables	4,923	1,697	4,066	562
Other liabilities	787	(212)	(144)	(82)
Net cash flows from/(used in) operations	2,620	5,271	(11,579)	5,401
Income tax paid	(1,276)	(1,349)	(3,709)	(3,540)
Net cash flows from/(used in) operating activities	1,344	3,922	(15,288)	1,861
Cash flows from investing activities				
Purchase of plant and equipment	(1,036)	(419)	(2,088)	(3,416)
Interest received	8	3	18	8
Proceeds from disposal of assets held for sale under FRS 105	6,143	-	12,671	3,480
Proceeds from disposal of plant and equipment	236	119	459	212
Net cash flows from/(used in) investing activities	5,351	(297)	11,060	284
Cash flows from financing activities				
Acquisition of Non-Controlling Interests without Change in Control	-	-	(575)	-
Additional investment in a subsidiary by a Non-Controlling Interest	-	-	575	-
Increase from new borrowings	-	-	584	-
Increase in other financial liabilities	(358)	(986)	13,894	12,053
Finance leases repayments	(217)	(233)	(462)	(728)
Interest paid	(744)	(757)	(2,160)	(2,212)
Dividends paid	-	-	(4,967)	(4,967)
Net cash flows (used in)/from financing activities	(1,319)	(1,976)	6,889	4,146
Net increase in cash and cash equivalents	5,376	1,649	2,661	6,291
Cash and cash equivalents, beginning balance	11,641	12,209	14,405	7,565
Effects of foreign exchange rate adjustment	(88)	(42)	(137)	(40)
Cash and cash equivalents, ending balance (Note A)	16,929	13,816	16,929	13,816

Note A:

Cash and bank balances	16,963	13,961
Bank overdrafts	(34)	(145)
Cash and cash equivalents for statement of cash flow purposes at end of the period	<u>16,929</u>	<u>13,816</u>

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UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2014

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalising issues and distributions to shareholders, together with a comparative statement for the correspond period of the immediately preceding financial year

	Total equity					Non-controlling interests S\$'000
	S\$'000	Sub-total S\$'000	Share capital S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	
The Group						
Balance at 1 April 2014	147,520	140,501	35,481	(5,718)	110,738	7,019
<u>Movements in equity:</u>						
Total comprehensive income for the period	10,052	9,423	-	926	8,497	629
Acquisition of Non-Controlling Interests without a Change in Control - Note (a)	(575)	(242)	-	-	(242)	(333)
Subscription of share capital in a subsidiary - Note (b)	575	-	-	-	-	575
Dividends paid	(4,967)	(4,967)	-	-	(4,967)	-
Balance at 31 December 2014	152,605	144,715	35,481	(4,792)	114,026	7,890
Balance at 1 April 2013	134,507	127,600	35,481	(5,218)	97,337	6,907
<u>Movements in equity:</u>						
Total comprehensive income for the period	12,954	12,724	-	(416)	13,140	230
Dividends paid	(4,967)	(4,967)	-	-	(4,967)	-
Balance at 31 December 2013	142,494	135,357	35,481	(5,634)	105,510	7,137

The Company

Balance at 1 April 2014

Movements in equity:

Total comprehensive income for the period

Dividends paid

Balance at 31 December 2014

Balance at 1 April 2013

Movements in equity:

Total comprehensive income for the period

Dividends paid

Balance at 31 December 2013

Total S\$'000	Share capital S\$'000	Retained earnings S\$'000
46,335	35,481	10,854
2,607	-	2,607
(4,967)	-	(4,967)
43,975	35,481	8,494
36,324	35,481	843
14,683	-	14,683
(4,967)	-	(4,967)
46,040	35,481	10,559

Note (a): On 16 June 2014, the Company acquired 15% of the paid-up and issued capital of a subsidiary in Taiwan, Cortina Watch Co., Ltd for a total consideration of \$575,000 from the Non-Controlling Interests. Following this acquisition, the Company now holds 75% equity interest in Cortina Watch Co., Ltd.

According to FRS27, an acquisition of further equity interests from Non-Controlling Interests without losing control, is accounted for as equity transaction. Therefore, any difference between the amount by which the non-controlling interests is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the owners of the parent. As a result, \$242,000 is debited to retained earnings at group level as at 30 June 2014.

Note (b): In July 2014, the Company subscribed to 75% of the new share capital of a subsidiary in Taiwan. The Non-Controlling interests subscribed to 25% of the new share capital issued amounting to S\$575,000.

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1(d)(ii) Details of any changes in the company's share capital arising from the right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There have been no change in the issued and paid up share capital of the Company since 31 March 2014.

The Company does not have outstanding convertibles or treasury shares as at 31 December 2014 and 31 December 2013.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	Number of Ordinary Shares	S\$
Balance as at 31 December 2014 and 31 March 2014 (excluding treasury shares)	165,578,415	35,481,180

The Company does not have treasury shares as at 31 December 2014 and 31 March 2014.

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period, which are consistent with those described in the Audited Financial Statements for the year ended 31 March 2014, except for the adoption of the new and revised Financial Reporting Standards, including its consequential amendment and interpretations ("FRS") which became effective for financial years beginning on or after 1 April 2014.

The adoption of the new and revised FRS does not have any material impact to the financial statements for the Group and Company for the nine months period ended 31 December 2014.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group		Group	
	3 months ended	9 months ended	3 months ended	9 months ended
Earning per ordinary share (cents)	31.12.2014	31.12.2013	31.12.2014	31.12.2013
- Based on weighted average number of ordinary shares in issue	1.7	2.8	5.1	7.9
- On fully diluted basis (detailing and adjustments made to the earnings)	1.7	2.8	5.1	7.9

Weighted average number of ordinary shares in issue

165,578,415	165,578,415	165,578,415	165,578,415
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Diluted earnings per share is the same as basic earnings per share as the Company has not issued any options and / or warrants

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7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :- (a) current financial period reported on, and (b) immediately preceding financial year

Net asset value per ordinary share based on the total number of issued shares - group (cents)

Net asset value per ordinary share based on the total number of issued shares - company (cents)

31.12.2014	31.03.2014
87.4	84.9
26.6	28.0

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

The Group reported a profit net of tax of S\$3.0 million in the current quarter, as compared with S\$5.3 million for the corresponding quarter. For the 9 months, the Group's profit net of tax was S\$9.2 million, compared to the S\$13.6 million in the last year period. The lower profit net of tax for the 9 months was mainly due to decrease in revenue. Excluding the gains on disposal of investment properties, the Group made a profit net of tax of S\$7.1 million compared with S\$11.5 million for the period last year, representing a reduction of 38.3%.

The Group recorded a revenue of S\$97.8 million for the 3 months ended 31 December 2014, a decrease of 8.9% compared to the corresponding period last year. This reduction was mainly due to China's anti-extravagance campaigns that have impacted the global market for luxury goods. The Group's revenue for the 9 months ended 31 December reduced by 6.3% to S\$282.0 million, compared with S\$300.9 million in the period last year. Gross profit margin for the current quarter was 21.5%, with no change from the last corresponding period.

Other credits for the quarter comprised mainly gains from the disposal of investment properties of S\$0.9 million and plant and equipment of S\$69,000.

Operating expenses, comprising staff costs, rental expenses, depreciation and other expenses increased by 6.3% or S\$1.0 million to S\$16.9 million in 3QFY2015. Rental expense was higher by \$0.5 million due to the increase in rental and the opening of more outlets in Kuala Lumpur in 2014. Other expenses increased by S\$1.1 million mainly due to higher marketing expenses. Total expenses for the 9 months were S\$48.2 million compared to S\$47.0 million for the period last year, an increase of 2.6%.

Other charges comprised mainly exchange losses of S\$796,000, arising largely from the depreciation of the Malaysian Ringgit against the Singapore Dollar.

Finance costs were at similar levels for the current and last corresponding quarter, as well as for the current and last corresponding 9 months.

The Group's equity of S\$152.6 million was higher than last year end's S\$147.5 million. Cash and cash equivalents were at S\$17.0 million, represented mainly by short term cash balances. Inventory was S\$17.8 million higher than previous financial year due to the expansion of outlets in Bangkok and Kuala Lumpur and the replenishment of inventories. Trade and other receivables increased by S\$8.5 million, largely due to further accrual of trade rebates receivable. Short term financial liabilities increased by S\$17.0 million mainly to finance the increase of inventories and other working capital due to expansion.

9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The global luxury markets are facing great challenges as tourists arrival and spending in the region remain subdued. Fluctuations in currency exchange rates, notably the Swiss Franc and the Malaysian Ringgit, would have impact on the Group's operating results. Despite all these, the Group remains committed to its expansion plans and will manage its risks based on the Group's strategy.

The Group will be opening a 5,500 square feet boutique in Marina Square, Singapore. The existing Patek Philippe boutique at ION and the Paragon boutique will expand their retail space in 2015.

Barring unforeseen circumstances, the Group will remain profitable.

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11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on.

No dividend has been declared or recommended.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year.

No dividend was declared or recommended.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared / recommended, a statement to that effect

No interim dividend has been declared or recommended for period ended 31 December 2014.

13. If the Company has obtained a general mandate from shareholders for interested party transactions ("IPT mandate"),

The Company does not have an IPT mandate.

14. Negative Assurance Confirmation on interim financial results pursuant to Rule 705 (5) of the Listing manual

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the nine months ended 31 December 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

Lim Keen Ban

Chairman & CEO

Yu Chuen Tek

Senior Executive Director

BY ORDER OF THE BOARD

Lim Keen Ban
Chairman & CEO
11 February 2015