NEWS RELEASE

COURTS ASIA REPORTS S$29,000 PROFIT BEFORE TAX FOR Q2 FY18/19, RECOVERS FROM TWO CONSECUTIVE QUARTERS OF LOSS BEFORE TAX

- ***Singapore business sustains strong performance, grows PBT to S$3.4m from S$3.0m year on year***
- ***Transformation work results in recovery of Malaysia business, achieves PBT after two consecutive quarters of losses***
- ***Indonesia's impairment cost increases by S$2.2m year on year, continues to keep close watch and take mitigating actions to reduce bad debt costs***

Singapore, 9 November 2018 – Mainboard-listed COURTS Asia Limited ("COURTS Asia" and together with its subsidiaries, "the Group") (阁室亚洲有限公司), one of Southeast Asia's leading electrical, IT and furniture retailers, today reported a 6.4% year-on-year ("y-o-y") dip in revenue to S$165.1 million for the second quarter ended 30 September 2018 ("Q2 FY18/19"). This is mainly attributable to the decline in Singapore as well as Malaysia's topline performance. Singapore's revenue decline is due to lower earned service charge income and corporate sales whilst Malaysia revenue came under pressure after the introduction of the Consumer Protection (Credit Sale) Regulations 2017 ("CPAA") which saw consumer interest rates capped at 15 per cent per annum from January 2018. However, ongoing transformation work with a persistent focus on cost and productivity efficiencies in Malaysia reaped results, with Malaysia's Profit Before Tax ("PBT") crossing into positive terrain after two consecutive quarters of loss, resulting in the Group achieving PBT of S$29,000 for Q2 FY18/19.

COURTS Asia's Executive Director and Group Chief Executive Officer, Dr Terence Donald O'Connor (泰利, 欧康纳), said, "We are encouraged by the early signs of stabilisation in the Malaysia business which resulted in a positive profit before tax after two consecutive quarters of loss before tax. We have closed 10 underperforming stores since the start of our financial year in April and continue to review our store network performance. Impairment loss on trade receivables charged to the P&L (Profit

& Loss Statement) has also been on a declining trend from the fourth quarter ended 31 March 2018. We recognise it is critical to maintain the momentum and have invested towards increasing management strength to ensure all parts of our strategic focus across the Group are not compromised even as we turn around Malaysia."

The Group recently announced the appointment of Mr Dominic Wong as Group Chief Operating Officer (COO) with effect from 15 October 2018. In the immediate term, Dominic will be prioritising his time to lead the strategic and operational transformation of the Malaysia business. He brings over 20 years of retail experience to COURTS, having previously helmed A.S. Watson Group as Managing Director as well as Watsons Singapore as Country Head and General Manager. His predecessor, Mr Stan Kim, will focus on the regional Chief Innovation Officer (CIO) portfolio and work across COURTS' markets of operation to accelerate the Group's digitalisation efforts and e-commerce capabilities regionally, whilst continuing to oversee critical workstreams of the Group's transformation.

In the coming months, the transformation work in Malaysia will focus on enhancing backend support systems. The Group is in advanced stages of finalising a new third-party logistics provider contract which is expected to increase productivity and deliver cost savings. The Group has consolidated credit sanctioning in the North into the Central region and is in the midst of consolidating the East Coast credit sanctioning hub into the Central region as well.

Continued Dr O'Connor, "The Singapore business delivered a strong performance. Despite a y-o-y revenue dip of 4.8%, it achieved PBT of S$3.4 million, up from S$3.0 million last year. Executing on its store transformation roadmap following from its flagship Tampines Megastore and online store relaunch last year, Singapore renovated its Ang Mo Kio store in October 2018, bringing COURTS' next-generation store experience to central Singapore. The store, beyond boasting a completely revamped exterior and interior, brings a transformed customer experience focused on curated range, value and experience for savvy, omni-channel shoppers."

The Ang Mo Kio transformation revitalises a 25-year-old heartland store with an open, welcome design concept, reducing crowded displays in favour of in-store experience and theatre. With major brands Apple, Huawei and Samsung unveiling full brand concepts, interactive cooking demonstration areas, a new GURU counter offering in-house maintenance, repair and warranty services, revamped Design Studio offering interior design solutions from a three-room HDB apartment showflat, seamless ‘Click and Collect’ and cashless payment options, the store brings the best in class COURTS has to offer right to the heart of one of Singapore’s oldest neighbourhoods.

During the quarter, the Indonesia business was impacted by an increase of S$2.2 million in impairment allowance on trade receivables. The Group is keeping a close watch and has already taken mitigating actions to reduce bad debt costs and strengthen its risk management framework.

Shared Dr O’Connor, “We have put measures in place to tighten the credit sanctioning process. These include imposing advance instalment deposits and centralising credit sanctioning for greater oversight. Work is ongoing with a fintech vendor to develop a digitalised scorecard which will include facial recognition capabilities.”

Whilst PBT was S$29,000, the Group reported a Loss after Tax position (“LAT”) of S$3.1 million for Q2 FY18/19, up from a LAT of S$2.2 million in Q1 FY18/19. The reasons for the loss were mainly due to net deferred income tax credits from Indonesia and Malaysia losses not being recognised in Q2 FY18/19. The Group’s Q2 FY18/19 PBT performance was mainly attributed to the improvement of impairment allowance of trade receivables, cost savings resulting from Malaysia’s transformation initiatives, offset by a one-time borrowing-related cost of S$1.3 million incurred on the early redemption of the S$75 million bond and the decline in dollar contribution from gross profits as we move away from Hari Raya peak in Q1 FY18/19. This resulted in PBT landing at S$29,000 compared to a LBT of S$0.5 million in Q1 FY18/19.

“The retail sector continues to face challenges, but the Group remains steadfast on our priorities in each market and will grow, reinvent or change our business model as the occasion calls for,” Dr O’Connor concluded.

Review of Performance

Revenue was S$165.1 million in Q2 FY18/19, a decrease of 6.4% from S$176.4 million in Q2 FY17/18. Compared to Q1 FY18/19, revenue was down by 8.2% in Q2 FY18/19.

Revenue from Singapore, which contributed to 72.4% of the Group’s revenue, decreased by 4.8% y-o-y mainly due to lower earned service charge income and corporate sales. Revenue from Malaysia, which made up 23.7% of the Group’s revenue, reported a 16.0% drecrease in RM currency as compared to Q2 FY17/18. The y-o-y revenue dip in Malaysia was mainly due to lower earned service charge income. Revenue in Indonesia increased by 5.3% in Rupiah currency y-o-y, mainly due to higher merchandise sales offset with lower earned service charge income.

Gross profit for Q2 FY18/19 decreased by S$6.8 million as a result of lower gross profit margins and revenue compared to Q2 FY17/18. Gross profit margins decreased to 32.5% in Q2 FY18/19 from 34.2% in Q2 FY17/18 mainly due to lower earned service charge income across the Group.

Distribution and marketing expenses decreased by S$1.9 million in Q2 FY18/19 to S$11.5 million from S$13.4 million in Q2 FY17/18, mainly due to lower distribution and marketing expenses in Malaysia. As a percentage of revenue, distribution and marketing expenses decreased to 7.0% in Q2 FY18/19 from 7.6% in Q2 FY17/18.

In Q2 FY18/19, administrative expenses decreased by S$2.1 million to S$38.6 million from S$40.7 million in Q2 FY17/18. The decrease was mainly attributed to lower allowance for impairment of trade receivables in Singapore and Malaysia but offset by higher allowance of the same nature in Indonesia. In addition, Malaysia benefited from the ongoing cost optimisation initiatives which resulted in lower branch costs, offset by higher credit collection costs in Malaysia.

Finance expenses increased by S$0.3 million y-o-y to S$5.3 million in Q2 FY18/19, mainly due to a one-time borrowing cost incurred on the early redemption of the S$75 million bond, but which was offset by lower interest expenses across the Group.

Consequently, COURTS Asia registered a net loss of S$3.1 million in Q2 FY18/19, as compared to a net profit of S$1.5 million in the corresponding quarter last year. The Group reported a net loss of S$2.2 million in Q1 FY18/19.

Balance Sheet

COURTS Asia's trade and other receivables decreased by S$63.1 million to S$405.9 million as at 30 September 2018 from S$469.0 million as at 31 March 2018 mainly due to an increase in allowance for impairment of trade receivables as a result of the adoption of SFRS(I) 9, repayment of receivables and lower credit sales in Q2 FY18/19. Allowance for impairment of trade receivables as at 30 September 2018 was S$65.5 million, representing 12.3% of gross trade receivables, as compared with S$67.6 million as at 1 April 2018 representing 11.7% of gross trade receivables.

COURTS Asia's cash and bank balances decreased by S$42.3 million to S$66.3 million as at 30 September 2018 from S$108.6 million as at 31 March 2018. This was mainly due to the repayment of borrowings.

Outlook

Commenting on the Group's outlook, Dr O'Connor added, "The transformation remains a large-scale effort that will require time to manifest, particularly in Malaysia where we expect to see results in the medium to long term. That said, we are encouraged by early indicators of turnaround and continue to invest for the long term, building on the strong omni-channel and solutions leadership base in Singapore and translating that into value across the business."

"We continue to stay confident in the business' long-term prospects. We remain focused on delivering value for our stakeholders, as we prioritise business sustainability with a view to long-term growth."

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About COURTS Asia Limited (Bloomberg Stock Code: COURTS SP)

COURTS Asia Limited, the holding company for COURTS (Singapore) Pte Ltd, COURTS (Malaysia) Sdn Bhd and PT COURTS Retail Indonesia, has been listed on the Mainboard of the Singapore Exchange since October 2012.

With its roots as a furniture retailer from the UK, the COURTS brand was established in Singapore and Malaysia in 1974 and 1987 respectively, and it entered Indonesia in 2014. Today, COURTS is a leading retailer in Southeast Asia and has expanded its range to include electrical, IT and furniture products, introducing various store concepts such as Market Hall, Design Studio and GURU by COURTS. Constantly innovating to improve the shopping experience, the retailer continuously refreshes its stores to optimise the format, layout and merchandise mix.

In line with COURTS' mission to 'make aspirational home products easily affordable', the retailer abides by the COURTS Price Promise and is committed to offering competitive prices across its product range. In addition, COURTS Flexi-Scheme, its in-house credit, is available as one of the payment options.

Currently, COURTS operates around 80 stores across three markets, spanning over 1.4 million sq. ft. of retail space. This includes the first Megastore pioneered in Singapore in 2006 as part of the Economic Development Board's 'Warehouse Retail Scheme' to convert industrial land for commercial use.

In Indonesia, COURTS opened its first Megastore in Kota Harapan Indah, Bekasi in October 2014, and its second Megastore in BSD City, Tangerang in January 2016.

For more information, please visit www.courts.com.sg.

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