SECOND CHANCE PROPERTIES LTD

NEWS RELEASE

27 October 2014

Unaudited Results for the Full Year ended 31 August 2014

The Board of Directors of Second Chance Properties Ltd is pleased to announce the unaudited results of the Group for the full year ended 31 August 2014.

Highlights

- **Full Year Net Profit of S$16.52 million**
- **Dividend Guidance for FY 2015**
- **22 Q& A's**

Full-Year Profit

The Group net profit after tax for financial year ended 31 August 2014 is $16.52 million as compared to $57.13 million for the financial year ended 31 August 2013. In FY 2013, the net profit was higher on account of record gain of $42.95 million on fair valuation of properties as compared to $0.30 million in FY 2014.

Dividend Guidance

The dividend for FY 2014 is a tax exempt (one tier) 3.5 cents per ordinary share of which 2.0 cents was paid earlier as interim dividends and the remaining 1.5 cents to be paid out in January 2015 after obtaining shareholders' approval at the upcoming AGM on 30 December 2014.

In line with the Group's commitment of distributing high dividends, the directors intend, barring any unforeseen circumstances, to distribute a tax exempt (one tier) dividend of not less than 3.55 cents per ordinary share for FY 2015.

22 Q&A's

Since 2011, the 22 Q & A's have become a permanent feature in our Annual Report. This year we are replacing 3 questions with new ones to reflect changes that have taken place. Following are the 3 new Q & A's.

Q. The Company's dividend payout in some years exceeds the net profits for the respective years. Is this a prudent practice?

A. Dividends are distributed out of a company's profits for the year and if necessary, retained earnings, and the amount is recommended by the Board after considering the cash outflow, growth strategy for future, etc.

Some shareholders are concerned when a company's dividend payout is more than the net profits. The rationale for the concern being, when dividends exceed net profits, past retained earnings are being utilized. While it may be a genuine case for concern for shareholders of companies which distribute high dividends without the proper financial strength to support it, when there is a healthy balance sheet, good operating cash flows and low gearing, these concerns are unwarranted as is the case with our Company.

Let's take a look at the following example of Company A & B.
Both made a net operating profit of $10 million in their 1st year and $5 million in their 2nd year. Company A paid out dividends of $9 million for Year 1 and $4 million for Year 2, thus leaving $2 million as retained earnings. Company B paid out $5 million for Year 1 and $6 million for Year 2 leaving $4 million as retained earnings.

Somehow, some shareholders will consider Company A to be doing the right thing but will look negatively at Company B in Year 2 for paying out more than it earns. The fact is that on the whole Company B's payout ratio is less than Company A's and its retained earnings is higher.

Like Company B, our Company manages its dividend distribution so as to give consistent dividends in good and bad years. We also manage the payout by using scrip dividends in certain years.

Q. What is the rationale for issuing warrants at regular intervals?

A. The Company's share price languished well below book value for several years since our IPO in 1997. One of the main reasons that could be attributed to this dismal situation was our small float which led to low liquidity.

The smaller the float, the more volatile a stock can become as it is harder to match buyers and sellers. For this reason, many investors tend to avoid stocks with small floats.

To overcome this situation, we decided to issue warrants which will help to increase the float when they are exercised. Warrants also tend to attract punters and speculators and in turn help the Company shares to be more exposed. The proceeds from warrants can also be utilized prudently by the Company for making strategic investments, reducing bank borrowings, meeting general working capital requirements, etc.

We have issued bonus warrants thrice in the last nine years and intend to continue doing so. We find that Shareholders are favourable to this form of capital raising as it gives them flexibility and time as compared to say, a Rights Issue.

Q. First Lady's expansion in Malaysia seems to have stagnated. Is the business on the decline?

A. First Lady is facing strong headwinds from hundreds of new boutiques sprouting throughout the country. The barrier to entry in this segment is low, especially now with numerous government schemes helping small Bumiputra businesses and easier access to suppliers compared to a few years ago. We are now consolidating our operations and have closed 8 marginal stores in the past 18 months. Moving forward, we have come up with a new strategy to increase revenue and profits despite the intense competition. This new strategy will be focused around operating fewer but much larger stores and to regain our competitive advantage through stronger branding, wider selections and lower prices. This is akin to the Malay market's H&M.

To put things in perspective, the floor space of our present stores range between 1,000 sqft to 5,000 sqft. The new "mega" stores will have a retail space of 10,000 sqft to 40,000 sqft over a number of floors.

Our first Mega First Lady is expected to open in May 2015 at our company-owned building in Jalan Tuanku Abdul Rahman, Kuala Lumpur.

First Lady has also recognised the importance of having a strong online presence. Prior to the last Ramadhan period, we have completely rebuilt our website with quality media to better showcase our products and to enhance our branding. Complementing the new website, we have also dressed up our existing Facebook page and launched a successful online advertising campaign during that period.

Following the brand's positive online growth as well as the encouraging sales of our products through a popular third-party e-commerce platform, First Lady is currently assessing the feasibility of operating our own online store in time to come.

Apart from retail activities, we also intend to build up and dominate the wholesale business of ready to wear Islamic clothing and accessories.

The above plans should help us to continue our growth in revenue and profitability.

Please do not hesitate to contact our CEO Mr Mohamed Salleh at 67456911 or at mohdsalleh@secondchance.com.sg if you require any information or clarification.