



## NEWS RELEASE

### COURTS ASIA DELIVERS NET PROFIT OF S\$5.1 MILLION ON SALES OF S\$194.1 MILLION FOR Q1 FY14/15

- *Malaysia business reports 8.2% increase in sales with contribution from new store sales*
- *Singapore sales declined by 5.9% in line with softer consumer sentiment*
- *Gross profit margin up 2.1 percentage points on higher service charge income and shift in sales mix*
- *First 'Big-Box' Megastore on track to open in Bekasi, Indonesia by September 2014 as Group explores other geographical possibilities*

**Singapore, August 13, 2014** – 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 sales of S\$194.1 million for the first quarter ended June 30, 2014 (“Q1 FY14/15”), representing a marginal dip of 1.5% from the previous year’s quarter. Net profit declined 27.9% to S\$5.1 million, with impact mainly from higher distribution and marketing as well as administrative expenses, as the Group expands its footprint and operations in the region. This was cushioned by higher other income and a lower income tax expense.

Sales in Malaysia rose 8.2% in Q1 FY14/15, contributing approximately 33.7% to the Group’s sales. The new stores opened by the Group in the second half of FY13/14 contributed to the growth.

Sales from Singapore, which made up approximately 66.3% of the Group’s sales for Q1 FY14/15, were down by 5.9% on the back of reduced participation in tradeshow days to focus on margin improvement initiatives. There was also some impact from slower bulk sales of digital products during the quarter.

Courts Asia's Executive Director and Group Chief Executive Officer, Mr. Terence Donald O'Connor (泰利, 欧康纳), said, "Given the challenging retail market, we expect Singapore's performance to remain lacklustre in the short term. Apart from cost efficiency initiatives, we have been actively working on margin enhancing initiatives. At the same time, we are making good progress in transforming ourselves into a full-fledged omni-channel retailer to increase the touch-points with our customers and enhance the consumers' shopping experience.

"In Malaysia, whilst we have seen some topline contribution from new stores, we have observed that the consumption pattern for the period leading up to Hari Raya was fairly muted. The tighter control on household borrowings by the Malaysian government has negatively impacted consumer sentiments. At the same time, we experienced some teething issues in the migration to Navision, a new ERP system, which had some impact on business."

Gross profit rose by 5.4% to S\$63.5 million in Q1 FY14/15, whilst gross profit margin improved 2.1 percentage points on higher service charge income from Malaysia, and a shift in sales mix towards electrical and furniture categories that carry a higher margin. In addition, other income and other gains increased by 15.6% to S\$1.2 million in Q1 FY14/15, mainly due to higher bank interest received. Income tax fell by 64.7% to S\$0.7 million resulting from the recognition of deferred tax assets on Indonesia's pre-operating losses during the period.

In line with Courts' business expansion, distribution and marketing expenses rose 17.5% to S\$17.8 million in Q1 FY14/15, driven by an increase in advertising expenditure following a more aggressive marketing campaign. Administrative expenses too increased 12.3% in Q1 FY14/15 to S\$35.8 million on higher rental and depreciation charges arising from the opening of new stores in Singapore and Malaysia; as well as higher impairment allowance on trade receivables arising from a higher credit portfolio.

Consequently, the Group registered a 27.9% decline in net profit to S\$5.1 million in Q1 FY14/15, from S\$7.0 million in Q1 FY13/14.

As at June 30, 2014, the Group maintained a strong balance sheet with cash and bank balances totalling S\$101.2 million.

Mr O'Connor added, "We are well on track with our expansion into our third major market – Indonesia – with our first 'Big-Box' Megastore slated to open in Bekasi, Jakarta by September this year. We remain firmly focused for three stores to be operational in greater Jakarta by calendar year 2015.

"At the same time, we remain open to opportunities in the region and are keen to engage in collaborations to broaden our income streams. In the mid to long term, we continue to remain optimistic on Asia's solid fundamentals, built on rising middle class and growing disposable income."

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### **About Courts Asia Limited (Bloomberg Stock Code: COURTS SP)**

Courts Asia, 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.

Today, Courts Asia is a leading retailer in Southeast Asia and the Group has expanded its range to include electrical, IT and furniture products. In line with Courts Asia's mission to 'make aspirational home products easily affordable', the Group 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.

Innovative sub-brands that have been launched include Courts Connect, Solutions Bar, Sleep Clinic and Dr Digital. The Group also recently launched eCourts, its online store which carries over 10,000 SKUs.

Currently, Courts Asia operates more than 70 stores across both markets, spanning over 1 million sq. ft. of retail space. These include the first 'Big-Box' Megastore that was pioneered in Singapore in 2006 as part of the Economic Development Board's 'Warehouse Retail Scheme' to convert industrial land for commercial use. The Group's first 'Big-Box' Megastore in Malaysia was officially opened in Klang Valley on 20 July, 2013.

Courts Asia will be expanding into Indonesia, with the first Megastore operational by 2014.

For more information, please visit [www.courts.com.sg](http://www.courts.com.sg).

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