

NEWS RELEASE

COURTS ASIA DELIVERS PRETAX PROFIT OF S\$38.0 MILLION ON HIGHER SALES OF S\$830.3 MILLION FOR FY13/14

- *Malaysia business reports 5.1% increase in sales; measures implemented to recover credit sales continue to yield results*
- *Singapore revenue up by 4.4% in spite of soft consumer sentiment*
- *First 'Big-Box' Megastore to open in Bekasi, Indonesia by Q2 FY14/15 and exploring other geographical possibilities*
- *Proposes final dividend of 0.76 cent per share, bringing total dividends declared to 1.52 cents per share;*

Singapore, May 29, 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 a 4.6% increase in revenue to S\$830.3 million for the full year ended March 31, 2014 (“FY13/14”). Pretax profit, however, slid 26% to S\$38.0 million due to lower other income and gains, and higher administrative and finance expenses as the Group expands its footprint and operations in the region.

Revenue in Malaysia rose 5.1% in FY13/14, contributing approximately 31.7% to Group sales. The Group’s effort in reaching out to its best credit customers as well as new customers continued to yield results, whilst new stores opened by the Group during the current financial year also contributed to the growth. This is evident from the 18.7% jump in revenue in Ringgit term in the fourth quarter ended March 31, 2014 (“4QFY13/14”) compared to the last corresponding period (“4QFY12/13”). The Group’s earned service charge income increased to S\$35.8 million in 4QFY13/14 from S\$32.7 million in 4QFY12/13.

Revenue from Singapore, which made up approximately 68.3% of the Group's sales for FY13/14, was up by 4.4% on the back of higher sales of electrical and digital products for the year. For 4QFY13/14, revenue grew 7.7% due to higher bulk sales of digital products, as well as contribution from 2 new stores at JEM and Westgate.

Courts Asia's Executive Director and Group Chief Executive Officer, Mr. Terence Donald O'Connor (泰利, 欧康纳), said, "The economic restructuring in Singapore and Malaysia had an impact on consumers and businesses. In spite of the challenging operating environment in Singapore and Malaysia, we delivered a better topline in both markets."

On the back of higher sales, gross profit for the year was up marginally by 2.4% to S\$256.2 million, from S\$250.3 million over the corresponding period last year. Gross profit margin, however, declined marginally from 31.5% in FY12/13 to 30.9% in FY13/14. This was mainly due to a shift in the Group's sales mix towards electrical and digital products that carry a lower margin, partially offset by higher service charge income in Malaysia.

He continued, "Several factors contributed to a decline in net profit this year. We incurred approximately S\$2.0 million as a result of migrating to Navision, a new ERP system. Pretax and net profit were also negatively impacted by approximately S\$800,000 transition cost due to a change in our third-party logistics service provider and approximately another S\$900,000 of pre-operating expenses in Indonesia. Whilst these have resulted in higher expenses, these initiatives will bring cost-savings, productivity and improved customer service benefits, which will put us in a stronger position in the new financial year."

In addition, other income and other gains decreased by 34.1% to S\$4.3 million in FY13/14, mainly due to a write back of impairment on overdue debtors in Malaysia and Singapore in FY12/13. In comparison, there was no such write back in FY13/14.

Distribution and marketing expenses rose 2.9% to S\$63.7 million largely due to the impact of migration of our third party logistics service provider. However, as a percentage of sales, it had decreased marginally from 7.8% in FY12/13 to 7.7% in FY13/14 due to advertising cost savings through better price negotiations in Malaysia.

Administrative expenses rose 8.2% to S\$136.4 million resulting from higher impairment allowances on trade receivables due to a higher credit portfolio; an increase in rental and depreciation costs with opening of new stores in both Singapore and Malaysia; as well as pre-opening costs incurred in Indonesia.

Finance expenses also rose 28.1% to S\$22.4 million in FY13/14 with higher interest on borrowings arising from the S\$125 million fixed rate notes, partially offset by lower interest expense from the Asset Securitisation Loan resulting from loan repayment in Singapore.

Consequently, the Group registered a decline in pretax profit to S\$38.0 million, and net profit correspondingly slid by 31.6% to S\$28.3 million in FY13/14.

The Group is proposing a one-tier tax-exempt final dividend of 0.76 cents per share. Together with the interim dividend of 0.76 cents per share, total dividend for FY13/14 amounted to 1.52 cents per share, representing a payout ratio of approximately 30.0%.

As at March 31, 2014, the Group maintained a strong balance sheet with cash and bank balances totalling S\$115.0 million.

Mr. O'Connor concluded, "Despite the difficult environment in the near term, we are more sanguine in the medium term given the positive developments we see on the horizon. We expect to see a pick-up in demand in Singapore as more new HDB flats are completed in the next two years. Our second Megastore in Malaysia opened in Subang Jaya in January 2014, and should contribute more meaningfully this year. Our efforts to improve customer relationship management would allow us to further grow our credit sales in Malaysia while managing our credit risks.

"We are also pleased to note that our flagship Megastore in Indonesia – which will also be our largest outlet to date – will be opening by September 2014 and we plan to have three stores operational during 2015. Indonesia is a huge market with tremendous opportunities, and we are excited to introduce our retail concept to the country.

"Overall, we remain optimistic on the long-term fundamentals for Asia, with its rising middle class and growing disposable income. We will continue to build on the foundation of our existing business while exploring other opportunities in the region."

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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.

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