



NEWS RELEASE

COURTS ASIA REGISTERS SALES OF S\$372.7 MILLION AND NET PROFIT OF S\$6.8 MILLION FOR H1 FY14/15

- *Rigorous operation review and cost optimisation remain on track;*
- *Q2 FY14/15's gross profit margin increased 4.2 percentage points to 32.7% on Group's focus on higher margin product mix;*
- *First 'Big-Box' Megastore in Bekasi, Indonesia officially opened on October 18, 2014 to an estimated footfall of 28,000 consumers over opening weekend;*
- *On track to establish second and third store in Indonesia while continuing to carefully assess opportunities to add long-term value.*

Singapore, November 12, 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\$372.7 million for the first half ended September 30, 2014 (“H1 FY14/15”).

Total H1 FY14/15 sales experienced a 11.3% dip compared to S\$420.0 million in the previous corresponding half-year ended September 30, 2013 (“H1 FY13/14”) mainly due to lower bulk sales from digital products as part of the Group's strategy to focus on improving margins. Net profit was S\$6.8 million in H1 FY14/15 compared to S\$14.2 million in H1 FY13/14.

Courts Asia’s Executive Director, Group Chief Executive Officer and CEO of Courts Singapore, Mr Terence Donald O’Connor (泰利, 欧康纳), said, “In response to the current weak business climate, we undertook a thorough review of our management structure as well as operating costs in order to right-size our cost structure.

“With effect from September this year, our senior management team has either taken on additional or new responsibilities so that we have a leaner cost structure whilst ensuring adequate focus on longer-term business priorities.

“We also took a deeper look at how we can increase productivity and efficiency. To this end, we have reduced our workforce by 10% across the Group, re-defined existing roles to make them more meaningful and reviewed current processes. Whilst this quarter’s results have been impacted by one-time expenses resulting from the cost-review exercise, we believe this puts us on a stronger footing going forward.

“The cost of operating an in-house customer service call centre has increased through the years. By outsourcing our Singapore and Malaysia operations’ call centres, we will be able to reap the benefits of cost-efficiencies.”

The reduction of the Group’s workforce took effect in August 2014 and Courts Asia will fully complete the outsourcing of its call centre operations on November 14, 2014. Overall, the rigorous cost review, which includes other initiatives, remains on track.

Mr O’Connor added, “Despite the measures that we have undertaken, we will continue to invest in growth, which includes new market penetration and the building up of our multi-channel capabilities which is already showing good progress with a 64% year-on-year growth for online store for H1 FY14/15.”

Review of Q2 FY14/15’s Performance

For the second quarter ended September 30, 2014 (“Q2 FY14/15”), the Group recorded sales of S\$178.6 million compared to S\$222.9 million in the previous corresponding period (“Q2 FY13/14”).

Sales in Singapore represented 68% of the Group's total sales in Q2 FY14/15. Overall Singapore sales were lower by 22.9% during the quarter compared to Q2 FY13/14 due to the lower level of bulk sales. On a like-for-like basis excluding bulk sales, a 3.9% decline was registered.

Sales in Malaysia which contributed 32% to Courts Asia's total sales decreased by 12.6% in Q2 FY14/15 as it was impacted by muted consumer sentiment during the Hari Raya festive period and the reduction in fuel subsidy by the Malaysian government.

Gross profit margin increased to 32.7% in Q2 FY14/15, up 4.2 percentage points from 28.5% in Q2 FY13/14 mainly as a result of a shift of product mix from lower margin items towards those of higher profit margin categories of furniture and electrical items. Gross profit however, declined 7.9% to S\$58.5 million due to the reduction in bulk sales which carries a lower profit margin.

Distribution and marketing expenses declined 12.7% to S\$13.9 million compared to S\$16.0 million in Q2 FY13/14 as a result of lower warehousing and distribution costs, in line with the lower sales registered.

In line with the Group's expansion, administrative expenses for Q2 FY14/15 amounted to S\$37.3 million, a 9.8% increase from S\$34.0 million compared to Q2 FY13/14. The increase was mainly due to an increase in pre-opening expenses from Indonesia, a higher impairment allowance on trade receivables arising from a higher credit portfolio and one-off expenses incurred on downsizing the Group's workforce.

Consequently, the Group recorded a lower net profit of S\$1.7 million for Q2 FY14/15.

As at September 30, 2014, the Group continued to maintain a robust balance sheet with cash and bank balances of S\$101.1 million.

No interim dividend will be declared for H1 FY14/15. The proposed dividend at 40% of the Group's net profit after tax for FY14/15 will remain and the Board will recommend payout as final dividend, subject to shareholders' approval.

Outlook

Commenting on the Group's outlook, Mr O'Connor added, "Our flagship 'Big-Box' Megastore officially opened its doors in Bekasi, Indonesia on October 18 to a resounding success, with an estimated footfall of 28,000 consumers that weekend. We are encouraged by this warm reception in our third market and are on track to establish our second and third store in Indonesia by calendar year 2015.

"In terms of store expansion in Malaysia, while the Group has planned for six additional stores to be opened by the end of the financial year, the pace for our store openings in the next financial year will be slowed down. We will take a cautious approach in our store expansion strategy and carefully assess opportunities that will add long-term value for shareholders.

"Our continued drive towards greater cost efficiency will enable us to better position Courts Asia as we embark prudently on our regional expansion strategy. In the mid to long-term, we remain optimistic on Asia's growth prospects, premised on a 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, and recently entered Indonesia in 2014.

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, Sofa Maker, Sleep Clinic and Dr Digital. In 2012, the Group re-launched eCourts, its online store which carries over 15,000 SKUs.

Currently, Courts Asia operates more than 70 stores across both markets, spanning over 1.5 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, and it recently expanded into Indonesia by opening a 'Big-Box' Megastore in Bekasi on 18 October 2014.

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

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