NEWS RELEASE

COURTS ASIA REPORTS STEADY REVENUE OF S$713.1 MILLION FOR FY17/18

- ***Remains profitable in FY17/18 notwithstanding a net loss position for Q4 FY17/18***
- ***Group continues to drive leadership in category solutions selling and invest in an omni-channel approach in Singapore***
- ***Malaysia to focus on driving productivity for existing store network and optimise store footprint to navigate challenging market conditions***
- ***Indonesia reports improving EBIT YoY; puts temporary halt on store expansion to focus on managing credit collections cost***

Singapore, 30 May 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 steady revenue of S$713.1 million for the full year ended 31 March 2018 ("FY17/18"), a slight dip of 3.7% from S$740.5 million in the same corresponding period ("FY16/17"). The Group achieved profitability at S$8.1 million for FY17/18 compared to S$23.7 million for FY16/17, and incurred a net loss after tax of S$3.0 million for Q4 FY17/18 compared to S$4.0 million profit after tax for Q4 FY16/17. The profitability drop is mainly attributable to Malaysia's business performance.

COURTS Asia's Executive Director and Group Chief Executive Officer ("CEO"), Dr Terence Donald O'Connor (泰利, 欧康纳), said, "Singapore delivered a strong set of performance for FY17/18, with EBIT remaining strong at S$25.2 million despite a highly saturated and competitive market.

However, we faced headwinds in Malaysia, arising from the introduction of the Consumer Protection (Credit Sale) Regulations 2017. Interest rates were capped at 15% per annum along with new compliance processes which led to a revenue drop. In addition, faced with a more challenging collections environment in Malaysia, the impairment allowance for trade receivables increased by S$9.7 million over the previous year. The fall in revenue, coupled with an increased credit cost and a more prudent credit sanctioning approach in Malaysia, affected our Group's profitability."

"Our Group's cash position remains healthy, with strong net cash generated from operating activities. We will continue to drive profitability and differentiate retailing through our omni-channel strategy, whilst keeping a tight lid on cost management, to steer through the near-term."

In Singapore, the Group continues to drive leadership in category solutions-selling and enhance its omni-channel strategy for an improved online as well as an immersive in-store experience. Commented Dr O'Connor, "To navigate well in a competitive retail environment, we will continue to expand our solutions leadership in five key areas to deliver a better user experience through an expansion of category solutions-selling, driving omni-channel with urgency, making off-line stores experience centres, centering furniture around home needs and continuing to leverage our unique selling proposition in credit."

As part of the Group's move towards offering furniture for modern home, COURTS Asia recently refreshed its furniture range leading up to the Hari Raya festive season. To further enhance its end-to-end home shopping experience, the Group has launched GURU by COURTS, a one-stop solutions provider offering repair, maintenance and warranty services for over 20 home product categories, and expanded its Design Studio by COURTS experience by adding a new interior design partner to provide one-stop home renovation and furnishing solutions. These services are available in its Singapore stores.

More recently, the Group unveiled the new COURTS Smart Home Experiential Hub in April, featuring the newly launched Google Home and Google Home Mini - alongside compatible products in a home setting. This experiential concept area is located at the Group's flagship COURTS Megastore at Tampines.

The current online platform for Singapore offers a refreshed intuitive interface and the option to click and collect in store is being enhanced to further improve the customer experience. The webstore is the largest in the Group's store network to date, offering over 17,000 SKUs. Singapore will lead the Group's omni-channel efforts, with best-practice implementation rolled out across Malaysia and Indonesia over time.

Commenting on Malaysia's business performance, Dr O'Connor added, "We have been and continue to review our business operations given the tough market conditions. With the Consumer Protection (Credit Sale) Regulations 2017 coming into operation on 1 January 2018, we have formed a dedicated transformation taskforce to look into business processes and operations and execute transformation initiatives, with the objective of driving productivity in Malaysia. During the year, we have closed seven under-performing stores, ending with a current footprint of 63 stores. We will closely review and monitor store performance, closing under-performing stores to achieve an optimal store footprint in Malaysia."

"In addition, we have also taken a more prudent credit sanctioning, and are in the midst of enhancing our credit scorecard. We aim to have that completed by the end of the year. Other key actions that we have taken include enhancing risk-based credit offers, strengthening our collections focus in light of the continued challenges in credit collections as well as leveraging the expertise of a regional credit task-force comprising executives with specialised credit collections and marketing skillsets."

The new Malaysian government has announced the goods and services tax (GST) will be reduced from 6% to 0% from 1 June 2018, and that it will be replaced by the Sales and Services Tax at a later time.

“We welcome pro-consumer initiatives, such as the zero rating of the GST. Whilst we agree that consumer sentiment has lifted with the changes sweeping through Malaysia, it will take some time for it to filter through to discretionary spending. In the meantime, in anticipation of consumers holding back their purchases until 1 June, we have offered a 6% storewide discount at our Malaysian outlets effective 18 May. Work has also commenced to ensure internal processes and communication guidelines are in place by 1 June.”

In Indonesia, COURTS Asia prudently widened its footprint and is now present in 32 locations across the Greater Jakarta Region, including nine stores and 23 pop-up stores.

“For Indonesia, we are seeing an improvement in the business performance, with EBIT improving year-on-year. That said, we continue to focus our efforts on bringing our credit collections costs to our expected levels,and will be temporarily putting on hold our expansion plans for pop-up stores. We continue to leverage our Megastores through our tenants, and positioning them as one-stop shopping destinations.”

Review of Performance for FY17/18

Revenue from Singapore, which accounted for 69.9% of the Group’s top line, increased 1.5% in FY17/18, underscored by improved sales as COURTS Asia continues to focus on driving omni-channel solutions, with the relaunch of its online platform and the re-opening of COURTS Megastore at Tampines in November 2017. Revenue from Malaysia, which contributed to 26.2% of COURTS turnover, slid 15.4% in Malaysian Ringgit on a year-on-year basis in FY17/18, mainly due to lower sales of goods and earned service charge income.

The Group’s Indonesian operations achieved a 13.7% increase in revenue in Rupiah, mainly due to contributions from newly opened stores. Whilst it continues to account for only 3.9% of the Group’s overall revenue, the Group sees a strong year-on-year margin expansion in Indonesia to 40.4% in FY17/18 from 31.4% in FY16/17.

Group gross profit margins dipped marginally to 35.9% in FY17/18, from 36.3% in FY16/17, mainly due to lower earned service charge in Singapore and Malaysia, offset by higher earned service charge in Indonesia.

Distribution and marketing expenses remained relatively stable at S$56.5 million in FY17/18, at 7.9% of revenue. Administrative expenses increased by S$7.1 million to S$172.5 million in FY17/18, which was largely attributable to higher allowance for impairment of trade receivables, offset by lower branch occupancy costs in Singapore and Malaysia. Finance expenses remained stable at S$20.8 million in FY17/18 mainly due to lower interest expenses in Indonesia offset by higher borrowing costs in Malaysia.

Consequently, COURTS Asia registered a 66.1% slide in net profit, from S$23.7 million in FY16/17 to S$8.1 million for FY17/18, with a net loss of S$3.0 million for Q4 FY17/18.

Balance Sheet

The Group's trade and other receivables decreased by S$18.0 million to S$469.0 million as at 31 March 2018, from S$487.0 million as at 31 March 2017, mainly attributable to repayment of receivables and lower credit sales in FY17/18.

As at 31 March 2018, the Group's cash position remains healthy, with strong net cash generated from its operating activities, increasing to S$108.6 million from S$98.7 million as at 31 March 2017. This increase is mainly as a result of strong operating cash flows and offset by the repayment of borrowings as well as the payment for additions to fixed assets, dividends and interest expenses.

Outlook

Commenting on the retail outlook and COURTS Asia's strategy ahead, Dr O'Connor said, "Every market presents unique opportunities and challenges. We remain invested in the longer-term outlook and will continue to focus on optimising costs, refreshing our in-store experience and enhancing our omni-channel customer experience."

In light of the uptick in Singapore's economy and positive sentiment in the residential market, COURTS Asia is encouraged by the country's outlook for the rest of the year, and expects potential demand for furniture and household appliances over the medium-term.

COURTS Asia is taking a cautiously optimistic stand on Malaysia's outlook. The new regulatory environment has undoubtedly presented immiment challenges in Malaysia that has significant impact on the Group's performance in the near-term. The Group will continue to work on the business transformation to ensure long-term sustainability.

In Indonesia, the Group remains committed to the Indonesian market and will focus on managing its credit collections costs before resuming its store network expansion strategy in the country.

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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 recently 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 more than 85 stores across three markets, spanning over 1.5 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. COURTS' first Megastore in Malaysia was officially opened in Sri Damansara in July 2013, and the second in Subang Jaya in January 2014.

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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