COURTS ASIA LIMITED
UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 30 JUNE 2018
FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

1(a)(i) Statement of total comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group Q1 FY18/19 S$'000	Q1 FY17/18 S$'000	% Change
Revenue	179,817	186,589	(3.6)
Cost of sales	(118,768)	(115,223)	(3.1)
Gross profit	**61,049**	**71,366**	**(14.5)**
Other income and other gains/(losses) - net	1,414	1,131	25.0
Expenses			
- Distribution and marketing	(14,493)	(16,233)	10.7
- Administrative	(43,741)	(43,859)	0.3
- Finance	(4,743)	(5,129)	7.5
(Loss)/Profit before income tax	**(514)**	**7,276**	**(107.1)**
Income tax expense	(1,692)	(1,226)	(38.0)
Net (loss)/profit	**(2,206)**	**6,050**	**(136.5)**

	Group Q1 FY18/19 S$'000	Q1 FY17/18 S$'000	% Change
Net (loss)/profit	**(2,206)**	**6,050**	**(136.5)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	(519)	1,992	(126.1)
Fair value gain on hedging reserve	643	285	125.6
Total comprehensive (loss)/income	**(2,082)**	**8,327**	**(125.0)**

1(a)(ii) Breakdown and explanatory notes to the statement of total comprehensive income:-

	Group	
	Q1 FY18/19 S$'000	Q1 FY17/18 S$'000
Profit before income tax was arrived at after charging/(crediting):		
Depreciation and amortisation of property, plant and equipment and intangible assets	2,572	2,927
Amortisation of deferred income	(433)	(583)
Impairment allowance on trade receivables	10,347	7,469
Other income and other (gains)/losses - net		
- Interest income	(361)	(393)
- Loss on disposal of property, plant and equipment and intangible assets (net)	14	77
- Tracing and referencing income	(498)	(371)
- Rental income	(558)	(387)
- Change in fair value of derivative financial instruments	59	50
- Others	(70)	(107)
	(1,414)	**(1,131)**
Finance costs		
- Interest expense on borrowings	3,986	4,330
- Interest expense on finance lease liabilities	-	1
- Borrowing costs	675	843
- Foreign exchange losses/(gains) - net	82	(45)
	4,743	**5,129**
Gross profit as a percentage of revenue	**34.0%**	**38.2%**
Net (loss)/profit as a percentage of revenue	**(1.2)%**	**3.2%**
Net (loss)/profit as a percentage of total equity	**(1.1)%**	**2.7%**

1(b)(i) Statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 Jun 18 S$'000	31 Mar 18 S$'000	30 Jun 18 S$'000	31 Mar 18 S$'000
ASSETS				
Current assets				
Cash and bank balances	83,568	108,596	26,074	25,393
Derivative financial instruments	24	30	-	-
Trade and other receivables	173,467	186,938	2,323	2,510
Deferred costs	7,704	7,883	-	-
Inventories	81,722	82,691	-	-
Current income tax recoverable	4,865	3,568	-	-
	351,350	**389,706**	**28,397**	**27,903**
Non-current assets				
Derivative financial instruments	1,668	1,009	-	-
Trade and other receivables	255,243	282,043	4,426	4,433
Deferred costs	13,813	12,360	-	-
Investments in subsidiaries	-	-	287,501	285,094
Property, plant and equipment	16,518	18,037	7	6
Intangible assets	22,658	22,768	20,065	20,065
Deferred income tax assets	30,026	23,122	-	-
	339,926	**359,339**	**311,999**	**309,598**
Total assets	**691,276**	**749,045**	**340,396**	**337,501**
LIABILITIES				
Current liabilities				
Trade and other payables	130,936	144,316	4,429	3,305
Deferred revenue	25,987	26,883	-	-
Current income tax liabilities	1,513	1,637	1,509	1,199
Borrowings	82,530	75,228	75,098	75,228
Deferred income	2,030	2,198	-	-
	242,996	**250,262**	**81,036**	**79,732**
Non-current liabilities				
Trade and other payables	618	588	-	-
Deferred revenue	42,399	40,695	-	-
Borrowings	202,287	223,085	1,237	1,302
Deferred income	1,230	1,371	-	-
Deferred income tax liabilities	2,789	2,842	2,789	2,842
	249,323	**268,581**	**4,026**	**4,144**
Total liabilities	**492,319**	**518,843**	**85,062**	**83,876**
NET ASSETS	**198,957**	**230,202**	**255,334**	**253,625**
EQUITY				
Share capital	265,332	265,332	265,332	265,332
Treasury shares	(19,065)	(19,065)	(19,065)	(19,065)
Other reserves	16,712	(34,692)	(22,755)	(22,876)
Retained (losses)/profits	(64,022)	18,627	31,822	30,234
Total equity	**198,957**	**230,202**	**255,334**	**253,625**

1(b)(ii) Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30.06.18 S$'000		As at 31.03.18 S$'000	
Secured	Unsecured	Secured	Unsecured
464	82,066	446	74,782

Amount repayable after one year

As at 30.06.18 S$'000		As at 31.03.18 S$'000	
Secured	Unsecured	Secured	Unsecured
182,222	20,065	195,666	27,419

Details of any collateral

The Group's borrowings of $284.8 million (31 March 2018: $298.3 million) consist of fixed rate notes and term loans in COURTS Asia Ltd ("CAL"), the Asset Securitisation Programme 2016 in Singapore, the Syndicated Senior Loan in Malaysia, and term loans in Indonesia.

On 23 April 2013, a S$500 million Multicurrency Medium Term Note programme was established. A note issued on 2 May 2013 comprising S$125 million three-year unsecured fixed rate notes was repaid in May 2016. A new note that was initially due in March 2019 was issued on 15 March 2016, comprising S$75 million three-year unsecured fixed rate notes ("the Notes"). On 2 August 2018, CAL successfully redeemed and cancelled all of the Notes.

The Asset Securitisation Programme 2016 (renewed in January 2016) is secured against the trade receivables of COURTS (Singapore) Pte Ltd ("CSPL"). CSPL has also provided a guarantee and indemnity in favour of the Senior Beneficiaries, The Hong Kong and Shanghai Banking Corporation Limited ("HSBC"), DBS Bank Ltd ("DBS") and Oversea-Chinese Banking Corporation ("OCBC"), in respect of amounts payable under the Asset Securitisation Programme 2016. The amount drawn down as at 30 June 2018 was S$54.8 million.

The Syndicated Senior Loan (renewed in February 2018) is secured by a fixed charge over the designated bank accounts of COURTS (Malaysia) Sdn Bhd ("CMSB") and all credit balances in respect thereof, a debenture covering a fixed and floating charge over all the assets of CMSB (both present and future), an assignment over existing and future trade receivables and a corporate guarantee issued by CMSB. The amount drawn down as at 30 June 2018 was RM385 million (S$130.1 million).

The term loans in PT COURTS Retail Indonesia ("PTCRI") comprise a IDR78 billion (S$7.4 million) three-year term loan repayable in May 2019 secured in favour of HSBC and a IDR191.8 billion (S$20.0 million) term loan (refinanced in early January 2017) repayable from January 2020 secured in favour of DBS. Both term loans are secured by corporate guarantees from CAL.

The term loan in CAL is a seven-year term loan from January 2015 with the original amount of US$2.38 million (S$3.2 million) to finance the Key Man Insurance for certain key management personnel. The facility is secured by way of first legal assignment of policies in favour of HSBC.

1(c) Consolidated statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Q1 FY18/19 S$'000	Q1 FY17/18 S$'000
Cash flows from operating activities:		
Net (loss)/profit	(2,206)	6,050
Adjustments for:		
Income tax expense	1,692	1,226
Depreciation and amortisation	2,572	2,927
Amortisation of deferred income	(433)	(583)
Interest expense	3,986	4,331
Interest income	(361)	(393)
Borrowing costs	675	843
Loss on disposal of property, plant and equipment and intangible assets (net)	14	77
Share-based compensation	121	166
Changes in fair value of derivative financial instruments	59	50
Foreign currency translation differences	(5)	136
Operating cash flow before working capital changes	6,114	14,830
Changes in working capital		
- Inventories	863	(6,224)
- Trade and other receivables	2,843	(14,815)
- Deferred costs	(1,296)	(628)
- Trade and other payables	(14,027)	(3,016)
- Deferred revenue	903	2,032
Cash used in operations	(4,600)	(7,821)
Income tax paid (net)	(1,976)	(2,468)
Net cash used in operating activities	**(6,576)**	**(10,289)**
Cash flows from investing activities		
Additions to property, plant and equipment	(811)	(1,390)
Acquisition of intangible assets	(174)	(49)
Interest received	354	390
Net cash used in investing activities	**(631)**	**(1,049)**
Cash flows from financing activities		
Repayment of finance lease liabilities	-	(36)
Repayment of term loan	(113)	(119)
(Repayment of) / proceeds from syndicated senior loan	(13,381)	1,413
Repayment of loan on asset securitisation	(531)	(1,847)
Decrease in fixed deposits pledged as securities for banking facilities	1,186	904
Payment of borrowing cost	(806)	(594)
Interest paid	(2,911)	(3,256)
Net cash used in financing activities	**(16,556)**	**(3,535)**
Net decrease in cash and cash equivalents	**(23,763)**	**(14,873)**
Cash and cash equivalents as at beginning of financial period	**103,617**	**93,817**
Effects of currency translation on cash and bank balances	**(79)**	**72**
Cash and cash equivalents as at end of financial period	**79,775**	**79,016**

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:

	30-Jun-18 S$'000	30-Jun-17 S$'000
Cash and bank balances	47,781	49,102
Fixed deposits	35,787	33,921
	83,568	83,023
Less: Fixed deposits pledged as securities for banking facilities	(3,793)	(4,007)
Cash and cash equivalents per consolidated statement of cash flows	**79,775**	**79,016**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

Attributable to equity holders of the Group

	Share capital	Treasury Shares	Share option reserve	Currency translation reserve	Capital reserve	Hedging reserve	Retained profits/ (losses)	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 31 March 2018	**265,332**	**(19,065)**	**1,730**	**(41,656)**	**5,862**	**(628)**	**18,627**	**230,202**
Adoption of SFRS(I) 9	-	-	-	-	-	-	(29,284)	(29,284)
Adoption of SFRS(I) 1	-	-	-	51,159	-	-	(51,159)	-
Balance at 1 April 2018	**265,332**	**(19,065)**	**1,730**	**9,503**	**5,862**	**(628)**	**(61,816)**	**200,918**
Share-based compensation	-	-	121	-	-	-	-	121
Total comprehensive (loss)/income for the period	-	-	-	(519)	-	643	(2,206)	(2,082)
Balance at 30 June 2018	**265,332**	**(19,065)**	**1,851**	**8,984**	**5,862**	**15**	**(64,022)**	**198,957**

Attributable to equity holders of the Group

	Share capital	Treasury Shares	Share option reserve	Currency translation reserve	Capital reserve	Hedging reserve	Retained profits	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 April 2017	**265,332**	**(19,669)**	**1,539**	**(51,159)**	**5,896**	**(626)**	**17,217**	**218,530**
Share-based compensation	-	-	166	-	-	-	-	166
Total comprehensive income for the period	-	-	-	1,992	-	285	6,050	8,327
Balance at 30 June 2017	**265,332**	**(19,669)**	**1,705**	**(49,167)**	**5,896**	**(341)**	**23,267**	**227,023**

Company

Attributable to equity holders of the Company

	Share capital	Treasury Shares	Share option reserve	Capital reserve	Retained profits	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 April 2018	**265,332**	**(19,065)**	**1,730**	**(24,606)**	**30,234**	**253,625**
Share-based compensation	-	-	121	-	-	121
Total comprehensive income for the period	-	-	-	-	1,588	1,588
Balance at 30 June 2018	**265,332**	**(19,065)**	**1,851**	**(24,606)**	**31,822**	**255,334**
Balance at 1 April 2017	**265,332**	**(19,669)**	**1,539**	**(24,572)**	**31,187**	**253,817**
Share-based compensation	-	-	166	-	-	166
Total comprehensive income for the period	-	-	-	-	1,325	1,325
Balance at 30 June 2017	**265,332**	**(19,669)**	**1,705**	**(24,572)**	**32,512**	**255,308**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There are no changes in the Company’s share capital since the end of the previous reported period. The Company does not have any outstanding convertibles and has no subsidiary holdings as at 30 June 2018 and 30 June 2017.

<u>Treasury shares</u>

During the period, the Company did not conduct any share buy-backs or release any treasury shares. As at 30 June 2018, there are 44,855,021 shares (30 June 2017: 46,277,112) held as treasury shares. The total number of issued shares (excluding treasury shares) is 515,144,979 (30 June 2017: 513,722,888). The treasury shares held represent 8.7% (30 June 2017: 9.0%) of the total number of issued shares (excluding treasury shares).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding year.

	30 Jun 2018	31 Mar 2018
Total number of issued shares excluding treasury shares	515,144,979	515,144,979

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

	Q1 FY18/19
Number of treasury shares reissued pursuant to the Performance Share Plan and Director Fees	-

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Group’s auditors.

3. Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the accounting policies adopted and methods of computation applied are consistent with those used in the recently audited financial statements of the Group for the financial year ended 31 March 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Singapore Accounting Standards Council has issued a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), referred to as Singapore Financial Reporting Standards (International) ("SFRS(I)").

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 April 2018 and is required to apply all of the specific transition requirements in SFRS(I) *1 First-time Adoption of SFRS(I)*. The Group has also concurrently applied the new SFRS(I) 9 *Financial Instruments*.

The Group has not early adopted any other mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning on or after 1 April 2018. These include SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019). The Group is assessing the impact of the relevant new or revised accounting standards and interpretations.

(a) Application of SFRS(I) 1

The Group is required to retrospectively apply all SFRS(I)s effective at the end of the first SFRS(I) reporting period (i.e. 31 March 2019), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The Group has elected relevant optional exemptions and the exemptions resulting in significant adjustments to the Group's financial statements prepared under FRS are as follows:

- Cumulative translation differences
  The Group has elected to set the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 April 2017. As a result, other reserves and retained profits as at 1 April 2017 and 31 March 2018 will be increased/reduced by $51,159,000 respectively.

(b) Adoption of SFRS(I) 9

The Group has elected to apply the short-term exemption under SFRS(I) 1 to adopt SFRS(I) 9 on 1 April 2018. Accordingly, requirements of FRS 39 *Financial Instruments: Recognition and Measurement and its related interpretations* ("FRS 39") continue to apply to financial instruments up to the financial year ended 31 March 2018.

In general, SFRS(I) 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. SFRS(I) 9 replaces FRS 39.

The Group's financial assets which mainly comprise trade receivables classified as loans and receivables and measured at amortised cost meet the conditions for classification at amortised cost under SFRS(I) 9. Accordingly, the adoption of SFRS(I) 9 did not have any impact on the classification of its financial assets.

Under SFRS(I) 9, there were no changes to the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in OCI for liabilities designated at fair value through profit or loss. There is no impact on the Group's accounting for financial liabilities as the Group does not have any financial liabilities held at fair value through profit or loss.

SFRS(I) 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one the management actually uses for risk management purposes. The Group's current hedge relationships qualify as continuing hedges upon the adoption of SFRS(I) 9, and accordingly, there is no significant impact on the accounting for its hedging relationships.

The Group has adopted a new expected credit losses impairment model under SFRS(I) 9 which replaces the incurred loss impairment model under FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, deferred costs under SFRS(I) 15 *Revenue from Contracts with Customers* ("SFRS(I) 15"), lease receivables, loan commitments and certain financial guarantee contracts.

The expected credit losses impairment model under SFRS(I) 9 comprises a 'three-stage' model (general model) for impairment based on changes in credit quality since initial recognition of the financial asset.

- **Stage 1** includes financial assets that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month expected credit losses ("ECL") are recognised.

- **Stage 2** includes financial assets that have had a significant increase in credit risk since initial recognition. Under SFRS(I) 9, there is a rebuttable presumption that significant increase in credit risk typically occurs when payments are more than 30 days past due. In addition to days past due, the Group also considers other indicators to assess if a financial asset may have had a significant increase in credit risk, such as the number of times the financial asset had past due payments over a specified period before the reporting date. Such financial assets are assessed to have had a significant increase in credit risk, even if the payments are less than 30 days past due as at the reporting date. For financial assets classified under Stage 2, lifetime ECL are recognised.

- **Stage 3** includes financial assets that are considered credit-impaired at the reporting date. Under SFRS(I) 9, there is a rebuttable presumption that financial assets are credit-impaired when payments are more than 90 days past due. In addition to days past due, the Group also considers other indicators to assess if a financial asset may be credit-impaired, such as significant financial difficulties of the debtor and whether the debtor is in bankruptcy. Such financial assets are assessed to be credit-impaired, even if the payments are less than 90 days past due as at the reporting date. For financial assets classified under Stage 3, lifetime ECL are recognised.

The Group did not rebutt the rebuttable presumptions in SFRS(I) 9 on identifying financial assets with significant increase in credit risk or are credit-impaired.

The 12-month and lifetime ECL (the "ECLs") are a factor of estimated expected credit loss rates and the exposures-at-default of the financial assets.

(i) **Estimated expected credit loss rates** – In estimating the loss rates to be applied, management considers available information relevant to the assessment, including historical loss information, current economic conditions and assessments of future economic conditions. As required by SFRS(I) 9, the estimated loss rates will be adjusted using probability-weighted forward-looking information to arrive at the final expected credit loss rates.

(ii) **Exposure at default** – In estimating the exposures-at-default of the trade receivables at the reporting date, management will take into consideration future expected payments and accrued interest at each reporting period and any undrawn commitments. Appropriate discounting will be applied to take into account the time value of money.

Summary of financial impact

The effects on the Group's opening balances as of 1 April 2018 arising from the adoption of (i) SFRS(I) 9 and (ii) SFRS(I) 1 are as follows:

Balance Sheet	31 March 2018 Under FRS S$'000	Adoption of SFRS(I) 9 S$'000	Adoption of SFRS(I) 1 S$'000	1 April 2018 Under SFRS(I) S$'000
ASSETS				
Current assets				
Cash and bank balances	108,596	-	-	108,596
Derivative financial instruments	30	-	-	30
Trade and other receivables	186,938	(16,661)	-	170,277
Deferred costs	7,883	-	-	7,883
Inventories	82,691	-	-	82,691
Current income tax recoverable	3,568	1,117	-	4,685
	389,706	**(15,544)**	**-**	**374,162**
Non-current assets				
Derivative financial instruments	1,009	-	-	1,009
Trade and other receivables	282,043	(19,921)	-	262,122
Deferred costs	12,360	-	-	12,360
Property, plant and equipment	18,037	-	-	18,037
Intangible assets	22,768	-	-	22,768
Deferred income tax assets	23,122	6,636	-	29,758
	359,339	**(13,285)**	**-**	**346,054**
Total assets	**749,045**	**(28,829)**	**-**	**720,216**
LIABILITIES				
Current liabilities				
Trade and other payables	144,316	-	-	144,316
Deferred revenue	26,883	-	-	26,883
Current income tax liabilities	1,637	(433)	-	1,204
Borrowings	75,228	-	-	75,228
Deferred income	2,198	-	-	2,198
	250,262	**(433)**	**-**	**249,829**
Non-current liabilities				
Trade and other payables	588	-	-	588
Deferred revenue	40,695	-	-	40,695
Borrowings	223,085	888	-	223,973
Deferred income	1,371	-	-	1,371
Deferred income tax liabilities	2,842	-	-	2,842
	268,581	**888**	**-**	**269,469**
Total liabilities	**518,843**	**455**	**-**	**519,298**
NET ASSETS	**230,202**	**(29,284)**	**-**	**200,918**
EQUITY				
Share capital	265,332	-	-	265,332
Treasury shares	(19,065)	-	-	(19,065)
Other reserves	(34,692)	-	51,159	16,467
Retained profits/(losses)	18,627	(29,284)	(51,159)	(61,816)
Total equity	**230,202**	**(29,284)**	**-**	**200,918**
Net asset value per ordinary share (cents)	44.7	(5.7)		39.0

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	Q1 FY18/19	**Q1 FY17/18**
(a) Basic (losses)/earnings per share (cents)	**(0.43)**	**1.18**
(b) Fully diluted (losses)/earnings per share (cents)	**(0.42)**	**1.16**

Explanatory notes

Basic earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders by the weighted average number of ordinary shares (excluding treasury shares) which, during the three months ended 30 June 2018 and the same period last year, were 515,144,979 and 513,722,888 respectively.

Diluted earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders by the weighted average number of ordinary shares (excluding treasury shares and adjusting for the dilutive effect of performance shares) which, during the three months ended 30 June 2018 and the same period last year, were 524,142,279 and 522,238,988 respectively.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30 Jun 18	**31 Mar 18**	**30 Jun 18**	**31 Mar 18**
Net asset value per ordinary share (cents)	38.6	44.7	49.6	49.2

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Group Income Statement – Period Ended 30 June 2018

Revenue

The Group's revenue of $179.8 million for Q1 FY18/19 was 3.6% or $6.8 million lower than Q1 FY17/18.

Singapore revenue, which contributed 70.1% of the Group's revenue in Q1 FY18/19, reported an increase of 3.9% compared to Q1 FY17/18, mainly due to higher sales of goods from the relaunch of its online platform and the relaunch of COURTS Megastore at Tampines in November 2017.

Malaysia revenue, which contributed to 25.6% of the Group's revenue, reported a 20.6% (in presentation currency) and 24.4% (in RM currency) decrease in Q1 FY18/19 as compared to Q1 FY17/18 mainly due to lower earned service charge income.

Indonesia revenue, which contributed to 4.3% of the Group's revenue, registered a 6.4% (in presentation currency) and 15.8% (in Rupiah currency) increase in Q1 FY18/19 compared to Q1 FY17/18 mainly due to contribution from higher earned service charge income.

Gross profit

Gross profit for Q1 FY18/19 decreased by 14.5% or $10.3 million mainly as a result of lower gross profit margins and lower revenue compared to Q1 FY17/18. Gross profit margins decreased to 34.0% in Q1 FY18/19 from 38.2% in Q1 FY17/18 mainly due to lower earned service charge in Singapore and Malaysia, offset by higher earned service charge in Indonesia.

Other income and other gains/(losses) - net

Other income and other gains/(losses) - net increased to $1.4 million in Q1 FY18/19 from $1.1 million in Q1 FY17/18 mainly due to higher tracing and referencing income and higher rental income.

Distribution and marketing expenses

Distribution and marketing expenses decreased to $14.5 million in Q1 FY18/19 from $16.2 million in Q1 FY17/18 mainly due to lower distribution and marketing expenses in Malaysia. As a percentage of revenue, distribution and marketing expenses decreased to 8.1% in Q1 FY18/19 from 8.7% in Q1 FY17/18.

Administrative expenses

Administrative expenses were relatively stable at $43.7 million in Q1 FY18/19. Cost optimisation initiatives resulted in lower head office and branch occupancy costs in Singapore and Malaysia, but were offset by higher allowance for impairment of trade receivables.

Finance expenses

Finance expenses decreased by $0.4 million to $4.7 million in Q1 FY18/19 from $5.1 million in Q1 FY17/18 mainly due to lower interest expenses in Malaysia and Indonesia.

Income tax expenses

Income tax expenses increased by $0.5 million to $1.7 million in Q1 FY18/19 from $1.2 million in Q1 FY17/18. This was mainly due to the recognition of net income tax credits from Indonesia's loss in Q1 FY17/18. Net income tax credits from Indonesia and Malaysia losses were not recognised in Q1 FY18/19.

Total comprehensive income

Total comprehensive income for Q1 FY18/19 was a loss of $2.1 million as compared to a profit of $8.3 million in Q1 FY17/18. The decrease is mainly due to lower profits and higher translation loss mainly arising from Malaysia's results and the financial position into Singapore dollar (presentation currency) as at 30 June 2018. The Malaysian ringgit has weakened against the Singapore dollar for the period ended 30 June 2018 as compared to a translation gain in the corresponding period of the immediately preceding financial year.

Comparatives

Comparative figures for other income and other gains – net, administrative expenses and finance expenses for Q1 FY17/18 have been reclassified to be consistent with the presentation of audited financial statements of the Group for the year ended 31 March 2018. The reclassifications do not have any material impact on the results of the Group for Q1 FY17/18.

Group Balance Sheet – As at 30 June 2018

Trade and other receivables

The Group's trade and other receivables (current and non-current) decreased by $40.3 million to $428.7 million as at 30 June 2018 from $469.0 million as at 31 March 2018 mainly due to an increase in allowance for impairment of trade receivables as a result of the adoption of SFRS(I) 9 (see Note 5 for detailed explanation), repayment of receivables and lower credit sales in Q1 FY18/19. Allowance for impairment of trade receivables as at 30 June 2018 was $69.8 million (including a one-time adjustment of $36.6 million on adoption of SFRS(I) 9 on 1 April 2018, see Note 5 for details), representing 12.2% of gross trade receivables, as compared with $31.0 million as at 31 March 2018 representing 5.4% of gross trade receivables.

Inventories

The Group's inventories decreased to $81.7 million as at 30 June 2018 from $82.7 million as at 31 March 2018 mainly due to lower inventory levels in Malaysia on the back of a store optimisation exercise, offset by higher inventory levels in Indonesia and Singapore.

Deferred costs

Deferred costs relate to the incremental costs incurred by the Group to obtain or fulfil other services contracts which are capitalised as assets. The balance of deferred costs would be amortised and recognised as expenses on a basis consistent with the revenue recognition of the other services to which the costs relate. Costs which are not incremental to the other services contracts are expensed as incurred.

Total deferred costs increased to $21.5 million as at 30 June 2018 from $20.2 million as at 31 March 2018 due to sales of other services during Q1 FY18/19.

Derivative financial instruments

Derivative financial instruments represent the carrying amount of interest rate cap and currency swaps that the Group has entered into to hedge its exposure to floating interest rate and exchange rate fluctuations on its bank borrowings. The Group has adopted hedge accounting in respect of the currency swaps.

The derivative financial instruments is in a net asset position with fair value gain in Q1 FY18/19 mainly attributed to the strengthening of the Singapore dollar against the Indonesian rupiah during the financial reporting period.

Borrowings

The Group's borrowings decreased to $284.8 million as at 30 June 2018 from $$298.3 million as at 31 March 2018. The total borrowings mainly consist of S$75 million three-year unsecured fixed rate notes and term loans in COURTS Asia Ltd ("CAL"), the Asset Securitisation Programme 2016 in Singapore, Syndicated Senior Loan in Malaysia, and term loans in Indonesia.

Deferred revenue

Deferred revenue relates to unearned revenue on other services contracts for which the other services have yet to be rendered. The balance of deferred revenue would be recognised as revenue as the related services are rendered.

Total deferred revenue increased to $68.4 million as at 31 March 2018 from $67.6 million as at 31 March 2018 due to sales of other services during the Q1 FY18/19.

Deferred income tax assets / liabilities – net

The increase in net deferred income tax assets as at 30 June 2018 was mainly due to the tax impact with the increase in allowance for impairment of trade receivables on the adoption of SFRS(I) 9 (see note 5 for detailed explanation).

Cash and bank balances

Cash and bank balances decreased by $25.0 million to $83.6 million as at 30 June 2018 from $108.6 million as at 31 March 2018. The decrease is mainly due to the repayment of borrowings and cash flow used in operating activities.

Other reserves

Other reserves increased by $51.4 million to $16.7 million as at 30 June 2018 from negative $34.7 million as at 31 March 2018. The increase is mainly due to a reclassification of translation reserves to retained profits amounting to $51.2 million on adoption of SFRS(I) 1 (see Note 5 for detailed explanation) and an increase of fair value of derivatives through other comprehensive income.

Retained profits

The Group's retained profits decreased by $82.6 million to negative $64.0 million as at 30 June 2018 from $18.6 million as at 31 March 2018. The decrease is mainly due to the one-time impact on adoption of SFRS(I) 9 and SFRS(I) 1 amounting to $29.3 million and $51.2 million respectively (see Note 5 for detailed explanation) as well as losses from the current reporting period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Statements / plans outlined previously (as per note 10 of Q4 FY17/18 announcement) have been completed or are on track as planned.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Singapore's Ministry of Trade and Industry has announced that the country's GDP growth for 2018 is expected to be "2.5 to 3.5 per cent", up from the previous forecast of "1.3 to 3.5 per cent". This takes into account the strong performance of the Singapore economy in the first quarter, which saw a 4.4 per cent year-on-year growth[1]. While the retail sales index reflected a marginal 0.1 per cent increase in May 2018 compared to May 2017, the furniture and household equipment category showed the highest growth at 9.1 per cent, due to increased shopping leading up to Hari Raya[2]. However, looking ahead, analysts anticipate that the latest round of property cooling measures including an increase in additional buyer's stamp duty is likely to slow private home sales[3]. Additionally the government also announced a reduction in the number of Build-To-Order HDB flats released in 2018, from 17,000 to 16,000[4]. Notwithstanding, the overall outlook in Singapore remains encouraging and COURTS Asia will continue to execute upon its omni-channel strategy and store transformation for strategic and sustainable growth in the long term.

Malaysia's GDP is expected to grow between 5.5 to 6 per cent in 2018, according to the country's central bank[5]. The Malaysia Retailers Association (MRA) forecasts retail sales to be 5.3 per cent for 2018, an improvement from the 4.7 per cent growth in its March survey, boosted temporarily by Hari Raya spending and the zero rating of Goods and Sales Tax in June[6]. The reintroduction of Sales and Services Tax in September 2018 will see lower prices of goods in general, but may result in a potential spike in the prices of some items[7], and this extends to merchandise carried by COURTS Malaysia. Coupled with the interest rate cap at 15 per cent per annum resulting from the Consumer Protection (Credit Sale) Regulations 2017 implementation, the Group continues to focus on transforming its business with urgency. To date in FY18/19, it has closed an additional five more stores, bringing the total store count to 58. The Malaysia business will continue to face pressure in the short term and the results of the transformation work will only be reaped in the medium to long term.

Indonesia's economy continues to expand, growing at 5.27 per cent in the second quarter (April to June 2018), its fastest pace since 2013[8]. While the central bank of Indonesia's Retail Sales Survey noted an 8.3 per cent year-on-year growth in retail sales for May 2018, the growth was not driven by sales of furniture and household equipment, which saw a 1.9 per cent year-on-year decline[9]. Whilst remaining committed to the Indonesian market, COURTS Asia has slowed down its store expansion to focus on managing credit cost.

While the macroeconomic environment in the region is expected to remain subdued in the short term, COURTS Asia will focus on driving long-term strategies to grow profitability by managing cost and investing in key growth areas.

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[1] *MTI Expects GDP Growth to be "2.5 to 3.5 Per Cent" in 2018 – Ministry of Trade and Industry, 24 May 2018*
[2] *Retail Sales Index and Food & Beverage Services index, May 2018 – Singapore Department of Statistics, July 2018*
[3] *Cooling measures may keep lid on private home prices: Experts – The Straits Times, 28 July 2018*
[4] *HDB resale prices down 1.5% in Q2 y-o-y; 2018 BTO supply to be cut to 16,000 from 17,000 – The Business Times, 2 July 2087*
[5] *World Bank forecasts Malaysia's GDP growth to remain steady – The Star Online, 3 July 2018*
[6] *Malaysia retailers see higher sales growth of 5.3% in 2018 – The Star Online, 6 June 2018*
[7] *Impact of SST – The Star Online, 4 June 2018*
[8] *Indonesia Q2 growth fastest in 4 1/2years; beats expectations – The Business Times, 7 August 2018*
[9] *Retail Sales Survey May 2018 – Bank Indonesia, 18 July 2018*

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared nor recommended for the first quarter ended 30 June 2018.

13. Interested Person Transactions

There was no interested person transactions (“IPTs”) during the period ended 30 June 2018.
The Company has not obtained a general mandate for IPTs from the shareholders.

14. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

There was no person occupying a managerial position in the Group who is a relative of a director or chief executive officer or substantial shareholder of the Group.

15. Confirmation pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors which may render the financial statements for the period ended 30 June 2018 to be false or misleading.

16. Confirmation that the issuer has procured undertakings from all its directors and executives officers under Rule 720(1)

The Company confirms that it has procured undertakings from all its Directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the SGX-ST Listing Manual.

For and on behalf of the
Board of Directors of COURTS Asia Limited

Terence Donald O’Connor	Kee Kim Eng
Group Chief Executive Officer	Group Chief Financial Officer
13 August 2018	