COURTS ASIA LIMITED
UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 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 Q2 FY18/19 S$'000	Group Q2 FY17/18 S$'000	% Change	Group H1 FY18/19 S$'000	Group H1 FY17/18 S$'000	% Change
Revenue	165,113	176,450	(6.4)	344,930	363,039	(5.0)
Cost of sales	(111,481)	(116,020)	3.9	(230,249)	(231,243)	0.4
Gross profit	**53,632**	**60,430**	**(11.2)**	**114,681**	**131,796**	**(13.0)**
Other income and other gains/(losses) - net	1,835	1,442	27.3	3,249	2,573	26.3
Expenses						
- Distribution and marketing	(11,545)	(13,472)	14.3	(26,038)	(29,705)	12.3
- Administrative	(38,583)	(40,685)	5.2	(82,324)	(84,544)	2.6
- Finance	(5,310)	(4,991)	(6.4)	(10,053)	(10,120)	0.7
Profit/(loss) before income tax	**29**	**2,724**	**(98.9)**	**(485)**	**10,000**	**(104.9)**
Income tax expense	(3,099)	(1,214)	(155.3)	(4,791)	(2,440)	(96.4)
Net (loss)/profit	**(3,070)**	**1,510**	**(303.3)**	**(5,276)**	**7,560**	**(169.8)**

	Group Q2 FY18/19 S$'000	Group Q2 FY17/18 S$'000	% Change	Group H1 FY18/19 S$'000	Group H1 FY17/18 S$'000	% Change
Net (loss)/profit	**(3,070)**	**1,510**	**(303.3)**	**(5,276)**	**7,560**	**(169.8)**
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation	(2,911)	240	1,312.9	(3,430)	2,232	(253.7)
Fair value gain/(loss) on hedging reserve	94	(301)	(131.2)	737	(16)	(4,706.3)
Total comprehensive (loss)/income	**(5,887)**	**1,449**	**(506.3)**	**(7,969)**	**9,776**	**(181.5)**

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

	Group		Group	
	Q2 FY18/19 S$'000	Q2 FY17/18 S$'000	H1 FY18/19 S$'000	H1 FY17/18 S$'000
Profit/(loss) before income tax was arrived at after charging/(crediting):				
Depreciation and amortisation of property, plant and equipment and intangible assets	2,444	2,913	5,016	5,840
Amortisation of deferred income	(568)	(623)	(1,001)	(1,206)
Impairment allowance on trade receivables	4,813	6,831	15,160	14,300
Other income and other (gains)/losses - net				
- Interest income	(872)	(822)	(1,233)	(1,215)
- Loss on disposal of property, plant and equipment and intangible assets (net)	97	172	111	249
- Tracing and referencing income	(484)	(179)	(982)	(550)
- Rental income	(551)	(391)	(1,109)	(778)
- Change in fair value of derivative financial instruments	44	9	103	59
- Others	(69)	(231)	(139)	(338)
	(1,835)	**(1,442)**	**(3,249)**	**(2,573)**
Finance costs				
- Interest expense on borrowings	3,368	4,321	7,354	8,651
- Interest expense on finance lease liabilities	-	-	-	1
- Borrowing costs	1,914	688	2,589	1,531
- Foreign exchange losses/(gains) - net	28	(18)	110	(63)
	5,310	**4,991**	**10,053**	**10,120**
Gross profit as a percentage of revenue	**32.5%**	**34.2%**	**33.2%**	**36.3%**
Net (loss)/profit as a percentage of revenue	**(1.9)%**	**0.9%**	**(1.5)%**	**2.1%**
Net (loss)/profit as a percentage of total equity	**(1.6)%**	**0.7%**	**(2.7)%**	**3.4%**

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

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 Sep 18 S$'000	31 Mar 18 S$'000	30 Sep 18 S$'000	31 Mar 18 S$'000
ASSETS				
Current assets				
Cash and bank balances	66,320	108,596	1,864	25,393
Derivative financial instruments	13	30	-	-
Trade and other receivables	172,591	186,938	2,122	2,510
Deferred costs	7,543	7,883	-	-
Inventories	81,380	82,691	-	-
Current income tax recoverable	6,557	3,568	-	-
	334,404	**389,706**	**3,986**	**27,903**
Non-current assets				
Derivative financial instruments	2,381	1,009	-	-
Trade and other receivables	233,322	282,043	4,381	4,433
Deferred costs	14,718	12,360	-	-
Investments in subsidiaries	-	-	290,300	285,094
Property, plant and equipment	14,447	18,037	6	6
Intangible assets	23,466	22,768	20,065	20,065
Deferred income tax assets	27,181	23,122	-	-
	315,515	**359,339**	**314,752**	**309,598**
Total assets	**649,919**	**749,045**	**318,738**	**337,501**
LIABILITIES				
Current liabilities				
Trade and other payables	147,539	144,316	2,043	3,305
Deferred revenue	25,272	26,883	-	-
Current income tax liabilities	1,214	1,637	1,211	1,199
Borrowings	7,621	75,228	465	75,228
Deferred income	1,856	2,198	-	-
	183,502	**250,262**	**3,719**	**79,732**
Non-current liabilities				
Trade and other payables	601	588	50,195	-
Deferred revenue	41,928	40,695	-	-
Borrowings	226,671	223,085	1,124	1,302
Deferred income	1,020	1,371	-	-
Deferred income tax liabilities	3,060	2,842	3,014	2,842
	273,280	**268,581**	**54,333**	**4,144**
Total liabilities	**456,782**	**518,843**	**58,052**	**83,876**
NET ASSETS	**193,137**	**230,202**	**260,686**	**253,625**
EQUITY				
Share capital	265,332	265,332	265,332	265,332
Treasury shares	(18,231)	(19,065)	(18,231)	(19,065)
Other reserves	13,128	(34,692)	(23,522)	(22,876)
Retained (losses)/profits	(67,092)	18,627	37,107	30,234
Total equity	**193,137**	**230,202**	**260,686**	**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 30.09.18 S$'000		As at 31.03.18 S$'000	
Secured	Unsecured	Secured	Unsecured
465	7,156	446	74,782

Amount repayable after one year

As at 30.09.18 S$'000		As at 31.03.18 S$'000	
Secured	Unsecured	Secured	Unsecured
206,635	20,036	195,666	27,419

Details of any collateral

The Group's borrowings of $234.3 million (31 March 2018: $298.3 million) consist of 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 $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 and extended until January 2020) 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 September 2018 was S$85.6 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 September 2018 was RM363.0 million (S$119.9 million).

The term loans in PT COURTS Retail Indonesia ("PTCRI") comprise a IDR78 billion (S$7.2 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. The HSBC and DBS term loans are secured by corporate guarantees from CAL and CSPL respectively.

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		Group	
	Q2 FY18/19 S$'000	Q2 FY17/18 S$'000	H1 FY18/19 S$'000	H1 FY17/18 S$'000
Cash flows from operating activities:				
Net (loss)/profit	(3,070)	1,510	(5,276)	7,560
Adjustments for:				
Income tax expense	3,099	1,214	4,791	2,440
Depreciation and amortisation	2,444	2,913	5,016	5,840
Amortisation of deferred income	(568)	(623)	(1,001)	(1,206)
Interest expense	3,368	4,321	7,354	8,652
Interest income	(872)	(822)	(1,233)	(1,215)
Borrowing costs	1,914	688	2,589	1,531
Loss on disposal of property, plant and equipment and intangible assets (net)	97	172	111	249
Share-based compensation	67	134	188	300
Changes in fair value of derivative financial instruments	44	9	103	59
Foreign currency translation differences	(168)	109	(173)	245
Operating cash flow before working capital changes	6,355	9,625	12,469	24,455
Changes in working capital				
- Inventories	(489)	994	374	(5,230)
- Trade and other receivables	17,073	4,963	19,916	(9,852)
- Deferred costs	(876)	(449)	(2,172)	(1,077)
- Trade and other payables	19,099	10,450	5,072	7,434
- Deferred revenue	(619)	324	284	2,356
Cash generated from operations	40,543	25,907	35,943	18,086
Income tax paid (net)	(2,799)	(3,127)	(4,775)	(5,595)
Net cash generated from operating activities	**37,744**	**22,780**	**31,168**	**12,491**
Cash flows from investing activities				
Additions to property, plant and equipment	(440)	(2,245)	(1,251)	(3,635)
Acquisition of intangible assets	(1,156)	(476)	(1,330)	(525)
Interest received	871	814	1,225	1,204
Net cash used in investing activities	**(725)**	**(1,907)**	**(1,356)**	**(2,956)**
Cash flows from financing activities				
Repayment of bond issue	(75,000)	-	(75,000)	-
Repayment of finance lease liabilities	-	(26)	-	(62)
Repayment of term loan	(116)	(116)	(229)	(235)
(Repayment of) / proceeds from syndicated senior loan	(3,861)	(122)	(17,242)	1,291
Proceeds from / (repayment of) on asset securitisation loan	31,351	(45)	30,820	(1,892)
Increase / (decrease) in fixed deposits pledged as securities for banking facilities	(71)	(375)	1,115	529
Payment of borrowing cost	(1,361)	(429)	(2,167)	(1,023)
Interest paid	(4,644)	(5,207)	(7,555)	(8,463)
Dividends paid	-	(6,641)	-	(6,641)
Net cash used in financing activities	**(53,702)**	**(12,961)**	**(70,258)**	**(16,496)**
Net (decrease) / increase in cash and cash equivalents	**(16,683)**	**7,912**	**(40,446)**	**(6,961)**
Cash and cash equivalents as at beginning of financial period	**79,775**	**79,016**	**103,617**	**93,817**
Effects of currency translation on cash and bank balances	**(637)**	**(188)**	**(716)**	**(116)**
Cash and cash equivalents as at end of financial period	**62,455**	**86,740**	**62,455**	**86,740**

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

	30-Sep-18 S$'000	30-Sep-17 S$'000
Cash and bank balances	59,240	49,997
Fixed deposits	7,080	41,126
	66,320	91,123
Less: Fixed deposits pledged as securities for banking facilities	(3,865)	(4,383)
Cash and cash equivalents per consolidated statement of cash flows	**62,455**	**86,740**

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							
			Other reserves					
	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**
Treasury shares reissued	-	834	(385)	-	(449)	-	-	-
Share-based compensation	-	-	188	-	-	-	-	188
Total comprehensive (loss)/income for the period	-	-	-	(3,430)	-	737	(5,276)	(7,969)
Balance at 30 September 2018	**265,332**	**(18,231)**	**1,533**	**6,073**	**5,413**	**109**	**(67,092)**	**193,137**
Balance at 1 July 2018	**265,332**	**(19,065)**	**1,851**	**8,984**	**5,862**	**15**	**(64,022)**	**198,957**
Treasury shares reissued	-	834	(385)	-	(449)	-	-	-
Share-based compensation	-	-	67	-	-	-	-	67
Total comprehensive (loss)/income for the period	-	-	-	(2,911)	-	94	(3,070)	(5,887)
Balance at 30 September 2018	**265,332**	**(18,231)**	**1,533**	**6,073**	**5,413**	**109**	**(67,092)**	**193,137**

	Attributable to equity holders of the Group							
			Other reserves					
	Share capital	Treasury Shares	Share option	Currency translation	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 1 April 2017	**265,332**	**(19,669)**	**1,539**	**(51,159)**	**5,896**	**(626)**	**17,217**	**218,530**
Treasury shares reissued	-	566	(542)	-	(24)	-	-	-
Share-based compensation	-	-	300	-	-	-	-	300
Total comprehensive income/(loss) for the period	-	-	-	2,232	-	(16)	7,560	9,776
Dividends	-	-	-	-	-	-	(6,641)	(6,641)
Balance at 30 September 2017	**265,332**	**(19,103)**	**1,297**	**(48,927)**	**5,872**	**(642)**	**18,136**	**221,965**
Balance at 1 July 2017	**265,332**	**(19,669)**	**1,705**	**(49,167)**	**5,896**	**(341)**	**23,267**	**227,023**
Treasury shares reissued	-	566	(542)	-	(24)	-	-	-
Share-based compensation	-	-	134	-	-	-	-	134
Total comprehensive income/(loss) for the period	-	-	-	240	-	(301)	1,510	1,449
Dividends	-	-	-	-	-	-	(6,641)	(6,641)
Balance at 30 September 2017	**265,332**	**(19,103)**	**1,297**	**(48,927)**	**5,872**	**(642)**	**18,136**	**221,965**

	Company					
	Attributable to equity holders of the Company					
			Other reserves			
	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**
Treasury shares reissued	-	834	(385)	(449)	-	-
Share-based compensation	-	-	188	-	-	188
Total comprehensive income for the period	-	-	-	-	6,873	6,873
Balance at 30 September 2018	**265,332**	**(18,231)**	**1,533**	**(25,055)**	**37,107**	**260,686**
Balance at 1 July 2018	**265,332**	**(19,065)**	**1,851**	**(24,606)**	**31,822**	**255,334**
Treasury shares reissued	-	834	(385)	(449)	-	-
Share-based compensation	-	-	67	-	-	67
Total comprehensive income for the period	-	-	-	-	5,285	5,285
Balance at 30 September 2018	**265,332**	**(18,231)**	**1,533**	**(25,055)**	**37,107**	**260,686**

	Attributable to equity holders of the Company					
			Other reserves			
	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 2017	**265,332**	**(19,669)**	**1,539**	**(24,572)**	**31,187**	**253,817**
Treasury shares reissued	-	566	(542)	(24)	-	-
Share-based compensation	-	-	300	-	-	300
Total comprehensive income for the period	-	-	-	-	2,394	2,394
Dividends	-	-	-	-	(6,641)	(6,641)
Balance at 30 September 2017	**265,332**	**(19,103)**	**1,297**	**(24,596)**	**26,940**	**249,870**
Balance at 1 July 2017	**265,332**	**(19,669)**	**1,705**	**(24,572)**	**32,512**	**255,308**
Treasury shares reissued	-	566	(542)	(24)	-	-
Share-based compensation	-	-	134	-	-	134
Total comprehensive income for the period	-	-	-	-	1,069	1,069
Dividends	-	-	-	-	(6,641)	(6,641)
Balance at 30 September 2017	**265,332**	**(19,103)**	**1,297**	**(24,596)**	**26,940**	**249,870**

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 September 2018 and 30 September 2017.

Treasury shares

During the period, 1,962,921 treasury shares at fair value of $0.39 million were awarded pursuant to Performance Share Plan and for Director Fees. The Company did not conduct any share buy-back during this period. As at 30 September 2018, there are 42,892,100 shares (30 September 2017: 44,943,623) held as treasury shares. The total number of issued shares (excluding treasury shares) is 517,107,900 (30 September 2017: 515,056,377). The treasury shares held represent 8.3% (30 September 2017: 8.7%) 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 Sep 2018	31 Mar 2018
Total number of issued shares excluding treasury shares	517,107,900	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.

	Q2 FY18/19
Number of treasury shares reissued pursuant to the Performance Share Plan and Director Fees	1,962,921

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)").

The Group has not early adopted any 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 2019. 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.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 April 2018 and has applied 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.*

Please see Note 5 of Q1 FY18/19 announcement for more details.

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		Group	
	Q2 FY18/19	Q2 FY17/18	H1 FY18/19	H1 FY17/18
(a) Basic (losses)/earnings per share (cents)	**(0.59)**	**0.29**	**(1.02)**	**1.47**
(b) Fully diluted (losses)/earnings per share (cents)	**(0.58)**	**0.29**	**(1.00)**	**1.45**

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 September 2018 and the same period last year, were 518,360,418 and 515,866,119 respectively. The weighted average ordinary shares for the six months ended 30 September 2018 and the same period last year, were 515,771,238 and 514,127,759 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 September 2018 and the same period last year, were 527,650,318 and 521,724,419 respectively. The weighted average ordinary shares for the six months ended 30 September 2018 and the same period last year, were 525,968,059 and 519,968,059 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 Sep 18	31 Mar 18	30 Sep 18	31 Mar 18
Net asset value per ordinary share (cents)	37.3	44.7	50.4	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 September 2018

Revenue

The Group's revenue of $165.1 million for Q2 FY18/19 was 6.4% or $11.3 million lower than Q2 FY17/18.

Singapore revenue, which contributed 72.4% of the Group's revenue in Q2 FY18/19, reported a decrease of 4.8% compared to Q2 FY17/18, mainly due to lower earned service charge income and corporate sales.

Malaysia revenue, which contributed 23.7% of the Group's revenue, reported a 11.9% (in presentation currency) and 16.0% (in RM currency) decrease in Q2 FY18/19 as compared to Q2 FY17/18 mainly due to lower earned service charge income.

Indonesia revenue, which contributed 3.9% of the Group's revenue, registered a 2.4% (in presentation currency) decrease but 5.3% (in Rupiah currency) increase in Q2 FY18/19 compared to Q2 FY17/18 mainly due to higher merchandise sales offset with lower earned service charge income.

Gross profit

Gross profit for Q2 FY18/19 decreased by 11.2% or $6.8 million mainly as a result of lower gross profit margins and lower revenue compared to Q2 FY17/18. Gross profit margins decreased to 32.5% in Q2 FY18/19 from 34.2% in Q2 FY17/18 mainly due to lower earned service charge across the Group.

Other income and other gains/(losses) - net

Other income and other gains/(losses) - net increased by $0.4 million in Q2 FY18/19 from $1.4 million in Q2 FY17/18 mainly due to higher tracing and referencing income and rental income.

Distribution and marketing expenses

Distribution and marketing expenses decreased by $1.9 million to $11.5 million in Q2 FY18/19 from $13.4 million in Q2 FY17/18 mainly due to lower distribution and marketing expenses in Malaysia. As a percentage of revenue, distribution and marketing expenses decreased to 7.0% in Q2 FY18/19 from 7.6% in Q2 FY17/18.

Administrative expenses

Administrative expenses decreased by $2.1 million to $38.6 million in Q2 FY18/19 from $40.7 million in Q2 FY17/18. The decrease was mainly due to lower allowance for impairment of trade receivables in Singapore and Malaysia but offset by higher allowance of the same nature in Indonesia. In addition Malaysia benefited from the ongoing cost optimisation initiatives resulting in lower branch costs and these were offset by higher credit collection costs in Malaysia.

Finance expenses

Finance expenses increased by $0.3 million to $5.3 million in Q2 FY18/19 from $5.0 million in Q2 FY17/18 mainly due to a one-time borrowing cost incurred on the early redemption of the $75m notes but offset with lower interest expenses across the Group.

Income tax expenses

Income tax expenses increased by $1.9 million to $3.1 million in Q2 FY18/19 from $1.2 million in Q2 FY17/18. This was mainly due to net deferred income tax credits from Indonesia and Malaysia losses which were not recognised in Q2 FY18/19.

Total comprehensive income

Total comprehensive income for Q2 FY18/19 was a loss of $5.9 million compared to a profit of $1.4 million in Q2 FY17/18. The decrease is 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 September 2018. The Malaysian ringgit has weakened against the Singapore dollar for the period ended 30 September 2018 as compared to a translation gain in the corresponding period of the immediately preceding financial year.

Group Balance Sheet – As at 30 September 2018

Trade and other receivables

The Group's trade and other receivables (current and non-current) decreased by $63.1 million to $405.9 million as at 30 September 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 (refer to Q1 FY18/19 for more details), repayment of receivables and lower credit sales during the financial period. Allowance for impairment of trade receivables as at 30 September 2018 was $65.5 million (including a one-time adjustment of $36.6 million on adoption of SFRS(I) 9 on 1 April 2018) representing 12.3% of gross trade receivables, as compared with $67.6 million as at 1 April 2018 representing 11.7% of gross trade receivables.

Inventories

The Group's inventories decreased to $81.4 million as at 30 September 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.

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 $22.3 million as at 30 September 2018 from $20.2 million as at 31 March 2018 due to sales of other services during the financial period.

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 are in a net asset position with fair value gain in the first six months of FY18/19 mainly attributed to the strengthening of the Singapore dollar against the Indonesian rupiah during the financial period.

Borrowings

The Group's borrowings decreased to $234.3 million as at 30 September 2018 from $298.3 million as at 31 March 2018 with the redemption and cancellation of the $75 million notes, repayment of loans in Malaysia and offset with increased borrowing in Singapore. The total borrowings mainly consist of 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 is relatively stable at $67.2 million as at 30 September 2018 compared to $67.6 million as at 31 March 2018.

Deferred income tax assets / liabilities – net

The increase in net deferred income tax assets as at 30 September 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 (refer to Q1 FY18/19 for more details).

Cash and bank balances

Cash and bank balances decreased by $42.3 million to $66.3 million as at 30 September 2018 from $108.6 million as at 31 March 2018. The decrease is mainly due to the repayment of borrowings.

Other reserves

Other reserves increased by $47.8 million to $13.1 million as at 30 September 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 (refer to Q1 FY18/19 for more details) but offset by translation losses arising from consolidation through other comprehensive income.

Retained profits

The Group's retained profits decreased by $85.7 million to negative $67.1 million as at 30 September 2018 from $18.6 million as at 31 March 2018. The decrease is mainly due to the one-time impact of the adoption of SFRS(I) 9 and SFRS(I) 1 amounting to $29.3 million and $51.2 million respectively (see "Other reserves" above) 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 Q1 FY18/19 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 economic growth grew at a slower pace of 2.6 per cent year on year in the third quarter of 2018 compared to the 4.1 per cent expansion seen in the previous quarter, according to the Ministry of Trade and Industry[1], with the Monetary Authority of Singapore forecasting that growth is expected to take place at a slower rate in the latter part of the year due to the negative spillover effects from the trade war[2]. The August retail sales index reported a 0.4 per cent decrease year on year, with furniture and household equipment and computer and telecommunications equipment falling by 0.7 and 3.8 per cent year on year respectively[3]. While the overall outlook for Singapore remains one of growth, sentiments remain cautiously muted. Singapore continues to remain focused on investing in key areas for long-term growth, renovating its Ang Mo Kio store in alignment with its store experience transformation roadmap.

Malaysia's GDP continues to remain on a growth path in 2019[4], according to the Bank Negara Malaysia, although headline inflation rate is expected to pick up marginally in September[5]. Continuing to manage the impact from the interest rate cap at 15 per cent per annum resulting from the Consumer Protection (Credit Sale) Regulations 2017 implementation, the Group continues its transformation work for the business. As at 30 September 2018, it has closed ten stores, bringing the total store count to 56. The Malaysia business continues to face short-term pressures and challenges and the results of the transformation work will only be reaped in the medium to long term.

Indonesia's economy continues to expand despite a weakening currency, albeit trimming its growth forecasts for this year and 2019[6], due to slower global growth. The Indonesian Finance Minister shared that the government now expects 2018 GDP growth of 5.14 per cent instead of 5.2 per cent, while 2019 growth is seen at 5.12 per cent, from the previous 5.3 per cent. Although Indonesia's rupiah currency is at a two-decade low[7], the central bank of Indonesia's Retail Sales Survey noted a 6.1 per cent growth in retail sales year on year for August 2018[8]. That said, the spending was driven by clothing sales, with Information and Communications equipment as well as Other Household Equipment sales "dwindling in demand" in view of the weak currency and retailers anticipating weak sales growth in the third quarter of 2018. The Group continues to remain committed to the market and to manage credit costs and strengthen its risk management frameworks.

While the macroeconomic environment in the region continues to remain subdued in the short term, COURTS Asia remains focused on its priorities in each market and will continue refining its strategies while managing cost and investing in growth areas.

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[1] *Singapore Q3 GDP growth slows less than expected to 2.6% as manufacturing moderates – The Business Times,12 October 2018*
[2] *Trade war fallout likely to hit Singapore soon, says MAS – The Straits Times, 27 October 2018*
[3] *Retail Sales Index and Food & Beverage Services index – Singapore Department of Statistics, August 2018*
[4] *Malaysia's GDP to remain on growth path into 2019 – The Star Online, 9 October 2018*
[5] *RAM expects Malaysia's inflation to rise to 0.9% in Sept due to SST – The Edge Malaysia, 24 October 2018*
[6] *Indonesia trims 2018 GDP growth forecast to 5.14 percent from 5.2 percent - finance minister – TODAY Online, 16 October 2018*
[7] *Indonesia's rupiah slump must be seen in context: IMF chief economist – The Straits Times, 9 October 2018*
[8] *Retail Sales Survey August 2018 – Bank Indonesia, 15 October 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 second quarter ended 30 September 2018.

13. Interested Person Transactions

There was no interested person transactions ("IPTs") during the period ended 30 September 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 September 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
Group Chief Executive Officer
8 November 2018

Kee Kim Eng
Group Chief Financial Officer