

**ELK-DESA<sup>®</sup>**

**ELK-DESA RESOURCES BERHAD**

(Company No: 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED  
RESULTS FOR THE PERIOD ENDED  
30 JUNE 2015**

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the financial period ended 30 June 2015**  
(The figures have not been audited.)

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Revenue	14,014,075	13,887,542	14,014,075	13,887,542
Other income	508,723	724,270	508,723	724,270
Depreciation of property, plant and equipment	(92,535)	(78,540)	(92,535)	(78,540)
Impairment allowance	(3,476,526)	(3,580,151)	(3,476,526)	(3,580,151)
Other expenses	(3,646,033)	(3,431,114)	(3,646,033)	(3,431,114)
Finance costs	(780,240)	(1,219,385)	(780,240)	(1,219,385)
Profit before taxation	<u>6,527,464</u>	<u>6,302,622</u>	<u>6,527,464</u>	<u>6,302,622</u>
Taxation	(1,603,637)	(1,602,640)	(1,603,637)	(1,602,640)
Profit for the financial period	<u>4,923,827</u>	<u>4,699,982</u>	<u>4,923,827</u>	<u>4,699,982</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	<u><u>4,923,827</u></u>	<u><u>4,699,982</u></u>	<u><u>4,923,827</u></u>	<u><u>4,699,982</u></u>
Earnings per ordinary share - basic (sen)	<u>3.94</u>	<u>3.76</u>	<u>3.94</u>	<u>3.76</u>
Earnings per ordinary share - diluted (sen)	<u>2.60</u>	<u>2.65</u>	<u>2.60</u>	<u>2.65</u>

*(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2015)*

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2015

(The figures have not been audited.)

	As at 30.06.2015 RM	As at 31.03.2015 RM
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,746,666	5,799,451
Hire purchase receivables	193,142,710	192,426,059
Deferred tax assets	6,798,009	6,924,265
	205,687,385	205,149,775
<b>Current assets</b>		
Other assets	798,412	934,707
Trade receivables	36,950	104,850
Hire purchase receivables	77,789,151	76,460,430
Other receivables, deposits and prepayments	691,115	264,319
Fixed deposits	42,894,912	52,143,322
Cash and bank balances	749,393	500,272
	122,959,933	130,407,900
Total assets	<u>328,647,318</u>	<u>335,557,675</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	125,000,000	125,000,000
Share premium	2,820,736	2,820,736
Retained earnings	44,287,604	48,733,527
ICULS - equity component	83,283,772	83,283,772
Treasury shares	(101,733)	(101,733)
Total equity	255,290,379	259,736,302
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Block discounting payables - secured	13,166,471	17,143,251
ICULS - liability component	17,810,645	18,336,712
	30,977,116	35,479,963
<b>Current liabilities</b>		
Trade payables	11,386,533	12,938,634
Other payables and accruals	2,103,257	4,374,429
Dividend payable	9,369,750	-
Block discounting payables - secured	15,158,072	16,032,879
Term loans	2,328,000	3,870,000
Bank overdrafts - secured	767,851	1,670,530
Current tax liabilities	1,266,360	1,454,938
	42,379,823	40,341,410
Total liabilities	<u>73,356,939</u>	<u>75,821,373</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>328,647,318</u>	<u>335,557,675</u>
Net assets per share	2.04	2.08

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2015)*

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the financial period ended 30 June 2015**  
(The figures have not been audited.)

	Share Capital RM	Share Premium RM	Retained Earnings RM	Treasury shares	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2014	125,000,000	2,820,736	39,312,159	-	-	167,132,895
Total comprehensive income	-	-	4,699,982	-	-	4,699,982
Issuance of ICULS			-	-	83,283,772	83,283,772
<b>Balance as at 30 June 2014</b>	<b>125,000,000</b>	<b>2,820,736</b>	<b>44,012,141</b>	<b>-</b>	<b>83,283,772</b>	<b>255,116,649</b>
Balance as at 1 April 2015	125,000,000	2,820,736	48,733,527	(101,733)	83,283,772	259,736,302
Total comprehensive income	-	-	4,923,827	-	-	4,923,827
Dividend for financial year ended 31 March 2015			(9,369,750)			(9,369,750)
<b>Balance as at 30 June 2015</b>	<b>125,000,000</b>	<b>2,820,736</b>	<b>44,287,604</b>	<b>(101,733)</b>	<b>83,283,772</b>	<b>255,290,379</b>

*(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2015)*

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 30 June 2015

(The figures have not been audited.)

	<b>3 months ended</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM</b>	<b>RM</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	6,527,464	6,302,622
Adjustment for :		
Depreciation of property, plant and equipment	92,535	78,540
Loss/(Gain) on disposal of property, plant and equipment	-	5,713
Net allowance made for the financial period	3,678,993	3,846,446
Interest expense	779,977	1,218,723
Interest income	(436,855)	(649,241)
Operation profit before working capital changes	10,642,114	10,802,803
Decrease/(Increase) in other assets	136,296	(317,829)
Decrease/(Increase) in hire purchase receivables	(5,724,365)	(18,603,363)
Decrease/(Increase) in trade receivables	67,900	(167,895)
Decrease/(Increase) in other receivables, deposits and prepayments	(426,797)	715,012
(Decrease)/Increase in trade payables	(1,552,101)	634,963
(Decrease)/Increase in other payables and accruals	166,329	203,495
	(7,332,738)	(17,535,617)
Cash used generated from/(used in) operations	3,309,376	(6,732,814)
Tax paid	(1,665,959)	(1,595,588)
<b>Net cash from/(used in) operating activities</b>	<b>1,643,417</b>	<b>(8,328,402)</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(39,750)	(15,600)
Proceeds from disposal of property, plant and equipment	-	22,500
Interest received	436,855	649,241
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(12,260,077)	(7,218,703)
<b>Net cash from/(used in) investing activities</b>	<b>(11,862,972)</b>	<b>(6,562,562)</b>
<b><u>Cash flows from financing activities</u></b>		
Net repayment of term loans	(1,542,000)	(1,542,000)
Net (repayment)/drawdown of block discounting payables	(4,862,073)	(6,661,489)
Proceeds from issuance of ICULS	-	100,000,000
ICULS expenses paid	-	(1,341,264)
Interest paid	(3,733,059)	(869,342)
<b>Net cash from/(used in) financing activities</b>	<b>(10,137,132)</b>	<b>89,585,905</b>
<b>Net increase/(decrease) in cash and cash equivalents during the financial period</b>	<b>(20,356,687)</b>	<b>74,694,941</b>
Cash and cash equivalents as at beginning of financial year	40,151,234	2,538,538
<b>Cash and cash equivalents as at end of financial period</b>	<b>19,794,547</b>	<b>77,233,479</b>

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 30 June 2015

(The figures have not been audited.)

	<b>3 months ended</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM</b>	<b>RM</b>
<b><u>Composition of cash and cash equivalents</u></b>		
Deposits, cash and bank balances	43,644,305	84,452,182
Bank overdraft	(767,851)	-
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(23,081,907)	(7,218,703)
	<b><u>19,794,547</u></b>	<b><u>77,233,479</u></b>

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2015)*

**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the first quarter ended 30 June 2015

**A1 Accounting Policies And Basis Of Preparation**

The interim financial statements have been prepared in accordance with *MFRS 134: Interim Financial Reporting* and Chapter 9 Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with *IAS 34: Interim Financial Reporting*.

The interim financial statements are unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2015, which had been prepared in accordance with Malaysian Financial Reporting Standards (MFRS).

The accounting policies adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2015 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2015.

On 1 April 2015, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

<b>Title</b>		<b>Effective Date</b>
Amendments to MFRS 119	<i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs	<i>Annual Improvements 2010 - 2012 Cycle</i>	1 July 2014
Amendments to MFRSs	<i>Annual Improvements 2011 - 2013 Cycle</i>	1 July 2014

Application of the above accounting standards, amendments and interpretations are not expected to have a material impact on the financial statements of the Group.

**A2 Seasonal and Cyclical Factors**

The Group's operations has not been materially impacted by any seasonal or cyclical factors for the financial period ended 30 June 2015.

**A3 Unusual Items due to Their Nature, Size or Incidence**

There were no unusual items that may affect the amount stated in the interim financial statements during the financial period ended 30 June 2015.

**A4 Change in Estimates**

There were no changes in estimates that had any material effect for the financial period ended 30 June 2015.

**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the first quarter ended 30 June 2015

**A5 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities**

There were no issuance, repurchases and repayment of debt and equity securities and share cancellations during the financial period ended 30 June 2015.

**A6 Dividend Paid**

There was no dividend paid during the financial period ended 30 June 2015.

**A7 Segmental Reporting**

No segmental analysis is prepared as the Group is primarily involved in the provision of hire purchase financing and other integrated services. Besides, all business activities are carried out in Malaysia.

**A8 Subsequent Events**

There was no material event subsequent to the current quarter, other than the events disclosed in Note B6.

**A9 Changes in the Composition of the Group**

Save as disclosed below, there were no changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the financial period ended 30 June 2015.

On 1 April 2015, the Company acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in ELK-Desa Furniture Sdn. Bhd., a newly incorporated company, for a total cash consideration of RM2. Following the acquisition, ELK-Desa Furniture Sdn. Bhd. became a wholly owned subsidiary of the Company.

On 28 April 2015, its paid up capital has been increased to RM2,000,000 via the issuance of 1,999,998 new shares at RM1.00 per share. The principal activity of ELK-Desa Furniture Sdn. Bhd. is trading of furniture.

For details of the above, please refer to the Company's announcement on both the Company and Bursa Malaysia website.

**A10 Changes in Contingent Liabilities and Contingent Assets**

There were no contingent liabilities and assets for the Group as at 30 June 2015.

**A11 Capital Commitments**

There were no material capital commitments for the purchase of property, plant and equipment as at the end of the financial period ended 30 June 2015.

**A12 Related Party Disclosures**

There was no significant related party transaction during the financial period ended 30 June 2015.



**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the first quarter ended 30 June 2015

**B1 Review Of Performance**

**Current Quarter Performance (FY2016-Q1 vs FY2015-Q1)**

The Group's profit before tax increased by 4% to RM6.53 million.

In line with the Group's strategy to tighten its hire purchase disbursement policy, revenue increased marginally to RM14.01 million on the back of a slower growth in the hire purchase portfolio. Other income decreased by 30% to RM0.51 million due to lower fixed deposit interest.

Other expenses increased by 6% to RM3.65 million but were partially offset by lower impairment allowance despite an increase in hire purchase portfolio.

As a result of lower borrowings, the Group's finance cost decreased by 36% from RM1.22 million to RM0.78 million.

**B2 Comparison of Results with Preceding Quarter**

The Group's profit before tax for the current quarter of RM6.53 million was lower as compared to RM7.17 million of the immediate preceding quarter mainly due to lower hire purchase revenue and fixed deposit interest for the current quarter.

**B3 Prospects and Outlook**

The inflationary pressure on the prices of goods and cost of living on domestic consumers is a cause for concern. The Group's performance may be affected by any prolonged delay in installment payments by the hirers which will attribute to higher impairment allowances.

Managing the downside credit risk remains crucial for the Group. Hence, necessary measures have been in place to ensure efficient collection and stringent hire purchase disbursements.

While strong emphasis is placed in growing its core business in hire purchase financing, albeit at a steady pace, the Group is committed to create additional income source in order to enhance shareholder value. The recent venture into the furniture trading business is not expected to contribute significantly to the Group's financial performance as it is still in its infancy stage.

The Board remains cautiously optimistic on the Group's performance for the current financial year.

**B4 Profit Forecasts**

The Group did not issue any profit forecasts for the period under review.

**B5 Taxation**

Tax charge for the quarter and financial period ended 30 June 2015 are set out below:

	<b>3 months ended 30.6.2015</b>
	<b>RM</b>
(a) Income Tax	1,477,381
(b) Deferred Taxation	126,256
	<u>1,603,637</u>

The effective tax rate of the Group for the financial period ended 30 June 2015 were higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the first quarter ended 30 June 2015

**B6 Status of Corporate Proposals Announced**

On 8 June 2015, MIDF Amanah Investment Bank Berhad ("MIDF Investment"), on behalf of the Board, announced that the Company proposes to undertake a proposed renounceable rights issue of up to 62,500,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing ELK-Desa Shares held on the Entitlement Date ("Proposed Rights Issue").

On 25 June 2015, MIDF Investment, on behalf of the Board, announced that the Circular and listing application in relation to the Proposed Rights Issue had been submitted to Bursa Securities.

On 8 July 2015, MIDF Investment, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 8 July 2015, approved the listing and quotation of up to 62,500,000 Rights Shares, subject to the conditions disclosed in Section 8 of the Circular.

On 21 August 2015, the Proposed Rights Issue has been approved by shareholders at the Extraordinary General Meeting.

For details of the above corporate exercise, please refer to the Company's announcement on both the Company and Bursa Malaysia website.

Other than disclosed above, there are no other corporate proposals for the Group.

**B7 Group Borrowings & Debt Securities**

All borrowings and debt securities as at 30 June 2015 are secured except for the ICULS - liability component and one of the term loans amounting to RM1.0 million. The Group does not have any borrowings or debt securities that are denominated in foreign currency.

		As at 30.06.2015	As at 31.3.2015
		RM	RM
<b>Borrowings</b>			
Block Discounting Payables	- within 1 year	15,158,072	16,032,879
	- later than 1 year	13,166,471	17,143,251
		28,324,543	33,176,130
Term Loans	- within 1 year	2,328,000	3,870,000
	- later than 1 year	-	-
		2,328,000	3,870,000
Bank Overdraft	- within 1 year	767,851	1,670,530
Total Borrowings		<u>31,420,394</u>	<u>38,716,660</u>
<b>Debt Securities</b>			
ICULS - liability component	- later than 1 year	<u>17,810,645</u>	<u>18,336,712</u>

**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the first quarter ended 30 June 2015

**B8 Changes in Material Litigation**

There was no material litigation against the Group as at the reporting date.

**B9 Dividend**

There was no dividend proposed in the current quarter and the previous corresponding quarter.

**B10 Earnings Per Share**

Basic earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the financial year.

	Quarter ended 30.6.2015	Quarter ended 30.6.2014	Year to date ended 30.6.2015	Year to date ended 30.6.2014
Profit after taxation (RM)	4,923,827	4,699,982	4,923,827	4,699,982
Weighted average number of ordinary shares (units)	124,930,000	125,000,000	124,930,000	125,000,000
Basic earnings per ordinary share (sen)	3.94	3.76	3.94	3.76

Diluted earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares.

	Quarter ended 30.6.2015	Quarter ended 30.6.2014	Year to date ended 30.6.2015	Year to date ended 30.6.2014
Profit after taxation (RM)	4,923,827	4,699,982	4,923,827	4,699,982
Interest expense on ICULS, net of tax (RM)	412,690	401,782	412,690	401,782
Adjusted profit after tax (RM)	5,336,517	5,101,764	5,336,517	5,101,764
Weighted average number of ordinary shares (units)	124,930,000	125,000,000	124,930,000	125,000,000
Adjustment for potential dilutive shares (units)	80,000,000	67,692,308	80,000,000	67,692,308
Adjusted weighted average number of ordinary shares (units)	204,930,000	192,692,308	204,930,000	192,692,308
Diluted earnings per ordinary share (sen)	2.60	2.65	2.60	2.65

**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the first quarter ended 30 June 2015

**B11 Audit Report For The Preceding Annual Financial Statements**

The audited financial statements of the Group for the preceding financial year ended 31 March 2015 was not qualified.

**B12 Notes to the Statement of Comprehensive Income****3 months ended****30.06.15  
RM**

The comprehensive income is arrived at after charging/(crediting) the following:

Interest income	(436,855)
Interest expense	779,977
Inventories written down	-
Reversal of inventories previously written down	-
Gain or loss on disposal of quoted or unquoted investments or properties	-
Impairment of assets	-
Foreign exchange gain or loss	-
Gain or loss on derivatives	NA
Exceptional items	-

**B13 Retained Earnings**

The following analysis of realised and unrealised retained earnings is prepared in accordance with the guidance issued by the Malaysian Institute of Accountants in the prescribed format by Bursa Malaysia Securities Berhad.

	<b>As at 30.06.2015 RM</b>	<b>As at 31.3.2015 RM</b>
Total retained earnings of the Company and its subsidiaries		
- Realised	86,017,557	81,082,170
- Unrealised	<u>2,523,454</u>	<u>2,523,454</u>
	88,541,011	83,605,624
Less: Consolidation adjustments	<u>(44,253,407)</u>	<u>(34,872,097)</u>
Total retained earnings as per consolidation accounts	<u><u>44,287,604</u></u>	<u><u>48,733,527</u></u>