

**ELK-DESA<sup>®</sup>**

**ELK-DESA RESOURCES BERHAD**

(Company No: 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED  
RESULTS FOR THE PERIOD ENDED  
30 SEPTEMBER 2016**

**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 September 2016**  
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM	RM	RM	RM
Revenue	22,525,346	15,230,820	44,519,664	29,244,895
Other income	579,791	486,441	1,291,784	995,165
Cost of inventories sold	(4,331,878)	(1,035,911)	(8,558,868)	(1,035,911)
Depreciation of property, plant and equipment	(145,576)	(100,128)	(283,492)	(192,664)
Impairment allowance	(5,041,071)	(4,389,342)	(9,461,201)	(7,865,869)
Other expenses	(6,099,802)	(4,138,350)	(12,181,558)	(7,784,383)
Finance costs	(218,425)	(687,954)	(573,973)	(1,468,194)
Profit before taxation	7,268,385	5,365,576	14,752,356	11,893,039
Taxation	(1,857,453)	(1,331,963)	(3,841,044)	(2,935,600)
Profit for the financial period	5,410,932	4,033,613	10,911,312	8,957,439
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	5,410,932	4,033,613	10,911,312	8,957,439
Earnings per ordinary share - basic (sen)	2.45	3.26	5.40	7.21
Earnings per ordinary share - diluted (sen)	2.13	2.18	4.34	4.78

*(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 2016)*

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

**As at 30 September 2016**

(The figures have not been audited.)

	<b>As at 30.09.2016 RM</b>	<b>As at 31.03.2016 RM</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,154,089	6,866,328
Hire purchase receivables	219,711,687	194,318,410
Deferred tax assets	3,608,775	6,250,612
	230,474,551	207,435,350
<b>Current assets</b>		
Inventories	6,955,353	1,928,044
Other assets	1,357,532	1,035,707
Trade receivables	5,841,797	1,372,984
Hire purchase receivables	88,787,430	81,743,940
Other receivables, deposits and prepayments	2,041,784	1,025,348
Fixed deposits	24,497,537	74,141,943
Cash and bank balances	3,413,649	3,252,118
	132,895,082	164,500,084
Total assets	<u>363,369,633</u>	<u>371,935,434</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	239,667,578	184,800,000
Share premium	23,874,152	13,997,928
Retained earnings	52,845,618	52,604,820
ICULS - equity component	29,319,956	83,283,772
Treasury shares	(16,735,944)	(13,440,667)
Total equity	328,971,360	321,245,853
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Block discounting payables - secured	710,177	3,974,461
ICULS - liability component	5,176,174	16,183,828
Deferred tax liability	25,351	25,351
	5,911,702	20,183,640
<b>Current liabilities</b>		
Trade payables	13,720,674	11,599,940
Other payables and accruals	3,751,572	5,597,303
Block discounting payables - secured	7,982,617	11,533,443
Bank overdrafts	-	-
Current tax liabilities	3,031,708	1,775,255
	28,486,571	30,505,941
Total liabilities	<u>34,398,273</u>	<u>50,689,581</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>363,369,633</u>	<u>371,935,434</u>
Net assets per share	1.45	1.84

*(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 2016)*

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the financial period ended 30 September 2016  
(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 2015	125,000,000	2,820,736	48,733,527	(101,733)	83,283,772	259,736,302
Total comprehensive income	-	-	8,957,439	-	-	8,957,439
Final Dividend for financial year ended 31 March 2015			(9,235,523)			(9,235,523)
Purchase of treasury shares	-	-	-	(7,912,526)	-	(7,912,526)
<b>Balance as at 30 September 2015</b>	<b>125,000,000</b>	<b>2,820,736</b>	<b>48,455,443</b>	<b>(8,014,259)</b>	<b>83,283,772</b>	<b>251,545,692</b>
Balance as at 1 April 2016	184,800,000	13,997,928	52,604,820	(13,440,667)	83,283,772	321,245,853
Total comprehensive income	-	-	10,911,312	-	-	10,911,312
Final Dividend for financial year ended 31 March 2016	-	-	(7,962,088)	-	-	(7,962,088)
Conversion of ICULS	54,867,578	9,876,224	(2,708,426)		(53,963,816)	8,071,560
Purchase of treasury shares	-	-	-	(3,295,277)	-	(3,295,277)
<b>Balance as at 30 September 2016</b>	<b>239,667,578</b>	<b>23,874,152</b>	<b>52,845,618</b>	<b>(16,735,944)</b>	<b>29,319,956</b>	<b>328,971,360</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 2016)*

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the financial period ended 30 September 2016**  
(The figures have not been audited.)

	<b>6 months ended</b>	
	<b>30.09.2016</b>	<b>30.09.2015</b>
	<b>RM</b>	<b>RM</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	14,752,356	11,893,039
Adjustment for :		
Depreciation of property, plant and equipment	283,492	192,664
Net impairment allowance made for the financial period	9,937,189	8,316,846
Interest expense	527,863	1,462,659
Interest income	(1,026,002)	(825,297)
Operation profit before working capital changes	<u>24,474,898</u>	<u>21,039,911</u>
Decrease/(Increase) in inventories	(5,027,309)	(477,095)
Decrease/(Increase) in other assets	(321,825)	(1,037,631)
Decrease/(Increase) in hire purchase receivables	(42,373,957)	(6,006,305)
Decrease/(Increase) in trade receivables	(4,468,813)	(762,230)
Decrease/(Increase) in other receivables, deposits and prepayments	(1,016,436)	(1,060,659)
(Decrease)/Increase in trade payables	2,120,734	(619,235)
(Decrease)/Increase in other payables and accruals	831,358	1,335,741
	(50,256,248)	(8,627,414)
Cash used generated from/(used in) operations	(25,781,350)	12,412,497
Tax paid	(2,491,668)	(2,854,550)
<b>Net cash from/(used in) operating activities</b>	<b>(28,273,018)</b>	<b>9,557,947</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(571,253)	(787,650)
Interest received	1,026,002	825,297
Net placement of fixed deposit with licensed banks with original maturity of more than three (3) months	20,979,507	(112,395)
<b>Net cash from/(used in) investing activities</b>	<b>21,434,256</b>	<b>(74,748)</b>
<b><u>Cash flows from financing activities</u></b>		
Net repayment of term loans	-	(3,084,000)
Net (repayment)/drawdown of block discounting payables	(6,823,025)	(9,402,468)
Interest paid	(3,584,216)	(4,126,957)
Dividend paid	(7,962,088)	(9,235,523)
Purchase of treasury shares	(3,295,277)	(7,912,526)
<b>Net cash from/(used in) financing activities</b>	<b>(21,664,606)</b>	<b>(33,761,474)</b>

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the financial period ended 30 September 2016**  
(The figures have not been audited.)

	<u>6 months ended</u>	
	<u>30.09.2016</u>	<u>30.09.2015</u>
	RM	RM
<b>Net increase/(decrease) in cash and cash equivalents during the financial period</b>	<b>(28,503,368)</b>	<b>(24,278,275)</b>
Cash and cash equivalents as at beginning of financial year	51,414,554	40,339,317
<b>Cash and cash equivalents as at end of financial period</b>	<b><u>22,911,186</u></b>	<b><u>16,061,042</u></b>
<b><u>Composition of cash and cash equivalents</u></b>		
Deposits, cash and bank balances	27,911,186	26,968,758
Bank overdraft	-	(161,574)
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(5,000,000)	(10,746,142)
	<b><u>22,911,186</u></b>	<b><u>16,061,042</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 2016)*

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

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2016

**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 2016, 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 2016 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2016.

On 1 April 2016, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

<b>Title</b>		<b>Effective Date</b>
MFRS 14	<i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101	<i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141	<i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs	<i>Annual Improvements to 2012 - 2014 Cycle</i>	1 January 2016

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**

Generally, the Group's operations will benefit from higher consumer spendings during festive seasons in Malaysia.

**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 September 2016.

**A4 Change in Estimates**

There were no changes in estimates that had any material effect for the financial period ended 30 September 2016.

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

Notes to the Interim Financial Statements

for the second quarter ended 30 September 2016

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

Save as disclosed below, there were no issuance, repurchases and repayment of debt and equity securities and share cancellations during the financial period ended 30 September 2016.

During the financial period under review, the Company had:

- 1) issued 54,867,578 new ordinary shares of RM1.00 each pursuant to conversions of 64,743,802 units of ICULS; and
- 2) acquired 2,680,000 of its issued ordinary shares for a total consideration of RM3,295,277 from the open market at an average price of RM1.23 per share. The share repurchased were held as treasury shares. As at the end of the financial period, the number of treasury shares held was 12,830,000 shares at an average cost of RM1.30 per share.

**A6 Dividend Paid**

The Company has paid a single-tier final dividend of 3.5 sen per share for the financial year ended 31 March 2016 amounting to RM7.96 million on 30 September 2016.

**A7 Segmental Reporting**

	<b>Hire Purchase Financing RM</b>	<b>Furniture RM</b>	<b>Elimination RM</b>	<b>Consolidated RM</b>
<b><u>Quarter Ended 30 September 2016</u></b>				
Revenue (External)	15,912,543	6,612,803	-	22,525,346
Revenue (Inter-Segment)	-	340	(340)	-
Other income	560,160	19,631	-	579,791
Cost of inventories sold	-	(4,332,128)	250	(4,331,878)
Depreciation of property, plant and equipment	(96,762)	(48,814)	-	(145,576)
Impairment allowance	(5,026,264)	(14,807)	-	(5,041,071)
Other expenses	(3,783,159)	(2,316,733)	90	(6,099,802)
Finance costs	(191,288)	(27,137)	-	(218,425)
<b>Profit/(Loss) before tax</b>	<b>7,375,230</b>	<b>(106,845)</b>	<b>-</b>	<b>7,268,385</b>
<b><u>Quarter Ended 30 September 2015</u></b>				
Revenue (External)	13,609,371	1,621,449	-	15,230,820
Revenue (Inter-Segment)	-	-	-	-
Other income	477,388	9,053	-	486,441
Cost of inventories sold	-	(1,035,911)	-	(1,035,911)
Depreciation of property, plant and equipment	(91,437)	(8,691)	-	(100,128)
Impairment allowance	(4,389,342)	-	-	(4,389,342)
Other expenses	(3,452,120)	(686,230)	-	(4,138,350)
Finance costs	(682,683)	(5,271)	-	(687,954)
<b>Profit/(Loss) before tax</b>	<b>5,471,177</b>	<b>(105,601)</b>	<b>-</b>	<b>5,365,576</b>



**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2016

	<b>Hire Purchase Financing RM</b>	<b>Furniture RM</b>	<b>Elimination RM</b>	<b>Consolidated RM</b>
<b><u>6 months Ended 30 September 2016</u></b>				
Revenue (External)	31,290,629	13,229,035	-	44,519,664
Revenue (Inter-Segment)	-	340	(340)	-
Other income	1,255,153	36,631	-	1,291,784
Cost of inventories sold	-	(8,559,118)	250	(8,558,868)
Depreciation of property, plant and equipment	(189,407)	(94,085)	-	(283,492)
Impairment allowance	(9,446,394)	(14,807)	-	(9,461,201)
Other expenses	(7,590,196)	(4,593,341)	1,979	(12,181,558)
Finance costs	(528,009)	(45,964)	-	(573,973)
<b>Profit/(Loss) before tax</b>	<b>14,791,776</b>	<b>(41,309)</b>	<b>1,889</b>	<b>14,752,356</b>
Segment assets	346,508,538	16,861,095	-	363,369,633
Segment liabilities	32,462,853	1,935,420	-	34,398,273
<b><u>6 months Ended 30 September 2015</u></b>				
Revenue (External)	27,623,446	1,621,449	-	29,244,895
Revenue (Inter-Segment)	-	-	-	-
Other income	976,792	18,373	-	995,165
Cost of inventories sold	-	(1,035,911)	-	(1,035,911)
Depreciation of property, plant and equipment	(183,539)	(9,125)	-	(192,664)
Impairment allowance	(7,865,869)	-	-	(7,865,869)
Other expenses	(7,074,976)	(709,407)	-	(7,784,383)
Finance costs	(1,462,923)	(5,271)	-	(1,468,194)
<b>Profit/(Loss) before tax</b>	<b>12,012,931</b>	<b>(119,892)</b>	<b>-</b>	<b>11,893,039</b>
Segment assets	307,505,670	3,744,794	-	311,250,464
Segment liabilities	57,840,085	1,864,687	-	59,704,772

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

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2016

**A8 Subsequent Events**

There was no material event subsequent to the current quarter.

**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 September 2016.

ELK-Desa Marketing Sdn Bhd ("EDM")

On 15 July 2016, EDM, an indirect wholly owned subsidiary of the Company was placed under Members' Voluntary Winding-Up. EDM has been dormant since year 2015.

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 September 2016.

**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 September 2016.

**A12 Related Party Disclosures**

There was no significant related party transaction during the financial period ended 30 September 2016.

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

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2016

**B1 Review Of Performance**

**CURRENT QUARTER (FY2017-Q2 vs FY2016-Q2)**

The Group's revenue increased by 48% or RM7.29 million to RM22.53 million, mainly due to the additional RM5.00 million revenue from the furniture business. Other income increased by 19% to RM0.58 million due to higher fixed deposit interest.

Impairment allowance increased by 15% to RM5.04 million. Other expenses increased by 47% to RM6.10 million, of which RM2.32 million was incurred for the furniture business.

As a result of lower borrowings and outstanding ICULS, the Group's finance cost decreased by 68% to RM0.22 million.

The Group's profit before tax increased by 35% from RM5.37 million to RM7.27 million.

Hire Purchase Business

Revenue increased by 17% from RM13.61 million to RM15.91 million, mainly due to increase in hire purchase disbursements for the quarter.

Impairment allowance increased by 15% to RM5.03 million mainly due to higher growth in hire purchase receivables. Other expenses increased by 10% to RM3.78 million.

Despite the increase in impairment allowance and other expenses, the profit before tax increased by 35% to RM7.38 million mainly due to larger hire purchase portfolio and lower finance costs.

Furniture Business

The furniture business commenced operations in July 2015. In line with the Group's plan to expand its furniture business, the furniture division started its wholesale and manufacturing activities. This resulted in an increase of 308% in revenue from RM1.62 million to RM6.61 million. However, as the furniture division has not reached the scale to achieve break even point, the division has recorded a loss before tax of approximately RM107,000.

**YEAR-TO-DATE (FY2017YTD vs FY2016YTD)**

The Group's revenue increased 52% to RM44.52 million mainly due to the additional RM11.61 million revenue from the furniture business. Other income increased by 30% to RM1.29 million due to higher fixed deposit interest.

Impairment allowance increased by 20% to RM9.46 million while other expenses increased by 56% to RM12.18 million, of which RM4.59 million was incurred for the furniture business.

As a result of lower borrowings and outstanding ICULS, the Group's finance cost decreased by 61% to RM0.57 million.

The Group's profit before tax increased 24% from RM11.89 million to RM14.75 million.

Hire Purchase Business

Revenue increased by 13% from RM27.62 million to RM31.29 million, mainly due to higher hire purchase disbursement for the period under review.

Impairment allowance increased by 20% to RM9.45 million mainly due to higher growth in hire purchase receivables. Other expenses increased by 7% to RM7.59 million.

The profit before tax increased 23% from RM12.01 million to RM14.79 million.

Furniture Business

The furniture business commenced operations in July 2015. In line with the Group's plan to expand its furniture business, the furniture division started its wholesale and manufacturing activities. This resulted in an increase of 716% in revenue from RM1.62 million to RM13.23 million. However, as the furniture division has not reached the scale to achieve break even point, the division has recorded a loss before tax of approximately RM41,000.

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

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2016

**B2 Comparison of Results with Preceding Quarter**

The Group's profit before tax for the current quarter of RM7.27 million was marginally lower as compared to RM7.48 million of the immediate preceding quarter mainly due to loss incurred by the furniture division in the current quarter.

**B3 Prospects and Outlook**

According to Bank Negara Malaysia, the Malaysian economy is expected to grow at a slower pace in year 2016.

Despite the lower domestic growth projection for year 2016, the Group is not likely to experience any slowdown in the demand for second hand cars financing for the financial year ending 31 March 2017 as the business segment that the Group is currently operating in, is still relatively small as compared to the overall auto financing industry. Furthermore, given the uncertain labour market conditions, demand for second hand cars may increase as opposed to new cars.

Downside credit risk remains for the Group's hire purchase segment in the current economic environment. Therefore, the Group will continue to place strong emphasis on close monitoring and efficient debt recoveries as well as follow-up mechanism, to minimise the impact.

The Group will continue to strategically operate in the underserved niche market and focus on the small value second hand car financing. The business strategy will also be constantly reviewed to ensure the Group continues to stay relevant in the industry and at the same time keep credit risk exposure at a reasonable level.

The furniture business will be affected by the sluggish consumers' sentiments and current soft economic environment. However, the Group will continue to grow the furniture business and focus on ensuring the operational efficiencies in the various divisions (i.e. retail, wholesale, export and manufacturing).

The Board is optimistic on the Group's future performance and will grow its hire purchase portfolio without compromising on the quality of the assets. At the same time, the furniture segment is not expected to make any significant contribution to the Group's financial performance in 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 September 2016 are set out below:

	<b>3 months ended 30.09.2016 RM</b>	<b>6 months ended 30.09.2016 RM</b>
(a) Income Tax	1,836,696	3,748,121
(b) Deferred Taxation	20,757	92,923
	<u>1,857,453</u>	<u>3,841,044</u>

The effective tax rate of the Group for the financial period ended 30 September 2016 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 second quarter ended 30 September 2016

**B6 Status of Corporate Proposals Announced**

In October 2015, the Company has successfully completed the Rights Issue of 59,800,000 ordinary shares.

As at 30 September 2016, the status of utilisation of proceeds is as follows:

<b>Purpose</b>	<b>Proposed Utilisation</b>	<b>Actual Utilisation</b>	<b>Timeframe for Utilisation</b>	<b>Balance</b>	<b>Remarks</b>
	<b>RM</b>	<b>RM</b>		<b>RM</b>	
(a) Hire purchase disbursements	49,960,000	49,973,372	Within 12 months	(13,372)	
(b) Repayment of bank borrowings	20,000,000	14,315,933	Within 12 months	5,684,067	Note 1
(c) Expenses relating to the Rights Issue	1,800,000	1,786,628	Within 3 months	13,372	
	<b>71,760,000</b>	<b>66,075,933</b>		<b>5,684,067</b>	

Note 1: The time frame for the utilisation of proceeds for the purpose of the repayment of bank borrowings is expected to be between 12 to 18 months instead of the earlier estimation of 12 months.

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 September 2016 are unsecured except for the Block Discounting Payables. The Group does not have any borrowings or debt securities that are denominated in foreign currency.

		<b>As at</b>	<b>As at</b>
		<b>30.09.2016</b>	<b>31.03.2016</b>
		<b>RM</b>	<b>RM</b>
<b>Borrowings</b>			
Block Discounting Payables	- within 1 year	7,982,617	11,533,443
	- later than 1 year	710,177	3,974,461
		8,692,794	15,507,904
Bank Overdraft	- within 1 year	-	-
Total Borrowings		<u>8,692,794</u>	<u>15,507,904</u>
<b>Debt Securities</b>			
ICULS - liability component	- later than 1 year	<u>5,176,174</u>	<u>16,183,828</u>

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

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2016

**B8 Changes in Material Litigation**

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

**B9 Dividend**

The Board of Directors has declared a single tier interim dividend of 3.25 sen per share (2Q 2016 :Nil) in respect of the current financial year ending 31 March 2017. The dividend will be paid on 8 February 2017 to the shareholders whose name appear in the record of depositors of the Company as at 18 January 2017.

Year-to-date ("YTD") dividend for the financial period ended 30 September 2016 is 3.25 sen per ordinary share (YTD 2016 : Nil).

**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.

	<b>Quarter ended 30.09.2016</b>	<b>Quarter ended 30.09.2015</b>	<b>Year to date ended 30.09.2016</b>	<b>Year to date ended 30.09.2015</b>
Profit after taxation (RM)	5,410,932	4,033,613	10,911,312	8,957,439
Weighted average number of ordinary shares (units)	220,429,030	123,640,054	202,182,163	124,281,503
Basic earnings per ordinary share (sen)	2.45	3.26	5.40	7.21

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.

	<b>Quarter ended 30.09.2016</b>	<b>Quarter ended 30.09.2015</b>	<b>Year to date ended 30.09.2016</b>	<b>Year to date ended 30.09.2015</b>
Profit after taxation (RM)	5,410,932	4,033,613	10,911,312	8,957,439
Interest expense on ICULS, net of tax (RM)	65,011	406,593	278,657	819,283
Adjusted profit after tax (RM)	5,475,943	4,440,206	11,189,969	9,776,722
Weighted average number of ordinary shares (units)	220,429,030	123,640,054	202,182,163	124,281,503
Adjustment for potential dilutive shares (units)	37,106,189	80,154,753	55,633,581	80,077,799
Adjusted weighted average number of ordinary shares (units)	257,535,219	203,794,807	257,815,744	204,359,302
Diluted earnings per ordinary share (sen)	2.13	2.18	4.34	4.78

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

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2016

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

The audited financial statements of the Group for the preceding financial year ended 31 March 2016 was not qualified.

**B12 Notes to the Statement of Comprehensive Income**

	<b>3 months ended 30.09.16 RM</b>	<b>6 months ended 30.09.16 RM</b>
Profit before taxation is arrived at after charging:		
Interest expense	191,288	527,863
Inventories written down	-	-
Reversal of inventories previously written down	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Realised foreign exchange (gain) or loss	12,944	34,241
Unrealised foreign exchange (gain) or loss	-	-
Gain or loss on derivatives	-	-
Exceptional items	-	-
And crediting:		
Interest income	416,076	1,026,002

**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 30.09.2016 RM</b>	<b>As at 31.03.2016 RM</b>
Total retained earnings of the Company and its subsidiaries		
- Realised	85,426,913	85,187,869
- Unrealised	<u>2,329,145</u>	<u>2,329,145</u>
	87,756,058	87,517,014
Less: Consolidation adjustments	<u>(34,910,440)</u>	<u>(34,912,194)</u>
Total retained earnings as per consolidation accounts	<u><u>52,845,618</u></u>	<u><u>52,604,820</u></u>