

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
30 SEPTEMBER 2019**

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 2019
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM	RM	RM	RM
Revenue	36,624,091	30,994,500	71,816,040	59,816,138
Other income	1,192,275	667,769	1,666,744	1,343,414
Cost of inventories sold	(7,017,486)	(6,559,030)	(14,164,695)	(12,267,476)
Depreciation of PPE & right of use assets	(580,967)	(182,152)	(1,105,104)	(345,025)
Impairment allowance	(4,652,883)	(3,786,447)	(9,343,012)	(7,707,544)
Other expenses	(9,705,171)	(8,652,479)	(19,114,564)	(16,907,707)
Finance costs	(3,030,645)	(892,426)	(4,643,249)	(1,620,710)
Profit before taxation	12,829,214	11,589,735	25,112,160	22,311,090
Taxation	(3,213,634)	(2,969,436)	(6,221,933)	(5,620,154)
Profit for the financial period	9,615,580	8,620,299	18,890,227	16,690,936
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	9,615,580	8,620,299	18,890,227	16,690,936
Earnings per ordinary share - basic (sen)	3.24	2.94	6.37	5.74
Earnings per ordinary share - diluted (sen)	3.18	2.85	6.25	5.53

(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 2019)

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

As at 30 September 2019

(The figures have not been audited.)

	As at 30.09.2019 RM	As at 31.03.2019 RM
ASSETS		
Non-current assets		
Property, plant and equipment	10,920,704	10,667,280
Hire purchase receivables	424,529,322	357,435,653
Deferred tax assets	3,295,415	3,337,307
Right-of-use assets	3,097,069	-
	441,842,510	371,440,240
Current assets		
Inventories	13,090,261	11,057,387
Other assets	1,499,937	1,312,303
Trade receivables	13,149,215	11,506,486
Hire purchase receivables	129,239,359	119,018,183
Other receivables, deposits and prepayments	1,802,448	1,783,133
Current tax assets	90,253	35,447
Short term funds	56,638,169	16,408,066
Cash and bank balances	40,495,976	15,001,840
	256,005,618	176,122,845
Total assets	<u>697,848,128</u>	<u>547,563,085</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	344,195,537	343,162,661
Retained earnings	69,293,256	60,900,167
ICULS - equity component	6,016,498	6,877,394
Total equity	419,505,291	410,940,222
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	88,215,306	64,080,577
ICULS - liability component	454,877	629,435
Lease liabilities	1,773,138	-
Deferred tax liability	12,289	12,289
Medium term notes	51,901,699	-
	142,357,309	64,722,301
Current liabilities		
Trade payables	16,352,484	13,915,203
Other payables and accruals	4,438,169	5,237,530
Block discounting payables - secured	57,846,273	50,223,162
Lease liabilities	1,367,341	-
Bank overdraft	482,271	-
Current tax liabilities	2,873,187	2,524,667
Medium term notes	52,625,803	-
	135,985,528	71,900,562
Total liabilities	<u>278,342,837</u>	<u>136,622,863</u>
TOTAL EQUITY AND LIABILITIES	<u>697,848,128</u>	<u>547,563,085</u>
Net assets per share	1.41	1.39

(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 2019)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 September 2019
(The figures have not been audited.)

	Number of Issued Shares Unit	Share Capital RM	Share Premium RM	Retained Earnings RM	Treasury shares RM	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2018 - as previously stated	298,417,611	307,439,983	23,260,816	65,169,158	(16,735,944)	17,264,332	396,398,345
- Adjustment on initial application of MFRS 9	-	-	-	1,212,489	-	-	1,212,489
Balance as at 1 April 2018 (as restated)	298,417,611	307,439,983	23,260,816	66,381,647	(16,735,944)	17,264,332	397,610,834
Total comprehensive income	-	-	-	16,690,936	-	-	16,690,936
Final dividend for financial year ended 31 March 2018	-	-	-	(10,292,128)	-	-	(10,292,128)
Issuance of shares upon conversion of ICULS	8,472,593	9,997,661	-	(781,522)	-	(8,333,032)	883,107
Balance as at 30 September 2018	306,890,204	317,437,644	23,260,816	71,998,933	(16,735,944)	8,931,300	404,892,749
Balance as at 1 April 2019	296,148,507	343,162,661	-	60,900,167	-	6,877,394	410,940,222
Total comprehensive income	-	-	-	18,890,227	-	-	18,890,227
Issuance of shares upon conversion of ICULS	875,312	1,032,876	-	(101,285)	-	(860,896)	70,695
Final dividend for financial year ended 31 March 2019	-	-	-	(10,395,853)	-	-	(10,395,853)
Balance as at 30 September 2019	297,023,819	344,195,537	-	69,293,256	-	6,016,498	419,505,291

(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 2019)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 30 September 2019
(The figures have not been audited.)

	6 months ended	
	30.09.2019	30.09.2018
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	25,112,160	22,311,090
Adjustment for :		
Depreciation of property, plant and equipment	447,555	348,145
Depreciation of right-of-use assets	657,549	-
Loss/(Gain) on disposal of property, plant and equipment	-	(4,510)
Property, plant and equipment written off	1	-
Net impairment allowance made for the financial period	10,373,363	8,634,001
Interest expense	4,552,516	1,620,710
Interest on lease liabilities	90,733	-
Interest income	(383,343)	(193,627)
Income from short term funds	(634,055)	(565,585)
Unrealised (gain) / loss on foreign exchange	(13,704)	(29,607)
Operating profit before working capital changes	<u>40,202,775</u>	<u>32,120,617</u>
Changes in working capital:		
Inventories	(2,032,875)	(503,127)
Other assets	(187,634)	(182,155)
Hire purchase receivables	(87,428,822)	(54,582,074)
Trade receivables	(1,888,411)	(2,509,568)
Other receivables, deposits and prepayments	(19,315)	256,209
Trade payables	2,437,281	1,582,934
Other payables and accruals	350,330	(1,004,955)
	<u>(88,769,446)</u>	<u>(56,942,736)</u>
Cash generated from/(used in) operations	<u>(48,566,671)</u>	<u>(24,822,119)</u>
Tax paid	<u>(5,908,650)</u>	<u>(4,189,274)</u>
Net cash from/(used in) operating activities	(54,475,321)	(29,011,393)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(700,981)	(4,016,909)
Net placement of fixed deposit with licensed banks with original maturity of more than three (3) months	(34,588,988)	-
Proceeds from disposal of property, plant and equipment	-	130,000
Interest received	383,343	193,627
Income received from short term funds	634,055	565,585
Net cash from/(used in) investing activities	(34,272,571)	(3,127,697)
<u>Cash flows from financing activities</u>		
Net (repayment)/drawdown of block discounting payables	31,914,199	28,637,950
Interest paid	(4,836,627)	(2,364,822)
Repayment of lease liabilities	(704,872)	-
Dividend paid	(10,395,854)	(10,292,128)
Issuance of medium term notes	105,000,000	-
Medium term notes expenses paid	(1,575,976)	-
Net cash from/(used in) financing activities	119,400,870	15,981,000

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 30 September 2019
(The figures have not been audited.)

	6 months ended	
	30.09.2019	30.09.2018
	RM	RM
Net increase/(decrease) in cash and cash equivalents during the financial period	30,652,978	(16,158,090)
Effects of exchange rate changes on cash and cash equivalents	2	(27,402)
Cash and cash equivalents as at beginning of financial year	31,409,906	50,264,525
Cash and cash equivalents as at end of financial period	62,062,886	34,079,033
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	40,495,976	5,702,153
Bank overdraft	(482,271)	-
Short term fund	56,638,169	28,376,880
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(34,588,988)	-
	62,062,886	34,079,033

(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 2019)

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 are unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2019, 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 2019 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning or after 1 April 2019.

On 1 April 2019, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
MFRS 16	<i>Leases</i>	1 January 2019
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128	<i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9	<i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119	<i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

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

MFRS 16 Leases

MFRS 16, Leases replaces the guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group applied MFRS 16 using modified retrospective approach and measured the right-of-use assets equals to the lease liabilities as 1 April 2019 with no restatement of comparative information. The following table analysed the impact of transition to MFRS 16 on the statement of financial position of the Group :

	RM
Right-of-use assets	
Closing balance as at 31 March 2019	-
- Recognition of right-of-use assets under MFRS 16	4,314,959
Opening balance as at 1 April 2019	<u>4,314,959</u>
Lease liabilities	
Closing balance as at 31 March 2019	-
- Recognition of right-of-use assets under MFRS 16	4,314,959
Opening balance as at 1 April 2019	<u>4,314,959</u>

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 2019.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 30 September 2019.

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 September 2019 except for the following:

Equity Securities

During the financial period under review, the Company had issued 552,295 new ordinary shares pursuant to conversions of 651,714 units of ICULS.

As at 30 September 2019, the number of ordinary shares were 297,023,819 shares. The number of outstanding ICULS stood at 7,297,561 units.

Debt Securities

During the financial period under review, Premier Auto Assets Berhad, a special purpose vehicle incorporated to facilitate the Asset-Backed Securitisation ("ABS") exercise of the Group, had issued RM105 million and RM40.5 million of Senior Medium Term Notes ("MTN") and Junior MTNs respectively. The Junior MTNs were subscribed by ELK-Desa Capital Sdn Bhd, a wholly owned subsidiary of the Company.

A6 Dividend Paid

Pursuant to the shareholders' approval on 8 August 2019 for the single-tier final dividend of 3.50 sen per share in respect of the financial year ended 31 March 2019, the dividend amounting to RM10.40 million was paid to shareholders on 28 August 2018.

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
Quarter Ended 30 September 2019			
Revenue (External)	25,672,414	10,951,677	36,624,091
Other income	1,180,270	12,005	1,192,275
Cost of inventories sold	-	(7,017,486)	(7,017,486)
Depreciation of PPE & right of use assets	(198,366)	(382,601)	(580,967)
Impairment allowance	(4,614,726)	(38,157)	(4,652,883)
Other expenses	(6,713,947)	(2,991,224)	(9,705,171)
Finance costs	(2,988,327)	(42,318)	(3,030,645)
Profit/(Loss) before tax	12,337,318	491,896	12,829,214
Quarter Ended 30 September 2018			
Revenue (External)	20,731,051	10,263,449	30,994,500
Other income	688,243	(20,474)	667,769
Cost of inventories sold	-	(6,559,030)	(6,559,030)
Depreciation of property, plant and equipment	(137,076)	(45,076)	(182,152)
Impairment allowance	(3,557,823)	(228,624)	(3,786,447)
Other expenses	(5,528,135)	(3,124,344)	(8,652,479)
Finance costs	(892,426)	-	(892,426)
Profit/(Loss) before tax	11,303,834	285,901	11,589,735
6 months Ended 30 September 2019			
Revenue (External)	49,742,966	22,073,074	71,816,040
Other income	1,639,679	27,065	1,666,744
Cost of inventories sold	-	(14,164,695)	(14,164,695)
Depreciation of PPE & right of use assets	(344,764)	(760,340)	(1,105,104)
Impairment allowance	(9,116,647)	(226,365)	(9,343,012)
Other expenses	(13,097,638)	(6,016,926)	(19,114,564)
Finance costs	(4,555,426)	(87,823)	(4,643,249)
Profit/(Loss) before tax	24,268,170	843,990	25,112,160
Segment assets	665,902,236	31,945,893	697,848,129
Segment liabilities	272,657,538	5,685,299	278,342,838
6 months Ended 30 September 2018			
Revenue (External)	40,696,320	19,119,818	59,816,138
Other income	1,232,668	110,746	1,343,414
Cost of inventories sold	-	(12,267,476)	(12,267,476)
Depreciation of property, plant and equipment	(254,534)	(90,491)	(345,025)
Impairment allowance	(7,393,748)	(313,796)	(7,707,544)
Other expenses	(10,793,755)	(6,113,951)	(16,907,707)
Finance costs	(1,620,710)	-	(1,620,710)
Profit/(Loss) before tax	21,866,240	444,850	22,311,090
Segment assets	483,141,882	24,370,465	507,512,347
Segment liabilities	100,721,123	1,898,475	102,619,598

A8 Subsequent Events

There was no material event subsequent to the current quarter.

A9 Changes in the Composition of the Group

Saved as disclosed, there were no material 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 2019.

Premier Auto Assets Berhad ("PAAB") a special purpose vehicle was incorporated to facilitate an assets-backed securitisation exercise of the Group.

PAAB is deemed to be an indirect subsidiary of the Company in accordance to the accounting standards.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 30 September 2019.

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 2019.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 30 September 2019.

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

Notes to the Interim Financial Statements

for the second quarter ended 30 September 2019

B1 Review Of Performance
CURRENT QUARTER (FY2020-Q2 vs FY2019-Q2)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2019	30.09.2018			30.09.2019	30.09.2018		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	36,624,091	30,994,500	5,629,591	18%	71,816,040	59,816,138	11,999,902	20%
Profit before interest and tax	15,859,859	12,482,161	3,377,698	27%	29,755,409	23,931,800	5,823,609	24%
Profit before taxation	12,829,214	11,589,735	1,239,479	11%	25,112,160	22,311,090	2,801,070	13%
GROUP	As at		Variance	Variance			Variance	Variance
	30.09.2019	30.09.2018						
	RM	RM			RM	%		
Hire Purchase Receivables	553,768,681	435,263,241	118,505,440	27%				
Bank Borrowings	146,061,579	79,157,261	66,904,318	85%				
Medium Term Notes ("MTN")	104,527,502	-	104,527,502	N/A				

The Group's revenue increased by 18% to RM36.62 million. The Group's profit before tax increased by 11% to RM12.83 million. The increase in revenue and profit before tax were mainly due to higher contribution from hire purchase segment for the quarter ended 30 September 2019.

Hire purchase receivables recorded a 27% growth year on year from RM435.26 million to RM553.77 million as at 30 September 2019. This was the key factor that led to the increase in hire purchase revenue for the current financial period.

In line with the Group's capital management strategy to leverage up, total bank borrowings increased by 85% mainly due to higher drawdown of block discounting facility and MTNs were issued during the current financial period to finance the increase of hire purchase receivables. Nevertheless, the Group's gearing remains at a low and manageable level of 0.6 times.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2019	30.09.2018			30.09.2019	30.09.2018		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	25,672,414	20,731,051	4,941,363	24%	49,742,966	40,696,320	9,046,646	22%
Profit before interest and tax	15,325,645	12,196,260	3,129,385	26%	28,823,596	23,486,950	5,336,645	23%
Profit before taxation	12,337,318	11,303,834	1,033,484	9%	24,268,170	21,866,240	2,401,930	11%

Revenue increased by 24% to RM25.67 million, mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 30% to RM4.61 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased slightly from 0.81% to 0.83%. The marginal increase in credit loss charge was mainly due to stable domestic economic environment during the financial period under review and the Group's concerted efforts in credit recovery.

Other expenses increased by 21% to RM6.71 million mainly due to higher staff costs and higher staff development expenses. Cost to income ratio remains at manageable level of 28.7%.

As a result of higher borrowings and debt securities, the finance cost increased by 235% to RM3.00 million.

The profit before tax increased by 9% to RM12.34 million mainly due to increase in hire purchase portfolio for the quarter ended 30 September 2019.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2019	30.09.2018			30.09.2019	30.09.2018		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	10,951,677	10,263,449	688,228	7%	22,073,074	19,119,818	2,953,256	15%
Profit before interest and tax	534,214	285,901	248,313	87%	931,813	444,850	486,963	109%
Profit before taxation	491,896	285,901	205,995	72%	843,990	444,850	399,140	90%

Revenue increased by 7% to RM10.95 million mainly due to the increase of local sales, which is in line with the Group's effort to focus its operations in the domestic market.

Impairment allowance reduced by RM0.19 million to RM0.04 million. Other expenses reduced by 4% to RM2.99 million mainly due to lower operating expenses.

The segment recorded profit before tax of RM0.49 million mainly due to the higher sales for the quarter ended 30 September 2019.

YEAR-TO-DATE (FY2020 YTD vs FY2019 YTD)

The Group's revenue increased by 20% to RM71.82 million, due to higher contribution from both hire purchase and furniture segment.

The Group's profit before tax increased by 13% to RM25.11 million, mainly contributed by the hire purchase segment.

Hire Purchase Segment

Revenue increased by 22% from RM40.70 million to RM49.74 million, mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 23% to RM9.12 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) marginally decreased from 1.80% to 1.79%. The improvement was mainly due to stable domestic economic environment during the financial period under review and the Group's concerted efforts in credit recovery.

Other expenses increased by 21% to RM13.10 million mainly due to higher staff costs and higher staff development expenses. Cost to income ratio remains at manageable level of 28.7%.

As a result of higher borrowings, the finance cost increased by 181% to RM4.56 million.

The profit before tax increased by 11% to RM24.27 million mainly due to increase in hire purchase portfolio for the six (6) months period ended 30 September 2019.

Furniture Segment

Revenue increased by 15% to RM22.07 million mainly due to the increase of local sales, which is in line with the Group's effort to focus its operations in the domestic market.

Impairment allowance increased by RM0.09 million to RM0.23 million, mainly due to slower payment from furniture dealers. Other expenses reduced by 2% to RM6.02 million mainly due to lower operating expenses .

The segment recorded a higher profit before tax of RM0.84 million for the six (6) months period ended 30 September 2019 mainly due to higher revenue.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	30.09.2019	30.06.2019		
	RM	RM	RM	%
Revenue	36,624,091	35,191,948	1,432,143	4%
Profit before interest and tax	15,859,859	13,895,551	1,964,308	14%
Profit before taxation	12,829,214	12,282,946	546,268	4%
Hire purchase receivables	553,768,681	513,000,395	40,768,286	8%
Bank borrowings	146,061,579	126,827,363	19,234,216	15%
Medium term notes	104,527,502	-	104,527,502	0%

The Group's profit before tax for the current quarter of RM12.83 million was higher as compared to RM12.28 million of the immediate preceding quarter mainly due to higher profit contribution from the hire purchase segment in the current quarter.

B3 Prospects and Outlook

Despite the uncertain global economic conditions ahead, the overall domestic macro-economic factors (i.e. labour market conditions, inflation outlook, cost of living) remain stable. In view of this, the Group intends to maintain its momentum in growing its hire purchase portfolio in the financial year ending 31 March 2020 without compromising on the quality of its assets.

The Group will focus on its core business of second hand car hire purchase financing, which strategically operates in the underserved niche market, and continue to remain prudent in managing its credit risks.

The furniture trading business will continue to focus its operations in the domestic wholesale market.

In view of the Group's growth momentum, the Board is optimistic that the Group's performance for the financial year ending 31 March 2020 is expected to be better than financial year ended 31 March 2019.

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 2019 are set out below:

	3 months ended	6 months ended
	30.09.2019	30.09.2019
	RM	RM
(a) Income Tax	3,204,838	6,202,364
(b) Deferred Taxation	8,796	19,569
	<u>3,213,634</u>	<u>6,221,933</u>

The effective tax rate of the Group for the current quarter ended 30 September 2019 was higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

B6 Status of Corporate Proposals Announced

There are no corporate proposals announced for the Group as at the reporting date.

B7 Group Borrowings & Debt Securities

The Group does not have any borrowings or debt securities that are denominated in foreign currency.

Borrowings		As at	As at
		30.09.2019	30.09.2018
		RM	RM
Block Discounting Payables	- within 1 year	57,846,273	34,603,193
(Fixed rate and secured)	- later than 1 year	88,215,306	44,554,068
		146,061,579	79,157,261
Debt Securities			
ICULS - liability component	- later than 1 year	454,877	976,911
Medium Term Notes	- within 1 year	52,625,803	-
	- later than 1 year	51,901,699	-
		104,527,502	-

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 3.50 sen per share (Q2 FYE2019: 3.50 sen) in respect of the current financial year ending 31 March 2020. The dividend will be paid on 15 January 2020 to the shareholders whose name appear in the record of depositors of the Company as at 2 January 2020.

Year-to-date ("YTD") dividend for the financial period ended 30 September 2019 is 3.50 sen per ordinary share (YTD FY2019: 3.50 sen).

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 period.

	Quarter ended 30.09.2019	Quarter ended 30.09.2018	Year to date ended 30.09.2019	Year to date ended 30.09.2018
Profit after taxation (RM)	9,615,580	8,620,299	18,890,227	16,690,936
Weighted average number of ordinary shares (units)	296,913,214	293,551,274	296,624,524	290,720,092
Basic earnings per ordinary share (sen)	3.24	2.94	6.37	5.74

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 30.09.2019	Quarter ended 30.09.2018	Year to date ended 30.09.2019	Year to date ended 30.09.2018
Profit after taxation (RM)	9,615,580	8,620,299	18,890,227	16,690,936
Interest expense on ICULS, net of tax (RM)	26,143	35,658	56,618	82,838
Adjusted profit after tax (RM)	9,641,723	8,655,957	18,946,845	16,773,774
Weighted average number of ordinary shares (units)	296,913,214	293,551,274	296,624,524	290,720,092
Adjustment for potential dilutive shares (units)	6,295,046	9,656,986	6,583,736	12,488,168
Adjusted weighted average number of ordinary shares (units)	303,208,260	303,208,260	303,208,260	303,208,260
Diluted earnings per ordinary share (sen)	3.18	2.85	6.25	5.53

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2019 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 30.09.2019	6 months ended 30.09.2019 RM
Profit before taxation is arrived at after charging:		
Interest expense	2,985,898	4,552,516
Interest on lease liabilities	44,747	90,733
And crediting :		
Interest income	898,758	1,017,398
Unrealised foreign exchange (loss) / gain	25,102	13,704
Realised foreign exchange (loss) / gain	(142,652)	(160,455)

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.

	As at 30.09.2019 RM	As at 31.03.2019 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	101,018,269	92,571,839
- Unrealised	3,186,244	3,186,245
	<u>104,204,513</u>	<u>95,758,084</u>
Less: Consolidation adjustments	(34,911,257)	(34,857,917)
Total retained earnings as per consolidation accounts	<u><u>69,293,256</u></u>	<u><u>60,900,167</u></u>