

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
30 SEPTEMBER 2020**

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the financial period ended 30 September 2020

(The figures have not been audited.)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>30.09.2020</u>	<u>30.09.2019</u>	<u>30.09.2020</u>	<u>30.09.2019</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Revenue	37,393,918	36,624,091	67,795,485	71,816,040
Other income	907,211	1,192,275	2,110,740	1,666,744
Cost of inventories sold	(9,234,362)	(7,017,486)	(13,788,978)	(14,164,695)
Depreciation of PPE & right-of-use assets	(652,540)	(580,967)	(1,267,312)	(1,105,104)
Impairment allowance	(2,477,412)	(4,652,883)	(16,617,473)	(9,343,012)
Other expenses	(9,362,647)	(9,705,171)	(14,976,680)	(19,114,564)
Finance costs	(3,190,665)	(3,030,645)	(7,164,515)	(4,643,249)
Profit before taxation	<u>13,383,503</u>	<u>12,829,214</u>	<u>16,091,267</u>	<u>25,112,160</u>
Taxation	(2,586,361)	(3,213,634)	(4,052,917)	(6,221,933)
Profit for the financial period	<u>10,797,142</u>	<u>9,615,580</u>	<u>12,038,350</u>	<u>18,890,227</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	<u>10,797,142</u>	<u>9,615,580</u>	<u>12,038,350</u>	<u>18,890,227</u>
Earnings per ordinary share - basic (sen)	<u>3.63</u>	<u>3.24</u>	<u>4.05</u>	<u>6.37</u>
Earnings per ordinary share - diluted (sen)	<u>3.57</u>	<u>3.18</u>	<u>3.99</u>	<u>6.25</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 2020)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

(The figures have not been audited.)

	As at 30.09.2020 RM	As at 31.03.2020 RM
ASSETS		
Non-current assets		
Property, plant and equipment	11,120,289	10,621,921
Hire purchase receivables	401,292,191	466,156,634
Right-of-use assets	1,787,177	2,325,635
Deferred tax assets	5,211,191	5,232,016
	419,410,848	484,336,206
Current assets		
Inventories	10,201,160	12,386,172
Other assets	836,080	2,126,303
Trade receivables	15,145,872	13,912,372
Hire purchase receivables	138,282,100	144,264,976
Other receivables, deposits and prepayments	2,341,648	1,912,425
Short term funds	32,617,590	14,042,200
Cash and bank balances	47,903,681	77,597,465
	247,328,131	266,241,913
Total assets	<u>666,738,979</u>	<u>750,578,119</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	344,387,356	344,340,237
Retained earnings	75,766,571	74,877,336
ICULS - equity component	5,856,613	5,895,891
Total equity	426,010,540	425,113,464
LIABILITIES		
Non-current liabilities		
ICULS - liability component	275,054	361,824
Block discounting payables - secured	94,699,020	112,969,929
Term loan - unsecured	12,318,000	14,322,000
Medium term notes	19,580,615	54,317,953
Lease liabilities	461,541	1,005,897
	127,334,230	182,977,603
Current liabilities		
Trade payables	6,860,200	11,156,469
Other payables and accruals	4,769,499	8,204,201
Block discounting payables - secured	59,679,032	64,159,143
Term loan - unsecured	4,008,000	4,008,000
Medium term notes	34,474,675	49,474,675
Lease liabilities	1,396,121	1,387,690
Bank overdraft	-	149,838
Current tax liabilities	2,206,682	3,947,036
	113,394,209	142,487,052
Total liabilities	<u>240,728,439</u>	<u>325,464,655</u>
TOTAL EQUITY AND LIABILITIES	<u><u>666,738,979</u></u>	<u><u>750,578,119</u></u>
Net assets per share	1.43	1.43

(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 2020)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 September 2020
(The figures have not been audited.)

	Number of Issued Shares Unit	Share Capital RM	Retained Earnings RM	ICULS - equity component RM	Total Equity RM
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
Balance as at 1 April 2020	297,146,444	344,340,237	74,877,336	5,895,891	425,113,464
Total comprehensive income	-	-	12,038,350	-	12,038,350
Issuance of shares upon conversion of ICULS	39,930	47,119	(5,612)	(39,278)	2,229
Second interim dividend for financial year ended 31 March 2020	-	-	(11,143,503)	-	(11,143,503)
Balance as at 30 September 2020	297,186,374	344,387,356	75,766,571	5,856,613	426,010,540

(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 2020)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 30 September 2020

(The figures have not been audited.)

	6 months ended	
	30.09.2020	30.09.2019
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	16,091,267	25,112,160
Adjustment for :		
Depreciation of property, plant and equipment	551,084	447,555
Depreciation of right-of-use assets	716,228	657,549
Loss/(Gain) on disposal of property, plant and equipment	(1,599)	-
Property, plant and equipment written off	-	1
Impairment allowances made for the financial year:		
- hire-purchase receivables	17,622,202	10,113,978
- trade receivables	8,843	259,385
Interest expense	7,114,476	4,552,516
Interest on lease liabilities	50,039	90,733
Interest income	(970,923)	(383,343)
Income from short term funds	(219,075)	(634,055)
Unrealised (gain) / loss on foreign exchange	58,432	(13,704)
Operating profit before working capital changes	41,020,974	40,202,775
Changes in working capital:		
Inventories	2,185,012	(2,032,875)
Other assets	1,290,223	(187,634)
Hire purchase receivables	53,225,117	(87,428,822)
Trade receivables	(1,314,187)	(1,888,411)
Other receivables, deposits and prepayments	(429,223)	(19,315)
Trade payables	(4,296,269)	2,437,281
Other payables and accruals	(1,368,211)	350,330
	49,292,462	(88,769,446)
Cash generated from/(used in) operations	90,313,436	(48,566,671)
Tax paid	(5,773,150)	(5,908,650)
Net cash from/(used in) operating activities	84,540,286	(54,475,321)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(1,066,953)	(700,981)
Net withdrawal / (placement) of fixed deposit with licensed banks with original maturity of more than three (3) months	28,551,034	(34,588,988)
Proceeds from disposal of property, plant and equipment	19,100	-
Interest received	970,923	383,343
Income received from short term funds	219,075	634,055
Net cash from/(used in) investing activities	28,693,179	(34,272,571)
<u>Cash flows from financing activities</u>		
Net drawdown/(repayment) of term loans	(2,004,000)	-
Net drawdown/(repayment) of block discounting payables	(22,811,889)	31,914,199
Interest paid	(8,927,861)	(4,836,627)
Repayment of lease liabilities	(763,735)	(704,872)
Dividend paid	(11,143,503)	(10,395,854)
(Repayment) / Issuance of medium term notes	(50,000,000)	105,000,000
Medium term notes issuance costs	-	(1,575,976)
Net cash from/(used in) financing activities	(95,650,988)	119,400,870

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 30 September 2020

(The figures have not been audited.)

	6 months ended	
	30.09.2020	30.09.2019
	RM	RM
Net increase/(decrease) in cash and cash equivalents during the financial period	17,582,477	30,652,978
Effects of exchange rate changes on cash and cash equivalents	-	2
Cash and cash equivalents as at beginning of financial year	24,496,138	31,409,906
Cash and cash equivalents as at end of financial period	42,078,615	62,062,886
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	47,903,681	40,495,976
Bank overdraft	-	(482,271)
Short term fund	32,617,590	56,638,169
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(38,442,656)	(34,588,988)
	42,078,615	62,062,886

(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 2020)

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 2020, 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 2020 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 2020.

On 1 April 2020, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020

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 2020.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 30 September 2020.

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 2020 except for the following:

Equity Securities

During the financial period under review, the Company had issued 27,280 new ordinary shares pursuant to conversions of 32,192 units of ICULS.

As at 30 September 2020, the number of ordinary shares were 297,186,374 shares. The number of outstanding ICULS stood at 7,105,742 units.

Debt Securities

In July 2020, the Group has redeemed its Senior Medium Term Notes amounting to RM 50million.

A6 Dividend Paid

On 16 July 2020, the Company had paid a second interim single tier dividend of 3.75 sen per share in respect of the financial year ended 31 March 2020, the dividend amounting to RM11.14 million.

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
Quarter Ended 30 September 2020			
Revenue (External)	23,239,375	14,154,543	37,393,918
Other income	628,792	278,419	907,211
Cost of inventories sold	-	(9,234,362)	(9,234,362)
Depreciation of PPE & right-of-use assets	(256,441)	(396,099)	(652,540)
Impairment allowance	(2,747,685)	270,273	(2,477,412)
Other expenses	(6,024,039)	(3,338,608)	(9,362,647)
Finance costs	(3,165,494)	(25,171)	(3,190,665)
Profit/(Loss) before tax	11,674,508	1,708,995	13,383,503

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

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
6 months Ended 30 September 2020			
Revenue (External)	46,710,380	21,085,105	67,795,485
Other income	1,669,546	441,194	2,110,740
Cost of inventories sold	-	(13,788,978)	(13,788,978)
Depreciation of PPE & right of use assets	(476,699)	(790,613)	(1,267,312)
Impairment allowance	(16,642,941)	25,468	(16,617,473)
Other expenses	(10,012,956)	(4,963,724)	(14,976,680)
Finance costs	(7,120,579)	(43,936)	(7,164,515)
Profit/(Loss) before tax	14,126,751	1,964,516	16,091,267
Segment assets	633,357,588	33,381,391	666,738,979
Segment liabilities	235,806,373	4,922,066	240,728,439

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 property, plant and equipment	(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	278,342,837

A8 Subsequent Events

There was no material event subsequent to the current quarter.

A9 Changes in the Composition of the Group

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 2020.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 30 September 2020.

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 2020.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 30 September 2020.

B1 Review of Performance

CURRENT QUARTER (FY2021-Q2 vs FY2020-Q2)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2020	30.09.2019			30.09.2020	30.09.2019		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	37,393,918	36,624,091	769,827	2%	67,795,485	71,816,040	(4,020,555)	-6%
Profit before interest and tax	16,574,168	15,859,859	714,309	5%	23,255,782	29,755,409	(6,499,627)	-22%
Profit before taxation	13,383,503	12,829,214	554,289	4%	16,091,267	25,112,160	(9,020,893)	-36%
GROUP	As at		Variance	Variance				
	30.09.2020				30.09.2019			
	RM	RM			RM	%		
Hire Purchase Receivables	539,574,291	553,768,681	(14,194,390)	-3%				
Bank Borrowings	170,704,052	146,543,850	24,160,202	16%				
Medium Term Notes ("MTN")	54,055,290	104,527,502	(50,472,212)	-48%				

The ongoing Coronavirus ("Covid-19") outbreak and the unprecedented Movement Control Order ("MCO") declared by the Malaysian Government from March to May 2020, has resulted in disruptions to our Group's business and operations as we do not fall under the essential services.

The Group's revenue and profit before tax for the quarter increased marginally to RM37.39 million and RM13.38 million respectively mainly due to higher contribution from the furniture segment.

Hire purchase receivables as at 30 September 2020 stood at RM539.57 million, which is 3% lower than the previous year.

In line with the Group's capital management strategy to leverage up in the past two years, bank borrowings increased by 16% mainly due to higher drawdown of block discounting facilities. MTNs were reduced by 48% due to a redemption of a senior note on its maturity date during the quarter. As at 30 September 2020, the Group's gearing remains at a manageable level of 0.53 times.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2020	30.09.2019			30.09.2020	30.09.2019		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	23,239,375	25,672,414	(2,433,039)	-9%	46,710,380	49,742,966	(3,032,586)	-6%
Profit before interest and tax	14,840,002	15,325,645	(485,643)	-3%	21,247,330	28,823,596	(7,576,266)	-26%
Profit before taxation	11,674,508	12,337,318	(662,810)	-5%	14,126,751	24,268,170	(10,141,419)	-42%

Revenue decreased by 9% to RM23.24 million, as a result of a smaller hire purchase portfolio coupled with significantly lower new hire purchase disbursements during the quarter.

Impairment allowance decreased by 40% to RM2.75 million while credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 0.83% to 0.47%. The impairment allowance and credit loss charge were lower during the quarter as the Group was able to resume its recovery activities after the movement controls was gradually relaxed.

Other expenses reduced by 10% to RM6.02 million mainly due to lower staff costs. Cost to income ratio remains at a manageable level of 30%. Finance cost increased by 6% to RM3.17 million.

The profit before tax decreased by 5% to RM11.67 million mainly due to lower revenue derived during the quarter.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2020	30.09.2019			30.09.2020	30.09.2019		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	14,154,543	10,951,677	3,202,866	29%	21,085,105	22,073,074	(987,969)	-4%
Profit before interest and tax	1,734,166	534,214	1,199,952	225%	2,008,452	931,813	1,076,639	116%
Profit before taxation	1,708,995	491,896	1,217,099	247%	1,964,516	843,990	1,120,526	133%

Revenue increased by 29% to RM14.15 million mainly due to significantly higher domestic sales. After the MCO was uplifted, the furniture segment experienced a very vibrant business activity in the furniture industry as there was pent up consumer demand for home furnitures.

Other income increased to RM0.28 million mainly due to subsidies received under the wage subsidy programme that was implemented by the government to assist employers in retaining their workers.

Other expenses increased by 12% to RM3.34 million mainly due to higher staff cost.

The segment recorded a significantly higher profit before tax of RM1.71 million for the quarter ended 30 September 2020 mainly due to higher revenue and stable profit margins.

YEAR-TO-DATE (FY2021 YTD vs FY2020 YTD)

The Group's revenue decreased by 6% to RM67.80 million while the profit before tax decreased by 36% to RM16.09 million. The decrease in revenue and profit before tax were mainly due to lower contributions from the hire purchase segment for the financial period ended 30 September 2020.

Hire Purchase Segment

Revenue decreased by 6% from RM49.74 million to RM46.71 million, mainly due to lower new hire purchase disbursements during the 6 months period.

Impairment allowance increased by 83% to RM16.64 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased from 1.79% to 2.91%. The higher impairment allowance and credit loss charge were incurred mainly in the first quarter arising from slower hirer repayment as a result of the ongoing pandemic crisis and MCO disruptions to our recovery activities.

Other expenses decreased by 24% to RM10.01 million mainly due to lower staff costs. Cost to income ratio remains at a manageable level of 25%.

As a result of higher bank borrowings, the finance cost increased by 56% to RM7.12 million.

The profit before tax for the 6 months period decreased by 42% from RM24.23 million to RM14.13 million.

Furniture Segment

Revenue decreased by 4% to RM21.09 million mainly due to disruptions caused by the MCO as no delivery of goods could be made during the MCO period.

Other income increased significantly by RM0.41 million mainly due to subsidies received under the wage subsidy programme that was implemented by the government to assist employers in retaining their workers.

Depreciation and other expenses decreased 15% to RM5.75 million mainly due to lower selling and distribution cost.

The segment recorded a significantly higher profit before tax of RM1.96 million for the six (6) months period ended 30 September 2020 mainly due to wage subsidies received and cost efficiencies.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	30.09.2020	30.06.2020		
	RM	RM	RM	%
Revenue	37,393,918	30,401,568	6,992,350	23%
Profit before interest and tax	16,574,168	6,981,749	9,592,419	137%
Profit before taxation	13,383,503	3,007,899	10,375,604	345%
Hire purchase receivables	539,574,291	567,839,848	(28,265,557)	-5%
Bank borrowings	170,704,052	190,033,969	(19,329,917)	-10%
Medium term notes	54,055,290	103,923,959	(49,868,669)	-48%

The Group's profit before tax for the current quarter of RM13.38 million was higher as compared to RM3.01 million of the immediate preceding quarter due to higher profit contribution from both the hire purchase and furniture segments in the current quarter.

B3 Prospects and Outlook

The current financial year (FY2021) is expected to be a very challenging year for the used car financing industry following the Covid-19 global crisis.

The unemployment rate is expected to remain elevated in the coming months, as a slower recovery is seen in the labour market amid more movement restrictions in Malaysia arising from the third wave of Covid-19 infection cases. This would translate into a lower propensity to spend by consumers. Business confidence is also expected to remain low as the total impact and cost of the pandemic have yet to be determined. Investments by the private sector are expected to be subdued.

These factors play a vital role in the decision making process when it comes to purchasing a used car. At the same time, they may also affect our borrowers' ability to fulfill their repayment commitment.

In view of this muted operating outlook, ELK-Desa does not expect its hire purchase portfolio to grow further in the near future and is bracing itself for performance to be adversely affected in the next 12 months.

As such, in the immediate to medium term, the Group intends to preserve the quality of its assets by intensifying its credit risk management. It will also remain agile and focused on streamlining its existing processes to improve operational efficiencies and optimise operating cost.

In October 2020, the Government has gazetted the Temporary Measures for Reducing the Impact of Covid-19 Act 2020 which suspended the Group's right to perform repossession activities from October to December 2020. It remains uncertain whether there will be any extension of this measure beyond December 2020.

Negative consumer sentiment amidst a sluggish property market will also affect the Group's furniture trading business. As a wholesaler for the domestic market, ELK-Desa must now take a more cautious approach in engaging and working with credible and reliable furniture dealers in order to protect its cash flow and minimise defaults. On the positive side, we have seen higher demands for household furnitures in recent months. We expect that this short term pent up demand to normalise in the coming months.

With the bank moratorium that has ended in September 2020, coupled with a further round of movement restrictions due to the third wave of Covid-19 infections in Malaysia, the remaining quarters of FY2021 remain highly uncertain.

While we are paying close attention to these developments, we believe that the second hand car and furniture industries would be able to withstand the difficulties in the medium to long term, given the various economic stimulus packages announced by the Government to enhance the cash flows for households and businesses.

While the Group is working diligently and cohesively to weather the storm for the financial year ending 31 March 2021, the Board is committed to protect the shareholders' value and uphold its 60% dividend policy.

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 2020 are set out below:

	3 months ended 30.09.2020	6 months ended 30.09.2020
	RM	
(a) Income Tax	2,576,280	4,032,796
(b) Deferred Taxation	10,081	20,121
	<u>2,586,361</u>	<u>4,052,917</u>

The effective tax rate of the Group for the current quarter ended 30 September 2020 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 30.09.2020	As at 30.09.2019
		RM	
Block Discounting Payables (Fixed rate and secured)	- within 1 year	59,679,032	57,846,273
	- later than 1 year	94,699,020	88,215,306
		154,378,052	146,061,579
Term Loan (Floating and unsecured)	- within 1 year	4,008,000	-
	- later than 1 year	12,318,000	-
		16,326,000	-
Bank overdraft		-	482,271
Total Borrowings		<u>170,704,052</u>	<u>146,543,850</u>
Debt Securities			
ICULS - liability component	- later than 1 year	275,054	454,877
Medium Term Notes	- within 1 year	34,474,675	52,625,803
	- later than 1 year	19,580,615	51,901,699
		54,055,290	104,527,502
Total Debt Securities		<u>54,330,344</u>	<u>104,982,379</u>

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 2.50 sen per share (Q2 FYE2020: 3.50 sen) in respect of the current financial year ending 31 March 2021. The dividend will be paid on 18 December 2020 to the shareholders whose name appear in the record of depositors of the Company as at 7 December 2020.

Year-to-date ("YTD") dividend for the financial period ended 30 September 2020 is 2.50 sen per ordinary share (YTD FY2020: 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 30.09.2020	Quarter ended 30.09.2019	Year to date ended 30.09.2020	Year to date ended 30.09.2019
Profit after taxation (RM)	10,797,142	9,615,580	12,038,350	18,890,227
Weighted average number of ordinary shares (units)	297,175,636	296,913,214	297,161,673	296,624,524
Basic earnings per ordinary share (sen)	3.63	3.24	4.05	6.37

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 30.09.2020	Quarter ended 30.09.2019	Year to date ended 30.09.2020	Year to date ended 30.09.2019
Profit after taxation (RM)	10,797,142	9,615,580	12,038,350	18,890,227
Interest expense on ICULS, net of tax (RM)	25,550	26,143	51,754	56,618
Adjusted profit after tax (RM)	10,822,692	9,641,723	12,090,104	18,946,845
Weighted average number of ordinary shares (units)	297,175,636	296,913,214	297,161,673	296,624,524
Adjustment for potential dilutive shares (units)	6,032,624	6,295,046	6,046,587	6,583,736
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)	3.57	3.18	3.99	6.25

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 30 September 2020 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 30.09.2020	6 months ended 30.09.2020 RM
Profit before taxation is arrived at after charging:		
Interest expense	3,162,472	7,114,476
Interest on lease liabilities	28,193	50,039
And crediting :		
Interest income	453,683	1,189,998
Unrealised foreign exchange (loss) / gain	(3,110)	(58,432)
Realised foreign exchange (loss) / gain	(48,920)	(55,460)

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 30.09.2020 RM	As at 31.03.2020 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	105,538,109	104,595,449
- Unrealised	5,145,178	5,145,178
	110,683,287	109,740,627
Less: Consolidation adjustments	(34,916,716)	(34,863,291)
Total retained earnings as per consolidation accounts	75,766,571	74,877,336