

# **ELK-DESA<sup>®</sup>**

**ELK-DESA RESOURCES BERHAD**

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED  
RESULTS FOR THE PERIOD ENDED  
30 SEPTEMBER 2021**

**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 2021**  
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM	RM	RM	RM
Revenue	23,362,227	37,393,918	54,734,842	67,795,485
Other income	537,867	907,211	1,140,079	2,110,740
Cost of inventories sold	(3,200,715)	(9,234,362)	(8,988,877)	(13,788,978)
Depreciation of PPE & right-of-use assets	(680,262)	(652,540)	(1,382,263)	(1,267,312)
Impairment allowance	(5,344,228)	(2,477,412)	(13,665,156)	(16,617,473)
Other expenses	(5,175,442)	(9,362,647)	(12,523,055)	(14,976,680)
Finance costs	(3,170,280)	(3,190,665)	(6,075,358)	(7,164,515)
Profit before taxation	6,329,167	13,383,503	13,240,212	16,091,267
Taxation	(1,577,640)	(2,586,361)	(3,521,423)	(4,052,917)
Profit for the financial period	4,751,527	10,797,142	9,718,789	12,038,350
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	4,751,527	10,797,142	9,718,789	12,038,350
Earnings per ordinary share - basic (sen)	1.60	3.63	3.27	4.05
Earnings per ordinary share - diluted (sen)	1.57	3.57	3.22	3.99

*(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 2021)*

**ELK-DESA RESOURCES BERHAD** (Company No: 198901002858 (180164-X))  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 September 2021**  
(The figures have not been audited.)

	<b>As at 30.09.2021 RM</b>	<b>As at 31.03.2021 RM</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10,893,300	11,069,698
Hire purchase receivables	336,238,108	385,842,527
Right-of-use assets	3,927,912	4,425,013
Deferred tax assets	11,327,003	8,830,394
	<b>362,386,323</b>	<b>410,167,632</b>
<b>Current assets</b>		
Inventories	9,918,241	9,073,407
Other assets	55,339	507,821
Trade receivables	13,128,222	17,311,074
Hire purchase receivables	133,631,082	136,954,548
Other receivables, deposits and prepayments	2,923,291	2,327,260
Current tax assets	181,230	48,240
Short term funds	61,330,214	15,461,222
Cash and bank balances	15,045,464	71,162,489
	<b>236,213,083</b>	<b>252,846,061</b>
Total assets	<b>598,599,406</b>	<b>663,013,693</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	344,852,051	344,449,188
Retained earnings	87,103,444	91,576,189
ICULS - equity component	5,469,295	5,805,076
Total equity	437,424,790	441,830,453
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
ICULS - liability component	91,545	186,617
Block discounting payables - secured	86,792,456	76,707,640
Term loan - unsecured	8,310,000	10,314,000
Medium term notes	-	19,843,278
Lease liabilities	3,549,877	3,219,212
Deferred tax liabilities	2,168	862
	<b>98,746,046</b>	<b>110,271,609</b>
<b>Current liabilities</b>		
Trade payables	2,637,980	8,059,810
Other payables and accruals	3,111,499	7,802,936
Block discounting payables - secured	47,597,456	50,035,409
Term loan - unsecured	4,008,000	4,008,000
Medium term notes	-	34,474,675
Lease liabilities	512,653	1,303,103
Bank overdraft	-	262,576
Current tax liabilities	4,560,982	4,965,122
	<b>62,428,570</b>	<b>110,911,631</b>
Total liabilities	<b>161,174,616</b>	<b>221,183,240</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>598,599,406</b>	<b>663,013,693</b>
Net assets per share	1.47	1.49

*(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 2021)*

**ELK-DESA RESOURCES BERHAD** (Company No: 198901002858 (180164-X))  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the financial period ended 30 September 2021**  
(The figures have not been audited.)

	Number of Issued Shares Units	Share Capital RM	Retained Earnings RM	ICULS - equity component RM	Total Equity RM
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)
<b>Balance as at 30 September 2020</b>	<b>297,186,374</b>	<b>344,387,356</b>	<b>75,766,571</b>	<b>5,856,613</b>	<b>426,010,540</b>
Balance as at 1 April 2021	297,238,774	344,449,188	91,576,189	5,805,076	441,830,453
Total comprehensive income	-	-	9,718,789	-	9,718,789
Issuance of shares upon conversion of ICULS	341,408	402,863	(57,062)	(335,781)	10,020
Second Interim Dividend For Financial Year Ended 31 March 2021	-	-	(14,134,472)	-	(14,134,472)
<b>Balance as at 30 September 2021</b>	<b>297,580,182</b>	<b>344,852,051</b>	<b>87,103,444</b>	<b>5,469,295</b>	<b>437,424,790</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 2021)*

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

For the financial period ended 30 September 2021

(The figures have not been audited.)

	6 months ended	
	30.09.2021	30.09.2020
	RM	RM
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	13,240,212	16,091,267
Adjustment for :		
Depreciation of property, plant and equipment	552,511	551,084
Depreciation of right-of-use assets	829,752	716,228
Loss/(gain) on disposal of property, plant and equipment	-	(1,599)
Lease concession	(46,080)	-
Inventories written down / (written back)	(89,039)	-
Impairment allowances made for the financial year:		
- hire-purchase receivables	14,149,992	17,622,202
- trade receivables	96,275	8,843
Interest expense	5,955,744	7,114,476
Interest on lease liabilities	119,614	50,039
Interest income	(480,159)	(970,923)
Income from short term funds	(777,528)	(219,075)
Unrealised loss/(gain) on foreign exchange	(27,202)	58,432
Operating profit before working capital changes	33,524,092	41,020,974
Changes in working capital:		
Inventories	(755,795)	2,185,012
Other assets	452,482	1,290,223
Hire purchase receivables	38,777,893	53,225,117
Trade receivables	4,115,194	(1,314,187)
Other receivables, deposits and prepayments	(596,031)	(429,223)
Trade payables	(5,421,830)	(4,296,269)
Other payables and accruals	(3,889,521)	(1,368,211)
	32,682,392	49,292,462
Cash generated from/(used in) operations	66,206,484	90,313,436
Tax paid	(6,557,020)	(5,773,150)
Tax refunded	-	-
<b>Net cash from/(used in) operating activities</b>	<b>59,649,464</b>	<b>84,540,286</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(376,113)	(1,066,953)
Net withdrawal/(placement) of fixed deposit with licensed banks with original maturity of more than three (3) months	5,022,466	28,551,034
Withdrawals/(Placements) of deposits assigned in favour of the trustee	57,534,787	39,680,354
Proceeds from disposal of property, plant and equipment	-	19,100
Interest received	480,159	970,923
Income received from short term funds	777,528	219,075
<b>Net cash from/(used in) investing activities</b>	<b>63,438,827</b>	<b>68,373,533</b>

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

For the financial period ended 30 September 2021

(The figures have not been audited.)

	<b>6 months ended</b>	
	<b>30.09.2021</b>	<b>30.09.2020</b>
	<b>RM</b>	<b>RM</b>
<b><u>Cash flows from financing activities</u></b>		
Net (repayment)/drawdown of term loans	(2,004,000)	(2,004,000)
Net (repayment)/drawdown of block discounting payables	7,679,040	(22,811,889)
Interest paid	(6,191,094)	(8,927,861)
Repayment of lease liabilities	(865,970)	(763,735)
Dividend paid	(14,134,472)	(11,143,503)
(Repayment)/Issuance of medium term notes	(55,000,000)	(50,000,000)
<b>Net cash from/(used in) financing activities</b>	<b>(70,516,496)</b>	<b>(95,650,988)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the financial period</b>	<b>52,571,795</b>	<b>57,262,831</b>
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents as at beginning of financial year	21,995,428	(50,915,491)
<b>Cash and cash equivalents as at end of financial period</b>	<b>74,567,223</b>	<b>6,347,340</b>
<b><u>Composition of cash and cash equivalents</u></b>		
Deposits, cash and bank balances	15,045,464	47,903,681
Bank overdraft	-	-
Short term fund	61,330,214	32,617,590
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	-	(38,442,656)
Deposits assigned in favour of the trustee of SPE	(1,808,455)	(35,731,275)
	<b>74,567,223</b>	<b>6,347,340</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 2021)

## **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 2021, 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 2021 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 2021.

On 1 April 2021, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

<b>Title</b>	<b>Effective Date</b>
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2021

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 2021.

## **A4 Change in Estimates**

There were no changes in estimates that had any material effect for the financial period ended 30 September 2021.

## **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 2021 except for the following:

### Equity Securities

During the financial period under review, the Company had issued 341,408 new ordinary shares pursuant to conversions of 402,863 units of ICULS.

As at 30 September 2021, the number of ordinary shares were 297,580,182 shares. The number of outstanding ICULS stood at 6,641,047 units.

### Debt Securities

In July 2021, the Group has redeemed its Senior Medium Term Notes amounting to RM55 million. Out of RM55 million, RM 35million was redeemed on its maturity date on July 2021, and remaining RM20 million was redeemed one year earlier than its maturity date, i.e 19 July 2022.

## **A6 Dividend Paid**

On 18 June 2021, the Company had paid a second interim single tier dividend of 4.75 sen per share in respect of the financial year ended 31 March 2021, the dividend amounting to RM14.13 million.

**A7 Segmental Reporting**

	<b>Hire Purchase Financing RM</b>	<b>Furniture RM</b>	<b>Consolidated RM</b>
<b>Quarter Ended 30 September 2021</b>			
Revenue (External)	18,620,867	4,741,360	23,362,227
Other income	412,362	125,505	537,867
Cost of inventories sold	-	(3,200,715)	(3,200,715)
Depreciation of PPE & right-of-use assets	(349,460)	(330,802)	(680,262)
Impairment allowance	(5,357,309)	13,081	(5,344,228)
Other expenses	(3,574,223)	(1,601,219)	(5,175,442)
Finance costs	(3,157,880)	(12,400)	(3,170,280)
<b>Profit/(Loss) before tax</b>	<b>6,594,357</b>	<b>(265,190)</b>	<b>6,329,167</b>

<b>Quarter Ended 30 September 2020</b>			
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)
<b>Profit/(Loss) before tax</b>	<b>11,674,508</b>	<b>1,708,995</b>	<b>13,383,503</b>

	<b>Hire Purchase Financing RM</b>	<b>Furniture RM</b>	<b>Consolidated RM</b>
<b>6 months Ended 30 September 2021</b>			
Revenue (External)	41,500,236	13,234,606	54,734,842
Other income	1,005,618	134,461	1,140,079
Cost of inventories sold	-	(8,988,877)	(8,988,877)
Depreciation of PPE & right of use assets	(695,444)	(686,819)	(1,382,263)
Impairment allowance	(13,577,081)	(88,075)	(13,665,156)
Other expenses	(8,523,816)	(3,999,239)	(12,523,055)
Finance costs	(6,050,573)	(24,785)	(6,075,358)
<b>Profit/(Loss) before tax</b>	<b>13,658,940</b>	<b>(418,728)</b>	<b>13,240,212</b>

Segment assets	565,522,229	33,077,177	598,599,406
Segment liabilities	158,080,970	3,093,646	161,174,616

<b>6 months Ended 30 September 2020</b>			
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)
<b>Profit/(Loss) before tax</b>	<b>14,126,751</b>	<b>1,964,516</b>	<b>16,091,267</b>

Segment assets	633,357,588	33,381,391	666,738,979
Segment liabilities	235,806,373	4,922,066	240,728,439



**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 2021.

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

There were no contingent liabilities and assets for the Group as at 30 September 2021.

**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 2021.

**A12 Related Party Disclosures**

There was no significant related party transaction during the financial period ended 30 September 2021.

## B1 Review of Performance

### YEAR TO DATE AND CURRENT QUARTER (FY2022-Q2 vs FY2021-Q2)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2021	30.09.2020			30.09.2021	30.09.2020		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	23,362,227	37,393,918	(14,031,691)	-38%	54,734,842	67,795,485	(13,060,643)	-19%
Profit before interest and tax	9,499,447	16,574,168	(7,074,721)	-43%	19,315,570	23,255,782	(3,940,212)	-17%
Profit before taxation	6,329,167	13,383,503	(7,054,336)	-53%	13,240,212	16,091,267	(2,851,055)	-18%
GROUP	As at		Variance	Variance			Variance	Variance
	30.09.2021	30.09.2020						
	RM	RM			RM	%		
Hire Purchase Receivables	469,869,190	539,574,291	(69,705,101)	-13%				
Bank Borrowings	146,707,912	170,704,052	(23,996,140)	-14%				
Medium Term Notes ("MTN")	-	54,055,290	(54,055,290)	-100%				

The ongoing Coronavirus ("Covid-19") outbreak and the reintroduction of the Movement Control Order ("MCO") declared by the Malaysian Government from June 2021 onwards, has resulted in disruptions to our Group's business and operations.

The Group's revenue for the quarter decreased to RM23.36 million and profit before tax for the quarter decreased by 53% to RM6.33 million due to lower contribution from both hire purchase and furniture segments.

Hire purchase receivables as at 30 September 2021 stood at RM469.87 million, which is 13% lower than the previous year.

The Group's bank borrowings decreased by 14% mainly due to repayment of block discounting facilities and term loans. There was no outstanding balance for MTN as they were fully redeemed during the quarter. As at 30 September 2021, the Group's gearing remains at a low level of 0.34 times.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2021	30.09.2020			30.09.2021	30.09.2020		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	18,620,867	23,239,375	(4,618,508)	-20%	41,500,236	46,710,380	(5,210,144)	-11%
Profit before interest and tax	9,752,237	14,840,002	(5,087,765)	-34%	19,709,513	21,247,330	(1,537,817)	-7%
Profit before taxation	6,594,357	11,674,508	(5,080,151)	-44%	13,658,940	14,126,751	(467,811)	-3%

Revenue decreased by 20% to RM18.62 million, as a result of a smaller hire purchase portfolio and no hire purchase disbursement during the quarter due to the Full MCO.

Impairment allowance increased by 95% to RM5.36 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased from 0.47% to 1.01%. The higher impairment allowance and credit loss charge were mainly due to increase in the non-performing accounts during the quarter.

Other expenses decreased by 41% to RM3.57 million mainly due to lower operating costs such as staff and operating costs when the office premises were closed. Cost to income ratio remains at a manageable level of 25%. Despite a significantly lower borrowings and MTN in this quarter, the finance cost reduced minimally to RM3.12 million due to a one off charge as a result of the early redemption of MTN one year ahead of the maturity date.

The profit before tax decreased by 44% to RM6.59 million mainly due to lower revenue and the higher impairment allowance during the quarter.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2021	30.09.2020			30.09.2021	30.09.2020		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	4,741,360	14,154,543	(9,413,183)	-67%	13,234,606	21,085,105	(7,850,499)	-37%
(Loss) / Profit before interest and tax	(252,790)	1,734,166	(1,986,956)	-115%	(393,943)	2,008,452	(2,402,395)	-120%
(Loss) / Profit before taxation	(265,190)	1,708,995	(1,974,185)	-116%	(418,728)	1,964,516	(2,383,244)	-121%

Revenue decreased by 67% to RM4.74 million mainly due to lower furniture sales caused by the MCO as no delivery of goods could be made during the MCO period.

Other expenses decreased by 52% to RM1.60 million mainly due to lower selling and distribution costs and staff costs.

The segment recorded a net loss before tax of RM0.27 million for the quarter ended 30 September 2021 mainly due to its inability to operate for most part of the quarter.

**YEAR-TO-DATE (FY2022 YTD vs FY2021 YTD)**

The Group's revenue decreased by 19% to RM54.73 million while the profit before tax decreased by 18% to RM13.24 million. The decrease in revenue and profit before tax were mainly due to lower contributions from the both hire purchase and furniture segments for the financial period ended 30 September 2021.

**Hire Purchase Segment**

Revenue decreased by 11% from RM46.71 million to RM41.50 million, mainly due to lower hire purchase portfolio.

Impairment allowance decreased by 18% to RM13.58 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 2.91% to 2.49%. The lower impairment allowance and credit loss charge were mainly due to lower losses incurred for repossession.

Other expenses decreased by 15% to RM8.52 million mainly due to lower staff costs. Cost to income ratio remains at a manageable level of 25%.

Finance cost decreased by 15% to RM6.05 million mainly due to lower borrowings and debt securities as a result of the Group's concerted effort to pare down its borrowings.

The profit before tax for the six(6) months period decreased by 3% from RM14.13 million to RM13.67 million mainly due to lower hire purchase revenue.

**Furniture Segment**

Revenue decreased by 37% to RM13.23 million mainly due to disruptions caused by the MCO as no delivery of goods could be made during the MCO period.

Due to the lower level of business activities, other expenses decreased by 19% to RM4.68 million.

The segment recorded a net loss before tax of RM0.42 million for the six (6) months period ended 30 September 2021 due to disruption of the business activities by the Covid-19 pandemic and full MCO.

**B2 Comparison of Results with Preceding Quarter**

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	30.09.2021	30.06.2021		
	RM	RM	RM	%
Revenue	23,362,227	31,372,615	(8,010,388)	-26%
Profit before interest and tax	9,499,447	9,816,122	(316,675)	-3%
Profit before taxation	6,329,167	6,911,045	(581,878)	-8%
Hire purchase receivables	469,869,190	508,869,449	(39,000,259)	-8%
Bank borrowings	146,707,912	169,107,658	(22,399,746)	-13%
Medium term notes	-	54,449,284	(54,449,284)	-100%

The Group's profit before tax for the current quarter of RM6.33 million was lower as compared to RM6.91 million of the immediate preceding quarter due to a lower profit contribution from hire purchase and furniture segment in the current quarter whereby the business and operations were significantly affected by the MCO starting June 2021.

### **B3 Prospects and Outlook**

Due to the disruptions from the full lockdown, that affected both our hire-purchase and furniture businesses, ELK-Desa expects its performance for financial year ending 31 March 2022 to be lower than the previous financial year.

The operating landscape in the remaining part of the financial year (FY2022) is expected to have less uncertainties compared to a year ago. This stems from the on-going roll-out of the national vaccination programme, positive outcome of the Government's economic stimulus packages and the gradual recovery of global trade and economy.

ELK-Desa expects demand for used-car financing to remain strong on the back of stable macro-economic factors including manageable unemployment rate, improving consumer and business confidence as well as controllable inflation. Barring any unforeseen shocks to the economy, we anticipate demand to continue to out-pace supply as this niche market remains underserved.

Demand for hire purchase solutions may be strong but disruptions to the economy caused by the pandemic and MCO may hamper our customers' ability to fulfill their loan obligations. Moving forward, ELK-Desa is maintaining its cautious stance to protect the quality of its assets while ensuring that its hire purchase receivables does not decline any further. In addition, the Group will also remain vigilant in credit risk management while continuing to improve operational efficiencies and optimise operating cost.

For the Group's furniture trading business, demand for furniture products is also expected to remain resilient. The lifestyle in the new normal will see more and more people working and studying from home. Hence, we foresee an uptrend in consumers spending to make their homes better equipped for work and study.

In spite of the increased demand for affordable quality furniture products, raw material supply locally and globally have been hampered by logistic problems due to the pandemic while travel restrictions as well as foreign labour policies have caused labour shortages. ELK-Desa aims to focus on overcoming these supply chain issues by working closely with our suppliers.

Concurrently, being a furniture wholesaler for the domestic market, ELK-Desa is also committed to building strong relationships with furniture retailers across Malaysia in order to solidify our brand presence and grow.

Due to the substantially lower hire purchase portfolio, the performance for financial year ending 31 March 2022 is expected to be lower than the previous financial year. However, the Board remains committed to delivering its dividend policy of distributing not less than 60% of the Group's annual net profits after tax to shareholders.

#### 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 2021 are set out below:

	<b>3 months ended</b> <b>30.09.2021</b>	<b>6 months ended</b> <b>30.09.2021</b>
	<b>RM</b>	<b>RM</b>
(a) Income Tax	2,718,630	6,019,890
(b) Deferred Taxation	(1,140,990)	(2,498,467)
	<u>1,577,640</u>	<u>3,521,423</u>

The effective tax rate of the Group for the current quarter ended 30 September 2021 was higher than the statutory tax rate mainly due to 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.

<b>Borrowings</b>		<b>As at</b> <b>30.09.2021</b>	<b>As at</b> <b>30.09.2020</b>
		<b>RM</b>	<b>RM</b>
Block Discounting Payables (Fixed rate and secured)	- within 1 year	47,597,456	59,679,032
	- later than 1 year	86,792,456	94,699,020
		134,389,912	154,378,052
Term Loan (Floating and unsecured)	- within 1 year	4,008,000	4,008,000
	- later than 1 year	8,310,000	12,318,000
		12,318,000	16,326,000
Total Borrowings		<u>146,707,912</u>	<u>170,704,052</u>
<b>Debt Securities</b>			
ICULS - liability component	- later than 1 year	91,545	275,054
Medium Term Notes	- within 1 year	-	34,474,675
	- later than 1 year	-	19,580,615
		-	54,055,290
Total Debt Securities		<u>91,545</u>	<u>54,330,344</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 2.0 sen per share (Q2 FYE2021: 2.50 sen) in respect of the current financial year ending 31 March 2022. The dividend will be paid on 16 December 2021 to the shareholders whose name appear in the record of depositors of the Company as at 7 December 2021.

Year-to-date ("YTD") dividend for the financial period ended 30 September 2021 is 2.0 sen per ordinary share (YTD FY2021 : 2.50 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 30.09.2021	Quarter ended 30.09.2020	Year to date 30.09.2021	Year to date 30.09.2020
Profit after taxation (RM)	4,751,527	10,797,142	9,718,789	12,038,350
Weighted average number of ordinary shares (units)	297,571,354	297,175,636	297,478,358	297,161,673
Basic earnings per ordinary share (sen)	1.60	3.63	3.27	4.05

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 30.09.2021	Quarter ended 30.09.2020	Year to date 30.09.2021	Year to date 30.09.2020
Profit after taxation (RM)	4,751,527	10,797,142	9,718,789	12,038,350
Interest expense on ICULS, net of tax (RM)	22,570	25,550	45,683	51,754
Adjusted profit after tax (RM)	4,774,097	10,822,692	9,764,472	12,090,104
Weighted average number of ordinary shares (units)	297,571,354	297,175,636	297,478,358	297,161,673
Adjustment for potential dilutive shares (units)	5,636,906	6,032,624	5,729,902	6,046,587
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)	1.57	3.57	3.22	3.99

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

The audited financial statements of the Group for the preceding financial year ended 31 March 2021 was not qualified.

### B12 Notes to the Statement of Comprehensive Income

	3 months ended 30.09.2021	6 months ended 30.09.2021 RM
Profit before taxation is arrived at after charging:		
Interest expense	3,110,984	5,955,744
Interest on lease liabilities	59,297	119,614
And crediting :		
Interest income	803,373	1,257,687
Unrealised foreign exchange gain / (loss)	10,709	27,202
Realised foreign exchange gain / (loss)	(20,967)	(80,700)

### 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 30.09.2021 RM	As at 31.03.2021 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	110,584,362	116,682,670
- Unrealised	11,305,032	8,785,606
	121,889,394	125,468,276
Less: Consolidation adjustments	(34,785,950)	(33,892,087)
Total retained earnings as per consolidation accounts	87,103,444	91,576,189