

# **ELK-DESA<sup>®</sup>**

**ELK-DESA RESOURCES BERHAD**

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED  
RESULTS FOR THE PERIOD ENDED  
31 MARCH 2022**

**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 31 March 2022

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	RM	RM	RM	RM
Revenue	35,960,333	38,751,329	128,893,851	143,751,400
Other income	818,537	1,069,264	2,419,879	3,713,519
Cost of inventories sold	(10,026,654)	(10,554,590)	(29,327,616)	(33,738,921)
Depreciation of PPE & right-of-use assets	(659,798)	(754,466)	(2,698,168)	(2,695,329)
Impairment allowance	(6,631,056)	1,194,189	(22,406,378)	(18,708,420)
Other expenses	(10,269,796)	(9,279,480)	(32,387,321)	(33,240,699)
Finance costs	(1,660,482)	(2,891,602)	(9,600,145)	(13,066,120)
Profit before taxation	7,531,084	17,534,644	34,894,102	46,015,430
Taxation	(1,994,452)	(3,371,270)	(9,120,459)	(10,730,011)
Profit for the financial period	5,536,632	14,163,374	25,773,643	35,285,419
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	5,536,632	14,163,374	25,773,643	35,285,419
Earnings per ordinary share - basic (sen)	1.86	4.77	8.66	11.87
Earnings per ordinary share - diluted (sen)	1.83	4.68	8.53	11.67

(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 31 March 2022**

(The figures have not been audited.)

	<b>As at 31.03.2022 RM</b>	<b>As at 31.03.2021 RM</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,181,923	11,069,698
Hire purchase receivables	336,249,132	385,842,527
Right-of-use assets	3,842,989	4,425,013
Deferred tax assets	12,275,501	8,830,394
	363,549,545	410,167,632
<b>Current assets</b>		
Inventories	11,946,538	9,073,407
Other assets	701,297	507,821
Trade receivables	16,459,842	17,311,074
Hire purchase receivables	131,801,653	136,954,548
Other receivables, deposits and prepayments	2,221,075	2,327,260
Current tax assets	423,603	48,240
Short term funds	43,277,806	15,461,222
Cash and bank balances	11,880,630	71,162,489
	218,712,444	252,846,061
Total assets	<u>582,261,989</u>	<u>663,013,693</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	344,898,934	344,449,188
Retained earnings	97,199,748	91,576,189
ICULS - equity component	5,430,218	5,805,076
Total equity	447,528,900	441,830,453
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
ICULS - liability component	-	186,617
Block discounting payables - secured	63,897,622	76,707,640
Term loan - unsecured	6,306,000	10,314,000
Medium term notes	-	19,843,278
Lease liabilities	3,286,604	3,219,212
Deferred tax liabilities	2,168	862
	73,492,394	110,271,609
<b>Current liabilities</b>		
Trade payables	3,617,351	8,059,810
Other payables and accruals	6,965,476	7,802,936
ICULS - liability component	7,078	-
Block discounting payables - secured	42,729,205	50,035,409
Term loan - unsecured	4,008,000	4,008,000
Medium term notes	-	34,474,675
Lease liabilities	734,026	1,303,103
Bank overdraft	322,400	262,576
Current tax liabilities	2,857,159	4,965,122
	61,240,695	110,911,631
Total liabilities	<u>134,733,089</u>	<u>221,183,240</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>582,261,989</u>	<u>663,013,693</u>
Net assets per share	1.50	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 31 March 2022**  
(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	-	-	35,285,419	-	35,285,419
Issuance of shares upon conversion of ICULS	92,330	108,951	(12,982)	(90,815)	5,154
Second interim dividend for financial year ended 31 March 2020	-	-	(11,143,503)	-	(11,143,503)
Interim dividend for financial year ended 31 March 2021	-	-	(7,430,081)	-	(7,430,081)
<b>Balance as at 31 March 2021</b>	<b>297,238,774</b>	<b>344,449,188</b>	<b>91,576,189</b>	<b>5,805,076</b>	<b>441,830,453</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	-	-	25,773,643	-	25,773,643
Issuance of shares upon conversion of ICULS	381,139	449,746	(63,703)	(374,858)	11,185
Second interim dividend for financial year ended 31 March 2021	-	-	(14,134,472)	-	(14,134,472)
Interim dividend for financial year ended 31 March 2022	-	-	(5,951,909)	-	(5,951,909)
<b>Balance as at 31 March 2022</b>	<b>297,619,913</b>	<b>344,898,934</b>	<b>97,199,748</b>	<b>5,430,218</b>	<b>447,528,900</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 31 March 2022

(The figures have not been audited.)

	<b>12 months ended</b>	
	<b>31.03.2022</b>	<b>31.03.2021</b>
	<b>RM</b>	<b>RM</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	34,894,102	46,015,430
Adjustment for :		
Depreciation of property, plant and equipment	1,088,033	1,192,703
Depreciation of right-of-use assets	1,610,135	1,502,626
Loss/(Gain) on disposal of property, plant and equipment	(1,966)	(1,599)
Derecognition of right-of-use assets	-	(3,337)
Lease concession	(116,976)	(141,417)
Property, plant and equipment written off	-	165,437
Inventories written down / (written back)	(167,126)	286,826
Impairment allowances made for the financial year:		
- hire-purchase receivables	23,495,776	20,702,310
- trade receivables	267,766	87,645
Interest expense	9,358,091	12,911,482
Interest on lease liabilities	242,054	154,638
Interest income	(571,385)	(1,581,773)
Income from short term funds	(1,190,627)	(553,102)
Unrealised loss/(gain) on foreign exchange	(28,670)	79,877
Reversal of impairment losses on trade receivables	-	(159,236)
Operating profit before working capital changes	<u>68,879,207</u>	<u>80,658,510</u>
Changes in working capital:		
Inventories	(2,706,005)	3,025,939
Other assets	(193,475)	1,618,482
Hire purchase receivables	31,250,514	66,922,225
Trade receivables	613,700	(3,417,062)
Other receivables, deposits and prepayments	106,186	(414,835)
Trade payables	(4,442,459)	(3,096,659)
Other payables and accruals	(136,422)	214,377
	<u>24,492,039</u>	<u>64,852,467</u>
Cash generated from/(used in) operations	<u>93,371,246</u>	<u>145,510,977</u>
Tax paid	(15,051,117)	(13,359,310)
<b>Net cash from/(used in) operating activities</b>	<b><u>78,320,129</u></b>	<b><u>132,151,667</u></b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(1,228,593)	(1,823,418)
Net withdrawal/(placement) of fixed deposit with licensed banks with original maturity of more than three (3) months	-	3,015,694
Withdrawals/(Placements) of deposits assigned in favour of the trustee	57,912,622	4,944,688
Proceeds from disposal of property, plant and equipment	30,300	19,100
Interest received	571,385	1,581,773
Income received from short term funds	1,190,627	553,102
<b>Net cash from/(used in) investing activities</b>	<b><u>58,476,341</u></b>	<b><u>8,290,939</u></b>

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

For the financial period ended 31 March 2022

(The figures have not been audited.)

	12 months ended	
	31.03.2022	31.03.2021
	RM	RM
<b><u>Cash flows from financing activities</u></b>		
Net (repayment)/drawdown of term loans	(4,008,000)	(4,008,000)
Net (repayment)/drawdown of block discounting payables	(20,214,929)	(50,581,353)
Interest paid	(9,444,760)	(12,964,817)
Repayment of lease liabilities	(1,654,876)	(1,483,161)
Dividend paid	(20,086,381)	(18,573,584)
(Repayment)/Issuance of medium term notes	(55,000,000)	(50,000,000)
<b>Net cash from/(used in) financing activities</b>	<b>(110,408,946)</b>	<b>(137,610,915)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the financial period</b>	<b>26,387,524</b>	<b>2,831,691</b>
Effects of exchange rate changes on cash and cash equivalents	-	(1)
Cash and cash equivalents as at beginning of financial year	27,327,827	24,496,137
<b>Cash and cash equivalents as at end of financial period</b>	<b>53,715,351</b>	<b>27,327,827</b>
<b><u>Composition of cash and cash equivalents</u></b>		
Deposits, cash and bank balances	11,880,630	71,162,489
Bank overdraft	(322,400)	(262,576)
Short term fund	43,277,806	15,461,222
Deposits assigned in favour of the trustee of SPE	(1,120,685)	(59,033,308)
	<b>53,715,351</b>	<b>27,327,827</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 year ended 31 March 2022.

## **A4 Change in Estimates**

There were no changes in estimates that had any material effect for the financial period ended 31 March 2022.

## **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 31 March 2022 except for the following:

### Equity Securities

During the financial period under review, the Company had issued 381,139 new ordinary shares pursuant to conversions of 449,746 units of ICULS.

As at 31 March 2022, the number of ordinary shares were 297,619,913 shares. The number of outstanding ICULS stood at 6,594,164 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 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.

On 16 December 2021, the Company had paid a single-tier interim dividend of 2.00 sen per share for the financial year ending 31 March 2022 amounting to RM5.95 million.

**A7 Segmental Reporting**

	<b>Hire Purchase Financing RM</b>	<b>Furniture RM</b>	<b>Consolidated RM</b>
<b><u>Quarter Ended 31 March 2022</u></b>			
Revenue (External)	21,449,676	14,510,657	35,960,333
Other income	710,182	108,355	818,537
Cost of inventories sold	-	(10,026,654)	(10,026,654)
Depreciation of PPE & right-of-use assets	(341,956)	(317,842)	(659,798)
Impairment allowance	(6,516,666)	(114,390)	(6,631,056)
Other expenses	(6,880,016)	(3,389,780)	(10,269,796)
Finance costs	(1,646,570)	(13,912)	(1,660,482)
<b>Profit before tax</b>	<b>6,774,650</b>	<b>756,434</b>	<b>7,531,084</b>

**Quarter Ended 31 March 2021**

Revenue (External)	23,500,074	15,251,255	38,751,329
Other income	858,961	210,303	1,069,264
Cost of inventories sold	-	(10,554,590)	(10,554,590)
Depreciation of PPE & right-of-use assets	(324,935)	(429,531)	(754,466)
Impairment allowance	1,446,323	(252,134)	1,194,189
Other expenses	(6,219,046)	(3,060,434)	(9,279,480)
Finance costs	(2,874,680)	(16,922)	(2,891,602)
<b>Profit before tax</b>	<b>16,386,697</b>	<b>1,147,947</b>	<b>17,534,644</b>

	<b>Hire Purchase Financing RM</b>	<b>Furniture RM</b>	<b>Consolidated RM</b>
<b><u>12 months Ended 31 March 2022</u></b>			
Revenue (External)	85,300,810	43,593,041	128,893,851
Other income	2,019,142	400,737	2,419,879
Cost of inventories sold	-	(29,327,616)	(29,327,616)
Depreciation of PPE & right of use assets	(1,377,992)	(1,320,176)	(2,698,168)
Impairment allowance	(22,154,426)	(251,952)	(22,406,378)
Other expenses	(21,521,320)	(10,866,001)	(32,387,321)
Finance costs	(9,543,543)	(56,602)	(9,600,145)
<b>Profit before tax</b>	<b>32,722,671</b>	<b>2,171,431</b>	<b>34,894,102</b>
Segment assets	544,227,644	38,034,345	582,261,989
Segment liabilities	130,944,403	3,788,686	134,733,089

**12 months Ended 31 March 2021**

Revenue (External)	93,310,318	50,441,082	143,751,400
Other income	2,985,070	728,449	3,713,519
Cost of inventories sold	-	(33,738,921)	(33,738,921)
Depreciation of PPE & right-of-use assets	(1,076,847)	(1,618,482)	(2,695,329)
Impairment allowance	(18,666,959)	(41,461)	(18,708,420)
Other expenses	(21,786,860)	(11,453,839)	(33,240,699)
Finance costs	(12,983,865)	(82,255)	(13,066,120)
<b>Profit before tax</b>	<b>41,780,857</b>	<b>4,234,573</b>	<b>46,015,430</b>
Segment assets	628,086,628	34,927,065	663,013,693
Segment liabilities	216,540,719	4,642,521	221,183,240



#### **A8 Subsequent Events**

On 15 April 2022, all remaining outstanding ICULS of 6,580,564 has been mandatorily converted to 5,575,681 ordinary shares pursuant to maturity of 8 years ICULS.

Upon full conversion of the ICULS, the number of outstanding ordinary shares stands at 303,207,119.

#### **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 31 March 2022.

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

There were no contingent liabilities and assets for the Group as at 31 March 2022.

#### **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 31 March 2022.

#### **A12 Related Party Disclosures**

There was no significant related party transaction during the financial period ended 31 March 2022.

**B1 Review of Performance**

**YEAR TO DATE AND CURRENT QUARTER (FY2022-Q4 vs FY2021-Q4)**

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2022	31.03.2021			31.03.2022	31.03.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	35,960,333	38,751,329	(2,790,996)	-7%	128,893,851	143,751,400	(14,857,549)	-10%
Profit before interest and tax	9,191,566	20,426,246	(11,234,680)	-55%	44,494,247	59,081,550	(14,587,303)	-25%
Profit before taxation	7,531,084	17,534,644	(10,003,560)	-57%	34,894,102	46,015,430	(11,121,328)	-24%

GROUP	As at		Variance	Variance
	31.03.2022	31.03.2021		
	RM	RM		
	RM	RM	RM	%
Hire Purchase Receivables	468,050,785	522,797,075	(54,746,290)	-10%
Bank Borrowings	117,263,227	141,327,625	(24,064,398)	-17%
Medium Term Notes ("MTN")	-	54,317,953	(54,317,953)	-100%

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

The Group's revenue for the quarter decreased to RM35.96 million and the profit before tax for the quarter decreased by 57% to RM7.53 million mainly due to lower contribution from the hire purchase segment.

Hire purchase receivables as at 31 March 2022 stood at RM468 million, which is 10% lower than the previous year.

The Group's bank borrowings decreased by 17% mainly due to repayment of block discounting facilities and term loans. There was no outstanding balance for MTN as they were fully redeemed. As at 31 March 2022, the Group's gearing remains at a low level of 0.26 times.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2022	31.03.2021			31.03.2022	31.03.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	21,449,676	23,500,074	(2,050,398)	-9%	85,300,810	93,310,318	(8,009,508)	-9%
Profit before interest and tax	8,421,220	19,261,377	(10,840,157)	-56%	42,266,214	54,764,722	(12,498,508)	-23%
Profit before taxation	6,774,650	16,386,697	(9,612,047)	-59%	32,722,671	41,780,857	(9,058,186)	-22%

Revenue decreased by 9% to RM21.45 million, as a result of a smaller hire purchase portfolio.

For the quarter, there was an impairment allowance of RM6.52 million compared to a reversal of impairment allowance amounting to RM1.45 million in the corresponding period of the last financial period. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) stood at 1.27%. The higher impairment allowance was due to increase in the impaired loan accounts during the quarter as a result of lower collection from hirers.

Other expenses increased by 12% to RM6.88 million mainly due to higher operating costs such as staff costs. Cost to income ratio stood at 35%. Finance cost reduced by 43% to RM1.65 million due to lower borrowings.

The profit before tax decreased by 59% to RM6.77 million mainly due to the lower revenue and higher impairment allowance but mitigated by lower borrowing costs during the quarter.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				12 months ended			
	31.03.2022	31.03.2021			31.03.2022	31.03.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	14,510,657	15,251,255	(740,598)	-5%	43,593,041	50,441,082	(6,848,041)	-14%
Profit before interest and tax	770,346	1,164,869	(394,523)	-34%	2,228,033	4,316,828	(2,088,795)	-48%
Profit before taxation	756,434	1,147,947	(391,513)	-34%	2,171,431	4,234,573	(2,063,142)	-49%

Revenue decreased by 5% to RM14.51 million mainly due to lower furniture sales.

Impairment allowance reduced by RM0.14 million to RM0.11 million. Other expenses increased by 10% to RM3.36 million mainly due to higher staff costs and other operating costs.

The segment recorded a lower profit before tax of RM0.76 million for the quarter ended 31 March 2022 mainly due to lower revenue.

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

The Group's revenue decreased by 10% to RM128.89 million while the profit before tax decreased by 24% to RM34.89 million. The decrease in revenue were mainly due to lower contribution from both hire purchase and furniture segment for the financial year ended 31 March 2022 while the decrease in profit before tax were mainly due to lower contribution from the hire purchase segment.

#### **Hire Purchase Segment**

Revenue decreased by 9% from RM93.31 million to RM85.30 million mainly due to smaller hire purchase portfolio.

Impairment allowance increased by 19% to RM22.15 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased from 3.15% to 4.13%. The higher impairment allowance and credit loss charge were mainly due to increase in the impaired loan accounts during the year.

Other expenses marginally decreased by 1% to RM21.52 million. Cost to income ratio remains at a manageable level of 29%.

Finance cost decreased by 26% to RM9.54 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 twelve (12) months period decreased by 22% from RM41.78 million to RM32.72 million mainly due to lower hire purchase revenue and higher impairment allowances but mitigated by lower finance costs.

#### **Furniture Segment**

Revenue decreased by 14% to RM43.59 million mainly due to business and operational disruptions caused by the Movement Control Order implemented by the Government from June to September 2021 in light of the COVID-19 crisis.

Other income has reduced mainly due to lower subsidies received from bayaran PRIHATIN and rental rebate from landlords.

Impairment allowance for the financial year increased substantially to RM0.25 million from RM0.04 million a year ago, due to slower repayment from furniture dealers.

Other expenses decreased by 5% to RM10.84 million mainly due to lower selling and distribution costs and other expenses. Finance cost has reduced by 31% mainly due to lower interest expense on leased asset.

The segment recorded a lower profit before tax of RM2.17 million for the twelve (12) months period ended 31 March 2022 mainly due to lower revenue.

### **B2 Comparison of Results with Preceding Quarter**

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	31.03.2022	31.12.2021		
	RM	RM	RM	%
Revenue	35,960,333	38,198,676	(2,238,343)	-6%
Profit before interest and tax	9,191,566	15,987,110	(6,795,544)	-43%
Profit before taxation	7,531,084	14,122,804	(6,591,720)	-47%
Hire purchase receivables	468,050,785	469,292,270	(1,241,485)	0%
Bank borrowings	117,263,227	130,758,381	(13,495,154)	-10%

The Group's profit before tax for the current quarter of RM7.53 million was lower as compared to RM14.12 million of the immediate preceding quarter mainly due to a lower profit contribution from hire purchase segment in the current quarter.

### **B3 Prospects and Outlook**

Malaysia's transition to the endemic phase augurs well for the national economy as a whole. According to Bank Negara Malaysia, the Malaysian economy is expected to remain on its recovery path in line with continued expansion in global growth and higher private sector spending. For 2022, the domestic economy is expected to remain on its recovery path, supported by the continued expansion in global demand and higher private sector expenditure given improving labour market conditions and on-going policy support. The continuation of major investment projects in both private and public sectors will also support growth.

The threat of further operational disruptions caused by Movement Control Orders or lockdowns, which had impacted the performance of the Group in FY2022, has dissipated as the result of a high vaccination rate in Malaysia.

In the next 12 months, ELK-Desa is still mindful of the uncertainties that remain within the operating landscape. These include the rising cost of living; expiry of loan moratoriums given out by banks that may impact borrowers' disposable incomes and their repayment ability. Moreover, the Group's debt recovery activities continue to be constrained by the Covid-19 Act which generally protects borrowers' interest.

The overall demand for used-car hire purchase financing will continue to be strong as the economy normalises. Additionally, the growth of online trading platforms for used cars may contribute towards a slower price reduction rate for older used cars and the introduction of a higher minimum wage rate of RM1500 may be positive for the industry.

In view of this, ELK-Desa aims to gradually bring its hire purchase receivables portfolio towards pre-pandemic levels while taking a cautious approach to protect our asset quality. We will continue to keep track of the market developments while remaining steadfast on strengthening our credit recovery efforts.

For the furniture segment, the improving business and consumer sentiments are expected to drive demand for quality and value for money furniture products. ELK-Desa plans to sustain revenue growth for its furniture segment by working closely with furniture dealers and manufacturers to identify the right furniture products that appeal to Malaysian consumers. This is in tandem with our strategy to solidify our presence in the wholesaling of home furniture in the domestic market.

Concurrently, the Group will also be optimising its capabilities in stock and logistics management in order to ensure the timely delivery of our furniture products to our customers. We are especially focused on pro-actively managing potential supply chain constraints caused by logistics disruptions.

For the financial ending 31 March 2023, the Board of ELK-Desa will strive to deliver improved performance as compared to FY2022. The Board is also committed to delivering its dividend policy of distributing not less than 60% of the Group's annual net profits after tax to shareholders 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 31 March 2022 are set out below:

	<b>3 months ended</b> <b>31.03.2022</b>	<b>12 months ended</b> <b>31.03.2022</b>
	<b>RM</b>	<b>RM</b>
(a) Income Tax	3,261,052	12,567,792
(b) Deferred Taxation	<u>(1,266,600)</u>	<u>(3,447,333)</u>
	<u>1,994,452</u>	<u>9,120,459</u>

The effective tax rate of the Group for the current quarter ended 31 March 2022 was higher than the statutory tax rate mainly 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>31.03.2022</b>	<b>As at</b> <b>31.03.2021</b>
		<b>RM</b>	<b>RM</b>
Block Discounting Payables (Fixed rate and secured)	- within 1 year	42,729,205	50,035,409
	- later than 1 year	63,897,622	76,707,640
		106,626,827	126,743,049
Term Loan (Floating and unsecured)	- within 1 year	4,008,000	4,008,000
	- later than 1 year	6,306,000	10,314,000
		10,314,000	14,322,000
Bank overdraft		322,400	262,576
Total Borrowings		<u>117,263,227</u>	<u>141,327,625</u>
<b>Debt Securities</b>			
ICULS - liability component	- within 1 year	7,078	-
	- later than 1 year	-	186,617
		7,078	186,617
Medium Term Notes	- within 1 year	-	34,474,675
	- later than 1 year	-	19,843,278
		-	54,317,953
Total Debt Securities		<u>7,078</u>	<u>54,504,570</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 second single tier interim dividend of 3.25 sen per share in respect of the current financial year ended 31 March 2022. The dividend will be paid on 16 June 2022 to the shareholders whose name appear in the record of depositors of the Company as at 3 June 2022.

In addition to the first interim single tier interim dividend of 2.0 sen per share which was paid on 16 December 2021, the total dividend for the financial year ended 31 March 2022 would be 5.25 sen per share (FY2021: 7.25 sen). This represents a dividend pay out ratio of approximately 61% of the net profit, which is higher than the dividend policy of 60% set by the Board.

With the declaration of the second interim dividend, the Board of Directors will not recommend any final dividend for the financial year ended 31 March 2022.

### 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 31.03.2022	Quarter ended 31.03.2021	Year to date 31.03.2022	Year to date 31.03.2021
Profit after taxation (RM)	5,536,632	14,163,374	25,773,643	35,285,419
Weighted average number of ordinary shares (units)	297,598,152	297,223,318	297,536,161	297,184,982
Basic earnings per ordinary share (sen)	1.86	4.77	8.66	11.87

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 31.03.2022	Quarter ended 31.03.2021	Year to date 31.03.2022	Year to date 31.03.2021
Profit after taxation (RM)	5,536,632	14,163,374	25,773,643	35,285,419
Interest expense on ICULS, net of tax (RM)	21,356	24,252	89,163	100,926
Adjusted profit after tax (RM)	5,557,988	14,187,626	25,862,806	35,386,345
Weighted average number of ordinary shares (units)	297,598,152	297,223,318	297,536,161	297,184,982
Adjustment for potential dilutive shares (units)	5,610,108	5,984,942	5,672,099	6,023,278
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)	1.83	4.68	8.53	11.67

### 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 31.03.2022 RM	12 months ended 31.03.2022 RM
Profit before taxation is arrived at after charging:		
Interest expense	1,601,790	9,358,091
Interest on lease liabilities	58,692	242,054
And crediting :		
Interest income	35,387	1,762,012
Unrealised foreign exchange gain / (loss)	15,607	28,670
Realised foreign exchange gain / (loss)	(89,826)	(206,211)

### 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 31.03.2022 RM	As at 31.03.2021 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	119,680,770	116,682,670
- Unrealised	12,273,802	8,785,606
	131,954,572	125,468,276
Less: Consolidation adjustments	(34,754,824)	(33,892,087)
Total retained earnings as per consolidation accounts	97,199,748	91,576,189