

# **ELK-DESA<sup>®</sup>**

**ELK-DESA RESOURCES BERHAD**

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED  
RESULTS FOR THE PERIOD ENDED  
30 SEPTEMBER 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 30 September 2022

(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>30.09.2022</u>	<u>30.09.2021</u>	<u>30.09.2022</u>	<u>30.09.2021</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Revenue	36,037,722	23,362,227	74,993,181	54,734,842
Other income	543,648	537,867	1,090,603	1,140,079
Cost of inventories sold	(6,913,085)	(3,200,715)	(16,197,656)	(8,988,877)
Depreciation of PPE & right-of-use assets	(695,614)	(680,262)	(1,375,352)	(1,382,263)
Impairment allowance	(1,978,869)	(5,344,228)	3,277,971	(13,665,156)
Other expenses	(9,618,495)	(5,175,442)	(19,366,867)	(12,523,055)
Finance costs	(2,147,065)	(3,170,280)	(3,819,477)	(6,075,358)
Profit before taxation	<u>15,228,242</u>	<u>6,329,167</u>	<u>38,602,403</u>	<u>13,240,212</u>
Taxation	(3,700,755)	(1,577,640)	(9,481,377)	(3,521,423)
Profit for the financial period	<u>11,527,487</u>	<u>4,751,527</u>	<u>29,121,026</u>	<u>9,718,789</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	<u>11,527,487</u>	<u>4,751,527</u>	<u>29,121,026</u>	<u>9,718,789</u>
Earnings per ordinary share - basic (sen)	<u>3.80</u>	<u>1.60</u>	<u>9.63</u>	<u>3.27</u>
Earnings per ordinary share - diluted (sen)	<u>3.80</u>	<u>1.57</u>	<u>9.60</u>	<u>3.22</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 2022)*

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

**As at 30 September 2022**

(The figures have not been audited.)

	<b>As at 30.09.2022 RM</b>	<b>As at 31.03.2022 RM</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31,787,085	11,181,923
Hire purchase receivables	383,669,461	336,249,132
Right-of-use assets	4,449,030	3,842,989
Deferred tax assets	10,514,603	12,275,500
	430,420,179	363,549,544
<b>Current assets</b>		
Inventories	17,820,368	11,946,537
Other assets	697,087	701,297
Trade receivables	14,632,748	16,459,842
Hire purchase receivables	137,450,578	131,801,653
Other receivables, deposits and prepayments	2,115,867	2,221,076
Current tax assets	410,293	423,603
Short term funds	46,591,165	43,277,806
Cash and bank balances	35,912,214	11,880,630
	255,630,320	218,712,444
Total assets	<u>686,050,499</u>	<u>582,261,988</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	351,493,098	344,898,934
Retained earnings	115,309,303	97,199,748
ICULS - equity component	-	5,430,218
Total equity	466,802,401	447,528,900
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Block discounting payables - secured	129,622,757	63,897,622
Term loan - unsecured	4,302,000	6,306,000
Lease liabilities	3,976,374	3,286,604
Deferred tax liabilities	-	2,168
	137,901,131	73,492,394
<b>Current liabilities</b>		
Trade payables	3,681,401	3,617,351
Other payables and accruals	4,782,459	6,965,474
ICULS - liability component	-	7,078
Block discounting payables - secured	63,398,302	42,729,205
Term loan - unsecured	4,008,000	4,008,000
Lease liabilities	711,001	734,027
Bank overdraft	-	322,400
Current tax liabilities	4,765,804	2,857,159
	81,346,967	61,240,694
Total liabilities	<u>219,248,098</u>	<u>134,733,088</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>686,050,499</u>	<u>582,261,988</u>
Net assets per share	1.54	1.50

*(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 2022)*

**ELK-DESA RESOURCES BERHAD** (Company No: 198901002858 (180164-X))  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the financial period ended 30 September 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 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>
Balance as at 1 April 2022	297,619,913	344,898,934	97,199,748	5,430,218	447,528,900
Total comprehensive income	-	-	29,121,026	-	29,121,026
Issuance of shares upon conversion of ICULS	5,587,206	6,594,164	(1,157,194)	(5,430,218)	6,752
Second interim dividend for financial year ended 31 March 2022	-	-	(9,854,277)	-	(9,854,277)
<b>Balance as at 30 September 2022</b>	<b>303,207,119</b>	<b>351,493,098</b>	<b>115,309,303</b>	<b>-</b>	<b>466,802,401</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 2022)*

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

For the financial period ended 30 September 2022

(The figures have not been audited.)

	<b>6 months ended</b>	
	<b>30.09.2022</b>	<b>30.09.2021</b>
	<b>RM</b>	<b>RM</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	38,602,403	13,240,212
Adjustment for :		
Depreciation of property, plant and equipment	572,383	552,511
Depreciation of right-of-use assets	802,970	829,752
Derecognition of right-of-use assets	(22,203)	-
Lease concession	(13,466)	(46,080)
Inventories written down / (written back)	28,195	(89,039)
(Reversal)/Impairment allowances made for the financial year:		
- hire-purchase receivables	(2,973,238)	14,149,992
- trade receivables	315,948	96,275
Interest expense	3,653,754	5,955,744
Interest on lease liabilities	165,723	119,614
Interest income	(226,816)	(480,159)
Income from short term funds	(47,921)	(777,528)
Unrealised loss/(gain) on foreign exchange	(106,303)	(27,202)
Operating profit before working capital changes	40,751,429	33,524,092
Changes in working capital:		
Inventories	(5,902,025)	(755,795)
Other assets	4,209	452,482
Hire purchase receivables	(50,096,016)	38,777,893
Trade receivables	1,615,886	4,115,194
Other receivables, deposits and prepayments	105,209	(596,031)
Trade payables	64,049	(5,421,830)
Other payables and accruals	(1,962,208)	(3,889,521)
	(56,170,896)	32,682,392
Cash generated from/(used in) operations	(15,419,467)	66,206,484
Tax paid	(5,802,825)	(6,557,020)
<b>Net cash from/(used in) operating activities</b>	<b>(21,222,292)</b>	<b>59,649,464</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(21,177,544)	(376,113)
Net withdrawal/(placement) of fixed deposit with licensed banks with original maturity of more than three (3) months	-	5,022,466
Withdrawals/(Placements) of deposits assigned in favour of the trustee	1,120,686	57,534,787
Interest received	226,816	480,159
Income received from short term funds	47,921	777,528
<b>Net cash from/(used in) investing activities</b>	<b>(19,782,121)</b>	<b>63,438,827</b>

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

For the financial period ended 30 September 2022

(The figures have not been audited.)

	<u>6 months ended</u>	
	<u>30.09.2022</u>	<u>30.09.2021</u>
	RM	RM
<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	86,701,758	7,679,040
Interest paid	(4,178,718)	(6,191,094)
Repayment of lease liabilities	(872,322)	(865,970)
Dividend paid	(9,854,277)	(14,134,472)
(Repayment)/Issuance of medium term notes	-	(55,000,000)
<b>Net cash from/(used in) financing activities</b>	<b>69,792,441</b>	<b>(70,516,496)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the financial period</b>	<b>28,788,028</b>	<b>52,571,795</b>
Cash and cash equivalents as at beginning of financial year	53,715,351	21,995,428
<b>Cash and cash equivalents as at end of financial period</b>	<b><u>82,503,379</u></b>	<b><u>74,567,223</u></b>
<b><u>Composition of cash and cash equivalents</u></b>		
Deposits, cash and bank balances	35,912,214	15,045,464
Short term fund	46,591,165	61,330,214
Deposits assigned in favour of the trustee of SPE	-	(1,808,455)
	<b><u>82,503,379</u></b>	<b><u>74,567,223</u></b>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2022)

## **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 2022, 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 2022 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 2022.

On 1 April 2022, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

<b>Title</b>		<b>Effective Date</b>
Annual Improvements to MFRS Standards 2018 - 2020		1 January 2022
Amendments to MFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116	<i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

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 30 September 2022.

## **A4 Change in Estimates**

There were no changes in estimates that had any material effect for the financial period ended 30 September 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 30 September 2022 except for the following:

### Equity Securities

The eight (8) years ICULS programme ended on its maturity date on 15 April 2022 and all remaining 6,594,164 ICULS had been converted to 5,587,206 ordinary shares during the financial period.

As at 30 September 2022, the number of ordinary shares were 303,207,119 shares.

## **A6 Dividend Paid**

On 16 June 2022, the Company had paid a second interim single tier dividend of 3.25 sen per share in respect of the financial year ended 31 March 2022, the dividend amounting to RM9.85 million.

**A7 Segmental Reporting**

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<b><u>Quarter Ended 30 September 2022</u></b>			
Revenue (External)	24,091,745	11,945,977	36,037,722
Other income	450,836	92,812	543,648
Cost of inventories sold	-	(6,913,085)	(6,913,085)
Depreciation of PPE & right-of-use assets	(353,946)	(341,668)	(695,614)
Impairment allowance	(1,778,563)	(200,306)	(1,978,869)
Other expenses	(6,200,383)	(3,418,112)	(9,618,495)
Finance costs	(2,109,219)	(37,846)	(2,147,065)
<b>Profit before tax</b>	<b>14,100,470</b>	<b>1,127,772</b>	<b>15,228,242</b>

**Quarter Ended 30 September 2021**

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>

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<b><u>6 months Ended 30 September 2022</u></b>			
Revenue (External)	48,607,091	26,386,090	74,993,181
Other income	790,778	299,825	1,090,603
Cost of inventories sold	-	(16,197,656)	(16,197,656)
Depreciation of PPE & right of use assets	(692,376)	(682,976)	(1,375,352)
Impairment allowance	3,583,801	(305,830)	3,277,971
Other expenses	(12,453,206)	(6,913,661)	(19,366,867)
Finance costs	(3,740,055)	(79,422)	(3,819,477)
<b>Profit before tax</b>	<b>36,096,033</b>	<b>2,506,370</b>	<b>38,602,403</b>
Segment assets	622,493,651	63,556,848	686,050,499
Segment liabilities	214,329,698	4,918,400	219,248,098

**6 months Ended 30 September 2021**

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



**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 2022.

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

There were no contingent liabilities and assets for the Group as at 30 September 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 30 September 2022.

**A12 Related Party Disclosures**

The Group has on 28 June 2022 entered into a related party transaction with Zhongxin Realty Sdn Bhd for the purchase of a piece of freehold industrial land together with buildings erected. The proposed acquisition has been completed on 1 September 2022. Refer to Company's announcement for more details.

**B1 Review of Performance**

**YEAR TO DATE AND CURRENT QUARTER (FY2023-Q2 vs FY2022-Q2)**

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2022	30.09.2021			30.09.2022	30.09.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	36,037,722	23,362,227	12,675,495	54%	74,993,181	54,734,842	20,258,339	37%
Profit before interest and tax	17,375,307	9,499,447	7,875,860	83%	42,421,880	19,315,570	23,106,310	120%
Profit before taxation	15,228,242	6,329,167	8,899,075	141%	38,602,403	13,240,212	25,362,191	192%

  

GROUP	As at		Variance	Variance
	30.09.2022	30.09.2021		
	RM	RM		
Hire Purchase Receivables	521,120,039	469,869,190	51,250,849	11%
Bank Borrowings	201,331,059	146,707,912	54,623,147	37%

The Group's revenue for the quarter increased by 54% to RM36.04 million. Profit before tax for the quarter increased by 141% to RM15.23 million. The higher revenue and profit before tax were due to higher contribution from both hire purchase and furniture segments.

Hire purchase receivables as at 30 September 2022 stood at RM521.12 million, which is 11% higher than the previous year.

The Group's bank borrowings increased by 37% as a result of higher drawdown of block discounting facilities to support the increased hire purchase receivables. As at 30 September 2022, the Group's gearing remains at a low level of 0.43 times.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2022	30.09.2021			30.09.2022	30.09.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	24,091,745	18,620,867	5,470,878	29%	48,607,091	41,500,236	7,106,855	17%
Profit before interest and tax	16,209,689	9,752,237	6,457,452	66%	39,836,088	19,709,513	20,126,575	102%
Profit before taxation	14,100,470	6,594,357	7,506,113	114%	36,096,033	13,658,940	22,437,093	164%

Revenue increased by 29% to RM24.09 million mainly due to increase in hire purchase portfolio.

Impairment allowance decreased by 67% to RM1.78 million. Credit loss charge decreased from 1.01% to 0.32%. Net impaired loans ratio decreased from 1.83% as at 30 June 2022 to 1.62% as at 30 September 2022. The lower impairment allowance was due to decrease in the non-performing accounts during the quarter as a result of positive recovery activities and our hirers' continuous repayment trend during the financial period.

Other expenses increased by 73% to RM6.20 million mainly due to higher operating and staff costs which were in line with the larger hire purchase portfolio. Cost to income ratio remains at a manageable level of 29%. Finance cost reduced by 33% to RM2.11 million mainly due to full redemption of Medium Term Notes in the previous corresponding quarter.

The profit before tax increased by 114% to RM14.10 million mainly due to a larger hire purchase portfolio and lower impairment allowance during the quarter.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2022	30.09.2021			30.09.2022	30.09.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	11,945,977	4,741,360	7,204,617	152%	26,386,090	13,234,606	13,151,484	99%
Profit/(Loss) before interest and tax	1,165,618	(252,790)	1,418,408	561%	2,585,792	(393,943)	2,979,735	756%
Profit/(Loss) before taxation	1,127,772	(265,190)	1,392,962	525%	2,506,370	(418,728)	2,925,098	699%

Revenue increased by 152% to RM11.95 million mainly due to higher furniture sales in this quarter as compared to MCO disruptions to the furniture operations in the previous corresponding quarter.

Impairment allowance increased to RM0.20 million due to slower repayment from furniture dealers. Other expenses increased by 113% to RM3.42 million mainly due to higher selling, distribution and staff costs, which were in line with the increase in furniture's sales.

The segment recorded a higher profit before tax of RM1.13 million mainly due to higher sales for the quarter ended 30 September 2022.

**YEAR-TO-DATE (FY2023 YTD vs FY2022 YTD)**

The Group's revenue increased by 37% to RM74.99 million while the profit before tax increased by 192% to RM38.60 million. The higher revenue and profit before tax were due to higher contribution from both hire purchase and furniture segments.

**Hire Purchase Segment**

Revenue increased by 17% to RM48.61 million mainly due to increase in hire purchase portfolio.

For the six (6) months period, there was a reversal of impairment allowance amounting to RM3.58 million compared to an impairment allowance of RM13.58 million in the corresponding period of the last financial period. The reversal of impairment allowance was due to a significant decrease in the non-performing accounts during the financial period as a result of positive recovery activities and our hirers' continuous repayment trend. Net impaired loans ratio decreased from 2.89% as at 31 March 2022 to 1.62% as at 30 September 2022. There was a reversal of credit loss charge of 0.66% compared to a credit loss charge of 2.49% in the corresponding period of the last financial period.

Other expenses increased by 46% to RM12.45 million mainly due to higher operating and staff costs which were in line with the larger hire purchase portfolio. Cost to income ratio remains at a manageable level of 29%.

Finance cost decreased by 38% to RM3.74 million mainly due to full redemption of Medium Term Notes.

The profit before tax for the six (6) months period increased by 164% from RM13.66 million to RM36.10 million mainly due to larger hire purchase portfolio and lower impairment allowance.

**Furniture Segment**

Revenue increased by 99% to RM26.39 million mainly due to higher furniture sales in this financial period as compared 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 in last financial period ended 30 September 2021.

Other income increased by 123% mainly due to higher wage subsidies received and unrealised foreign exchange gain.

Impairment allowance increased by 247% to RM0.31 million due to slower repayment from furniture dealers.

Other expenses increased by 73% to RM6.91 million mainly due to higher selling, distribution and staff costs which is in line with the overall business growth. Finance cost has increased by 220% mainly due to higher interest expense on leased asset.

The segment recorded a higher profit before tax of RM2.51 million for the six (6) months period ended 30 September 2022 mainly due to higher sales.

**B2 Comparison of Results with Preceding Quarter**

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	30.09.2022	30.06.2022		
	RM	RM	RM	%
Revenue	36,037,722	38,955,459	(2,917,737)	-7%
Profit before interest and tax	17,375,307	25,046,573	(7,671,266)	-31%
Profit before taxation	15,228,242	23,374,161	(8,145,919)	-35%
Hire purchase receivables	521,120,039	502,188,434	18,931,605	4%
Bank borrowings	201,331,059	151,348,000	49,983,059	33%

The Group's profit before tax for the current quarter of RM15.23 million was lower as compared to RM23.37 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 into the endemic phase augurs well for the national economy as a whole. In line with continued expansion in global growth and higher private sector spending, the Malaysian economy is expected to remain on its recovery path. 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 during the initial period of the uplift of 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.

The exceptional profit contribution from HP segment in the first six months was better than expected mainly due to the reversal of impairment allowance on HP receivables. However, we do not foresee such reversal trend to continue for the remaining financial year given the current challenging operating environment.

In the first six months of FY2023, the Group has achieved better financial performance compared to the entire FY2022 as a result of gradual normalisation of the Group's business activities. The Board of ELK-Desa will strive to continue with this momentum and deliver an improved performance for FY2023. 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 30 September 2022 are set out below:

	<b>3 months ended 30.09.2022</b>	<b>6 months ended 30.09.2022</b>
	<b>RM</b>	<b>RM</b>
(a) Income Tax	3,927,760	7,724,780
(b) Deferred Taxation	<u>(227,005)</u>	<u>1,756,597</u>
	<u><u>3,700,755</u></u>	<u><u>9,481,377</u></u>

The effective tax rate of the Group for the current quarter ended 30 September 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>As at 30.09.2022</b>	<b>As at 30.09.2021</b>
		<b>RM</b>	<b>RM</b>
<b>Borrowings</b>			
Block Discounting Payables	- within 1 year	63,398,302	47,597,456
(Fixed rate and secured)	- later than 1 year	129,622,757	86,792,456
		193,021,059	134,389,912
Term Loan	- within 1 year	4,008,000	4,008,000
(Floating and unsecured)	- later than 1 year	4,302,000	8,310,000
		8,310,000	12,318,000
Total Borrowings		<u><u>201,331,059</u></u>	<u><u>146,707,912</u></u>
<b>Debt Securities</b>			
ICULS - liability component	- later than 1 year	-	91,545
Total Debt Securities		<u><u>-</u></u>	<u><u>91,545</u></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 4.50 sen per share (Q2 FYE2022: 2.00 sen) in respect of the current financial year ending 31 March 2023. The dividend will be paid on 16 December 2022 to the shareholders whose name appear in the record of depositors of the Company as at 7 December 2022.

Year-to-date ("YTD") dividend for the financial period ended 30 September 2022 is 4.50 sen per ordinary share (YTD FY2022 : 2.00 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 30.09.2022	Quarter ended 30.09.2021	Year to date 30.09.2022	Year to date 30.09.2021
Profit after taxation (RM)	11,527,487	4,751,527	29,121,026	9,718,789
Weighted average number of ordinary shares (units)	303,207,119	297,571,354	302,444,658	297,478,358
Basic earnings per ordinary share (sen)	3.80	1.60	9.63	3.27

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 30.09.2022	Quarter ended 30.09.2021	Year to date 30.09.2022	Year to date 30.09.2021
Profit after taxation (RM)	11,527,487	4,751,527	29,121,026	9,718,789
Interest expense on ICULS, net of tax (RM)	-	22,570	1,375	45,683
Adjusted profit after tax (RM)	11,527,487	4,774,097	29,122,401	9,764,472
Weighted average number of ordinary shares (units)	303,207,119	297,571,354	302,444,658	297,478,358
Adjustment for potential dilutive shares (units)	-	5,636,906	762,461	5,729,902
Adjusted weighted average number of ordinary shares (units)	303,207,119	303,208,260	303,207,119	303,208,260
Diluted earnings per ordinary share (sen)	3.80	1.57	9.60	3.22

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

The audited financial statements of the Group for the preceding financial year ended 31 March 2022 was not qualified.

### B12 Notes to the Statement of Comprehensive Income

	3 months ended 30.09.2022 RM	6 months ended 30.09.2022 RM
Profit before taxation is arrived at after charging:		
Interest expense	2,066,616	3,653,754
Interest on lease liabilities	80,449	165,723
And crediting :		
Interest income	173,159	274,737
Unrealised foreign exchange gain / (loss)	21,445	106,303
Realised foreign exchange gain / (loss)	(211,099)	(314,632)

### 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 30.09.2022 RM	As at 31.03.2022 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	139,522,769	119,680,770
- Unrealised	10,514,603	12,273,802
	150,037,372	131,954,572
Less: Consolidation adjustments	(34,728,069)	(34,754,824)
Total retained earnings as per consolidation accounts	115,309,303	97,199,748