

ELK-DESA RESOURCES BERHAD

(Co. No. 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 DECEMBER 2013**

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial period ended 31 December 2013
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM	RM	RM	RM
Revenue	12,326,154	10,039,251	35,008,106	30,484,766
Other income	187,576	73,350	792,392	247,518
Cost of inventories sold	-	(15,312)	-	(35,028)
Depreciation of property, plant and equipment	(73,183)	(57,802)	(204,521)	(170,312)
Impairment allowance	(3,232,918)	(1,513,684)	(8,037,318)	(4,335,706)
Other expenses	(3,088,613)	(2,306,238)	(8,302,126)	(6,777,148)
Finance costs	(806,799)	(752,356)	(2,303,420)	(2,328,477)
Profit before listing expenses and tax	<u>5,312,217</u>	<u>5,467,210</u>	<u>16,953,113</u>	<u>17,085,612</u>
Listing expenses	-	(2,009,902)	-	(2,009,902)
Profit before taxation	<u>5,312,217</u>	<u>3,457,308</u>	<u>16,953,113</u>	<u>15,075,711</u>
Taxation	(1,374,653)	(1,315,928)	(4,347,863)	(4,267,426)
Profit for the financial period	<u>3,937,564</u>	<u>2,141,380</u>	<u>12,605,250</u>	<u>10,808,285</u>
Other comprehensive income	-	-	-	-
Total comprehensive income	<u><u>3,937,564</u></u>	<u><u>2,141,380</u></u>	<u><u>12,605,250</u></u>	<u><u>10,808,285</u></u>
Earnings per ordinary share - basic / diluted (sen)	<u>3.15</u>	<u>2.06</u>	<u>10.08</u>	<u>10.67</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2013)

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

As at 31 December 2013

(The figures have not been audited.)

	As at 31.12.2013 RM	As at 31.03.2013 RM
ASSETS		
Non-current assets		
Property, plant and equipment	1,892,092	1,374,987
Hire purchase receivables	158,743,651	128,695,119
Deferred tax assets	2,422,943	2,422,943
	163,058,685	132,493,049
Current assets		
Inventories	1,165,789	971,219
Trade receivables	262,710	214,850
Hire purchase receivables	67,851,360	62,874,863
Other receivables, deposits and prepayments	426,719	345,178
Current tax assets	2,053	359
Fixed deposits	12,660,466	29,523,632
Cash and bank balances	628,285	1,863,804
	82,997,382	95,793,905
Total assets	<u>246,056,067</u>	<u>228,286,954</u>
EQUITY AND LIABILITIES		
Equity attributable to owner of the company		
Share capital	125,000,000	125,000,000
Share premium	2,820,736	2,820,736
Retained earnings	35,517,465	31,037,215
Total equity	163,338,201	158,857,951
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	31,413,459	16,829,485
Term loans	6,412,000	17,038,000
	37,825,459	33,867,485
Current liabilities		
Trade payables	13,632,180	11,324,266
Other payables and accruals	1,384,110	1,184,771
Block discounting payables - secured	21,530,516	14,406,279
Term loans	6,168,000	6,168,000
Bank overdrafts - secured	638,486	967,720
Current tax liabilities	1,539,116	1,510,482
	44,892,408	35,561,518
Total liabilities	<u>82,717,866</u>	<u>69,429,003</u>
TOTAL EQUITY AND LIABILITIES	<u>246,056,067</u>	<u>228,286,954</u>
Net assets per share	1.31	1.27

(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 2013)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 December 2013
(The figures have not been audited.)

	Issued and fully paid ordinary shares of RM1.00 each		Share premium RM	Distributable Retained earnings RM	Total equity RM
	Number of shares	Nominal value RM			
Balance as at 1 April 2012	50,000,000	50,000,000	-	67,163,761	117,163,761
Ordinary shares issued pursuant to bonus issue	50,000,000	50,000,000	-	(50,000,000)	-
Ordinary shares issued pursuant to public issue	25,000,000	25,000,000	4,000,000		29,000,000
Share issue expenses			(1,325,874)		(1,325,874)
Total comprehensive income	-	-	-	10,808,285	10,808,285
Balance as at 31 December 2012	125,000,000	125,000,000	2,674,126	27,972,046	155,646,172
Balance as at 1 April 2013	125,000,000	125,000,000	2,820,736	31,037,215	158,857,951
Total comprehensive income	-	-	-	12,605,250	12,605,250
Dividend for financial year ended 31 March 2013				(8,125,000)	(8,125,000)
Balance as at 31 December 2013	125,000,000	125,000,000	2,820,736	35,517,465	163,338,201

(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 2013)

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

For the financial period ended 31 December 2013

(The figures have not been audited.)

	9 months ended	
	31.12.2013	31.12.2012
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	16,953,113	15,075,711
Adjustment for non cash items :		
Depreciation of property, plant and equipment	204,521	170,312
Gain on disposal of property, plant and equipment	(12,738)	-
Impairment allowance	8,037,318	4,335,706
Interest expense	2,301,734	2,326,319
Interest income	(555,238)	(19,516)
Listing expenses	-	2,009,902
Operation profit before working capital changes	<u>26,928,710</u>	<u>23,898,433</u>
Increase in inventories	(194,570)	(11,186)
Increase in hire purchase receivables	(43,062,347)	(12,696,539)
Increase in trade receivables	(47,860)	(51,490)
(Increase)/Decrease in other receivables, deposits and prepayments	(81,541)	386,074
Increase in trade payables	2,307,914	241,471
Increase in other payables and accruals	199,339	1,468,653
	(40,879,065)	(10,663,017)
Cash (used in)/generated from operations	(13,950,355)	13,235,416
Tax paid	(4,320,923)	(2,745,632)
Net cash (used in)/from operating activities	(18,271,278)	10,489,784
<u>Cash flows from investing activities</u>		
Repayment from former holding company	-	53,267
Purchase of property, plant and equipment	(763,889)	(86,888)
Proceeds from disposal of property, plant and equipment	55,000	71,574
Interest received	555,238	19,516
Net cash (used in)/from investing activities	(153,651)	57,469
<u>Cash flows from financing activities</u>		
Net repayment of term loans	(10,626,000)	(4,626,000)
Net drawdown/(repayment) of block discounting payables	21,720,445	(393,133)
Proceeds from public issue of shares	-	29,000,000
Share issue and listing expenses paid	-	(3,335,776)
Dividend paid	(8,125,000)	-
Interest paid	(2,313,967)	(2,318,995)
Net cash from financing activities	655,478	18,326,096
Net (decrease)/increase in cash and cash equivalents during the financial period	(17,769,451)	28,873,348
Cash and cash equivalents as at beginning of financial year	30,419,716	528,581
Cash and cash equivalents as at end of financial period	<u>12,650,265</u>	<u>29,401,929</u>

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

For the financial period ended 31 December 2013

(The figures have not been audited.)

	9 months ended	
	31.12.2013	31.12.2012
	RM	RM
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	13,288,751	30,597,082
Bank overdraft	(638,486)	(1,195,153)
	<u>12,650,265</u>	<u>29,401,929</u>

(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 2013)

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

Notes to the Interim Financial Statements
for the second quarter ended 31 December 2013

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 also comply with *IAS 34: Interim Financial Reporting*.

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 2013, 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 2013 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2013.

On 1 April 2013, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
Amendments to MFRS 101	<i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 10	<i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11	<i>Joint Arrangements</i>	1 January 2013
MFRS 12	<i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13	<i>Fair Value Measurements</i>	1 January 2013
MFRS 119	<i>Employee Benefits (revised)</i>	1 January 2013
MFRS 127	<i>Separate Financial Statements</i>	1 January 2013
MFRS 128	<i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 1	<i>Government Loans</i>	1 January 2013
Amendments to MFRS 7	<i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRSs	<i>Annual Improvements 2009 - 2011 Cycle</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
IC Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

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

The Group's operations has not been materially impacted by any seasonal or cyclical factors for the financial period ended 31 December 2013.

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 31 December 2013.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 December 2013.

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 December 2013.

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

Notes to the Interim Financial Statements
for the second quarter ended 31 December 2013

A6 Dividend Paid

The Company has paid a single-tier first and final dividend in respect of the financial year ended 31 March 2013 amounting to RM8.125 million on 3 October 2013.

A7 Segmental Reporting

No segmental analysis is prepared as the Group is primarily involved in the provision of hire purchase financing and other integrated services. Besides, all business activities are carried out in Malaysia.

A8 Subsequent Events

There was no material event subsequent to the end of 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 31 December 2013.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 December 2013.

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 December 2013.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 31 December 2013.

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

Notes to the Interim Financial Statements
for the second quarter ended 31 December 2013

B1 Review Of Performance**Current Quarter Performance (FY2014-Q3 vs FY2013-Q3)**

The Group's revenue increased by 23% from RM10.04 million to RM12.33 million due to an increase in the hire purchase portfolio. Other income increased from RM73,350 to RM187,576 mainly due to higher fixed deposit interest. There was slight decrease of the profit before listing expenses and tax from RM5.47 million to RM5.31 million due to increase in impairment allowance and other expenses. Profit before tax increased by 54% from RM3.46 million to RM5.31 million due to the RM2.01 million listing expenses incurred in the third quarter of the previous financial year.

Year To Date Performance (FY2014-YTD vs FY2013-YTD)

The Group's revenue increased by 15% from RM30.48 million to RM35.01 million due to an increase in the hire purchase portfolio. Other income increased from RM247,518 to RM792,392 mainly due to higher fixed deposit interest. There was slight decrease of the profit before listing expenses and tax from RM17.09 million to RM16.95 million due to increase in impairment allowance and other expenses. Profit before tax increased by 12% from RM15.08 million to RM16.95 million due to the RM2.01 million listing expenses incurred in the third quarter of the previous financial year.

B2 Comparison of Results with Preceding Quarter

The Group's profit before tax for the current quarter of RM5.31 million was slightly lower as compared to RM5.41 million of the immediate preceding quarter mainly due to increase of other expenses for the current quarter.

B3 Prospects and Outlook

The domestic economy is currently experiencing inflationary pressures on prices of goods and cost of living. As a consequence, our group profit for the whole financial year will be affected due to slower recovery of its hire purchase receivables resulting in higher impairment allowances. Nevertheless, the Group will continue to place strong emphasis on close monitoring and efficient collection of accounts as well as follow-up mechanisms, to minimise this impact.

Despite the current domestic environment, the Group opined that the Malaysian hire purchase market for used motor vehicles would continue growing albeit at a moderate pace. The Group will continue to grow its hire purchase portfolio assertively without compromising the hire purchase assets quality.

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 December 2013 are set out below:

	3 months ended 31.12.2013	9 months ended 31.12.2013
	RM	RM
(a) Income Tax	1,374,653	4,347,863
(b) Deferred Taxation	-	-
	<u>1,374,653</u>	<u>4,347,863</u>

The effective tax rate of the Group for the financial period ended 31 December 2013 were higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

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

Notes to the Interim Financial Statements
for the second quarter ended 31 December 2013

B6 Status of Corporate Proposals Announced

On 16 December 2013, on behalf of the Board of Directors of the Company, MIDF Amanah Investment Bank Bhd ("*MIDF*") announced that the Company proposed to undertake the proposed renounceable rights issue of irredeemable convertible unsecured loan stock ("*ICULS*") of up to RM100 million in nominal value with coupon rate of 3.25% per annum on the nominal value of the ICULS at 100% of the nominal value of RM1.00 each for a tenure of eight (8) years ("*Rights ICULS*") on the basis of four (4) Rights ICULS of RM1.00 each in nominal value for every five (5) existing ordinary shares of RM1.00 each in the Company held on an entitlement date to be determined later ("*Proposed Rights Issue of ICULS*").

On 6 January 2014, MIDF, on behalf of the Board of Directors of the Company, announced that the Company has submitted the application in relation to the Proposed Rights Issue of ICULS to Securities Commission (Private Debts Securities) and Bursa Malaysia Securities Bhd.

On 27 January 2014, MIDF, on behalf of the Board of Directors of the Company announced that Bursa Malaysia Securities Berhad ("*Bursa Securities*") approved the following:

(i) admission to the Official List and the listing and quotation of 100,000,000 units of Rights ICULS to be issued pursuant to the Proposed Rights Issue of ICULS; and

(ii) listing of and quotation for up to 80,000,000 new ELK-Desa Shares to be issued pursuant to the exercise of the ICULS.

The approval by Bursa Securities for the above Proposed Rights Issue of ICULS is subject to certain conditions.

On 10 February 2014, MIDF, on behalf of the Board of Directors of the Company announced that the Securities Commission Malaysia ("*SC*") had approved the Proposed Rights Issue of ICULS under subsection 214(1) of the Capital Markets & Services Act 2007.

For details of the Proposed Rights Issue of ICULS, please refer to the Company's announcement on both the Company and Bursa Malaysia website.

B7 Group Borrowings

All borrowings as at 31 December 2013 are secured except for one of the term loans amounting to RM4.0 million. The Group does not have any borrowings that are denominated in foreign currency.

		As at 31.12.2013 RM	As at 31.03.2013 RM
Block Discounting Payables	- within 1 year	21,530,516	14,406,279
	- later than 1 year	31,413,459	16,829,485
		52,943,975	31,235,764
Term Loans	- within 1 year	6,168,000	6,168,000
	- later than 1 year	6,412,000	17,038,000
		12,580,000	23,206,000
Bank Overdraft	- within 1 year	638,486	967,720
Total Borrowings		<u>66,162,461</u>	<u>55,409,484</u>

B8 Changes in Material Litigation

There was no material litigation against the Group as at the reporting date.

B9 Dividend

There was no dividend proposed in the current quarter and the previous corresponding quarter.

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

Notes to the Interim Financial Statements
for the second quarter ended 31 December 2013

B10 Earnings Per Share

Basic Earnings Per Share is calculated by dividing the Group's net profit by the number of ordinary shares in issue during the financial year.

	Quarter ended 31.12.2013	Quarter ended 31.12.2012	Year to date ended 31.12.2013	Year to date ended 31.12.2012
Profit after taxation (RM)	3,937,564	2,141,380	12,605,250	10,808,285
Weighted average number of ordinary shares (units)	125,000,000	103,804,348	125,000,000	101,272,727
Basic earnings per ordinary share (sen)	3.15	2.06	10.08	10.67

Weighted average number of ordinary shares is based on the number of shares that has been adjusted retrospectively following bonus issue made on 3 October 2012.

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2013 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 31.12.2013 RM	9 months ended 31.12.2013 RM
The comprehensive income is arrived at after charging/(crediting) the following:		
Interest income	(92,081)	(555,238)
Interest expense	805,935	2,301,734
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	NA	NA
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA

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 31.12.2013 RM	As at 31.03.2013 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	68,006,470	63,528,126
- Unrealised	<u>2,422,943</u>	<u>2,422,943</u>
	70,429,413	65,951,069
Less: Consolidation adjustments	<u>(34,911,948)</u>	<u>(34,913,854)</u>
Total retained earnings as per consolidation accounts	<u><u>35,517,465</u></u>	<u><u>31,037,215</u></u>