

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 DECEMBER 2018**

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial period ended 31 December 2018
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Revenue	31,114,073	25,895,851	90,930,211	76,431,003
Other income	498,197	718,711	1,810,945	1,343,330
Cost of inventories sold	(5,826,937)	(4,628,836)	(18,094,413)	(14,279,060)
Depreciation of property, plant and equipment	(279,649)	(159,402)	(624,675)	(473,439)
Impairment allowance	(4,931,733)	(4,559,026)	(12,639,277)	(16,252,729)
Other expenses	(9,329,799)	(7,119,376)	(26,206,839)	(20,498,725)
Finance costs	(1,168,737)	(603,590)	(2,789,447)	(1,736,713)
Profit before taxation	10,075,415	9,544,332	32,386,505	24,533,667
Taxation	(2,362,850)	(2,542,178)	(7,983,003)	(6,519,980)
Profit for the financial period	7,712,565	7,002,154	24,403,502	18,013,687
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	7,712,565	7,002,154	24,403,502	18,013,687
Earnings per ordinary share - basic (sen)	2.61	2.46	8.35	7.10
Earnings per ordinary share - diluted (sen)	2.55	2.32	8.08	6.65

(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 2018)

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

As at 31 December 2018

(The figures have not been audited.)

	As at 31.12.2018 RM	As at 31.03.2018 RM
ASSETS		
Non-current assets		
Property, plant and equipment	10,765,898	7,239,513
Hire purchase receivables	340,222,719	281,872,966
Deferred tax assets	2,832,424	3,624,551
	353,821,041	292,737,030
Current assets		
Inventories	10,095,452	8,451,574
Other assets	1,349,994	1,412,695
Trade receivables	11,448,757	9,919,379
Hire purchase receivables	115,837,813	105,410,777
Other receivables, deposits and prepayments	1,659,829	2,106,066
Current tax assets	-	36,530
Fixed deposits	33,558,021	-
Short term funds	-	34,669,749
Cash and bank balances	8,580,827	15,594,775
	182,530,693	177,601,545
Total assets	<u>536,351,734</u>	<u>470,338,575</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	319,885,245	307,439,983
Share premium	23,260,816	23,260,816
Retained earnings	69,154,949	65,169,158
ICULS - equity component	6,891,230	17,264,332
Treasury shares	(16,735,944)	(16,735,944)
Total equity	402,456,296	396,398,345
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	56,785,487	29,435,983
ICULS - liability component	677,805	2,260,704
Deferred tax liability	13,716	13,716
	57,477,008	31,710,403
Current liabilities		
Trade payables	13,543,601	13,551,933
Other payables and accruals	3,959,624	4,807,919
Dividend payable	10,365,218	-
Block discounting payables - secured	43,439,919	21,205,294
Current tax liabilities	5,110,068	2,664,681
	76,418,430	42,229,827
Total liabilities	<u>133,895,438</u>	<u>73,940,230</u>
TOTAL EQUITY AND LIABILITIES	<u>536,351,734</u>	<u>470,338,575</u>
Net assets per share	1.36	1.39

(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 2018)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 December 2018
(The figures have not been audited.)

	Number of Issued Shares Unit	Share Capital RM	Share Premium RM	Retained Earnings RM	Treasury shares RM	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2017	243,129,526	243,129,886	24,496,943	57,280,090	(16,735,944)	25,915,034	334,086,009
Total comprehensive income	-	-	-	18,013,689	-	-	18,013,689
Final Dividend for financial year ended 31 March 2017	-	-	-	(8,136,209)	-	-	(8,136,209)
Interim Dividend for financial year ended 31 March 2018	-	-	-	(9,281,217)	-	-	(9,281,217)
Issuance of shares upon conversion of ICULS	8,783,893	10,364,999	-	(616,226)	-	(8,639,200)	1,109,573
Issuance of shares pursuant to rights issue	46,492,498	53,931,298	-	-	-	-	53,931,298
Expenses incurred pursuant to rights issue	-	-	(1,236,127)	-	-	-	(1,236,127)
Balance as at 31 December 2017	298,405,917	307,426,183	23,260,816	57,260,127	(16,735,944)	17,275,834	388,487,016
Balance as at 1 April 2018 - as previously stated	298,417,611	307,439,983	23,260,816	65,169,158	(16,735,944)	17,264,332	396,398,345
- Effect of adoption of MFRS9	-	-	-	1,212,489	-	-	1,212,489
Balance as at 1 April 2018 (as restated)	298,417,611	307,439,983	23,260,816	66,381,647	(16,735,944)	17,264,332	397,610,834
Total comprehensive income	-	-	-	24,403,502	-	-	24,403,502
Final Dividend for financial year ended 31 March 2018	-	-	-	(10,292,128)	-	-	(10,292,128)
Interim Dividend for financial year ending 31 March 2019	-	-	-	(10,365,218)	-	-	(10,365,218)
Issuance of shares upon conversion of ICULS	10,546,830	12,445,262	-	(972,854)	-	(10,373,102)	1,099,306
Balance as at 31 December 2018	308,964,441	319,885,245	23,260,816	69,154,949	(16,735,944)	6,891,230	402,456,296

(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 2018)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 31 December 2018
(The figures have not been audited.)

	9 months ended	
	31.12.2018	31.12.2017
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	32,386,505	24,533,667
Adjustment for :		
Depreciation of property, plant and equipment	629,872	473,439
Loss/(Gain) on disposal of property, plant and equipment	(4,510)	(2,357)
Property, plant and equipment written off	-	1
Net impairment allowance made for the financial period	13,958,932	16,902,455
Interest expense	2,789,447	1,669,149
Interest income	(346,287)	(484,090)
Income from short term funds	(765,172)	(466,317)
Unrealised (gain) / loss on foreign exchange	(16,537)	-
Operating profit before working capital changes	<u>48,632,250</u>	<u>42,625,947</u>
Changes in working capital:		
Inventories	(1,643,878)	(2,323,533)
Other assets	62,701	(401,789)
Hire purchase receivables	(80,673,884)	(48,919,691)
Trade receivables	(1,916,459)	(557,519)
Other receivables, deposits and prepayments	446,237	108,469
Trade payables	(8,332)	(1,008,802)
Other payables and accruals	(380,348)	(490,924)
	(84,113,963)	(53,593,789)
Cash generated from/(used in) operations	<u>(35,481,713)</u>	<u>(10,967,842)</u>
Tax paid	(5,468,342)	(4,715,833)
Net cash from/(used in) operating activities	(40,950,055)	(15,683,675)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(4,354,890)	(516,003)
Proceeds from disposal of property, plant and equipment	203,142	2,358
Interest received	346,287	484,090
Income received from short term funds	765,172	466,317
Net cash from/(used in) investing activities	(3,040,289)	436,762
<u>Cash flows from financing activities</u>		
Net (repayment)/drawdown of bank discounting payables	49,798,138	22,735,926
Proceeds from issuance of Rights Issue	-	53,931,298
Rights Issue expenses paid	-	(1,236,127)
Interest paid	(3,612,189)	(2,534,148)
Dividend paid	(10,292,128)	(8,136,209)
Net cash from/(used in) financing activities	35,893,821	64,760,740

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 31 December 2018
(The figures have not been audited.)

	<u>9 months ended</u>	
	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM
Net increase/(decrease) in cash and cash equivalents during the financial period	(8,096,523)	49,513,827
Effects of exchange rate changes on cash and cash equivalents	(29,154)	-
Cash and cash equivalents as at beginning of financial year	<u>50,264,525</u>	<u>14,078,125</u>
Cash and cash equivalents as at end of financial period	<u>42,138,848</u>	<u>63,591,952</u>
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	42,138,848	25,560,043
Short term fund	-	38,031,909
	<u>42,138,848</u>	<u>63,591,952</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 2018)

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

Notes to the Interim Financial Statements
for the third quarter ended 31 December 2018

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 2018, 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 2018 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2018.

On 1 April 2018, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
Amendments to MFRS 1	<i>Annual Improvements to MFRS Standards 2014 - 2017 Cycle</i>	1 January 2018
MFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15		1 January 2018
MFRS 9	<i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128	<i>Annual Improvements to MFRS Standards 2014 - 2017 Cycle</i>	1 January 2018
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140	<i>Transfers of Investment Property</i>	1 January 2018

Application of the above accounting standards, amendments and interpretations are not expected to have a material impact on the financial statements of the Group.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018.

The Group is applying the modified retrospective method for the adoption of MFRS 9 and the cumulative effects are shown as an adjustment to the opening retained earnings on 1 April 2018.

The new requirements introduced in respect of the accounting for financial instruments were classification and measurement, impairment and hedge accounting.

The impact of the adoption of MFRS 9 to the Group is limited to classification and measurement, and impairment whereas the hedge accounting is not applicable to the Group.

a) Classification and Measurement

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

The Group analysed the contractual cash flow characteristics of all financial instruments and concluded that reclassification for these instruments is not required.

b) Impairment

MFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the hirers, debtors and the economic environment in which the business is operating in.

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Notes to the Interim Financial Statements
for the third quarter ended 31 December 2018

The financial impact arising from the initial application of MFRS9 on the statement of financial position of the Group as at 1 April 2018 are as follows:-

Financial Effects Due to the adoption of MFRS 9

The following table summarises the financial impact, net of tax, of transition to MFRS 9 on the statements financial position of the Group:

	RM
Deferred tax assets	
Balance as at 1 April 2018	3,624,551
- Effects of MFRS 9	<u>(412,231)</u>
Balance as at 1 April 2018, restated	<u>3,212,320</u>
Hire purchase receivables	
Balance as at 1 April 2018	387,283,743
- Effects of MFRS 9	<u>1,717,629</u>
Balance as at 1 April 2018, restated	<u>389,001,372</u>
Trade receivables	
Balance as at 1 April 2018	9,919,379
- Effects of MFRS 9	<u>(92,908)</u>
Balance as at 1 April 2018, restated	<u>9,826,471</u>
Retained earnings	
Balance as at 1 April 2018	65,169,158
- Effects of MFRS 9	<u>1,212,489</u>
Balance as at 1 April 2018, restated	<u>66,381,647</u>

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 31 December 2018.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 December 2018.

A5 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

Save as disclosed below, there were no issuance, repurchases and repayment of debt and equity securities and share cancellations during the financial period ended 31 December 2018.

During the financial period under review, the Company had issued 10,546,830 new ordinary shares pursuant to conversions of 12,445,262 units of ICULS.

As at 31 December 2018, the number of ordinary shares were 296,134,441 shares, after deducting the treasury shares held of 12,830,000 shares. The number of outstanding ICULS stood at 8,347,037.

A6 Dividend Paid

Pursuant to the shareholders' approval on 9 August 2018 for the single-tier final dividend of 3.50 sen per share in respect of the financial year ended 31 March 2018, the dividend was paid to shareholders on 26 September 2018.

On 30 January 2019, the Company had paid a single-tier interim dividend of 3.50 sen per share for the financial year ending 31 March 2019 amounting to RM10.36 million.

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
Quarter Ended 31 December 2018			
Revenue (External)	21,674,676	9,439,397	31,114,073
Other income	522,099	(23,902)	498,197
Cost of inventories sold	-	(5,826,937)	(5,826,937)
Depreciation of property, plant and equipment	(147,464)	(132,185)	(279,649)
Impairment allowance	(4,901,323)	(30,410)	(4,931,733)
Other expenses	(6,171,933)	(3,157,866)	(9,329,799)
Finance costs	(1,168,737)	-	(1,168,737)
Profit/(Loss) before tax	9,807,318	268,097	10,075,415
Quarter Ended 31 December 2017			
Revenue (External)	18,445,056	7,450,795	25,895,851
Other income	655,744	62,967	718,711
Cost of inventories sold	-	(4,628,836)	(4,628,836)
Depreciation of property, plant and equipment	(104,145)	(55,257)	(159,402)
Impairment allowance	(4,542,923)	(16,103)	(4,559,026)
Other expenses	(4,368,985)	(2,750,391)	(7,119,376)
Finance costs	(577,022)	(26,568)	(603,590)
Profit/(Loss) before tax	9,507,725	36,607	9,544,332
9 months Ended 31 December 2018			
Revenue (External)	62,370,996	28,559,215	90,930,211
Other income	1,724,101	86,844	1,810,945
Cost of inventories sold	-	(18,094,413)	(18,094,413)
Depreciation of property, plant and equipment	(401,999)	(222,676)	(624,675)
Impairment allowance	(12,295,070)	(344,207)	(12,639,277)
Other expenses	(16,935,022)	(9,271,817)	(26,206,839)
Finance costs	(2,789,447)	-	(2,789,447)
Profit/(Loss) before tax	31,673,559	712,946	32,386,505
Segment assets	512,290,940	24,060,795	536,351,735
Segment liabilities	132,459,439	1,435,999	133,895,438
9 months Ended 31 December 2017			
Revenue (External)	53,750,940	22,680,063	76,431,003
Other income	1,286,041	57,289	1,343,330
Cost of inventories sold	-	(14,279,060)	(14,279,060)
Depreciation of property, plant and equipment	(310,372)	(163,067)	(473,439)
Impairment allowance	(16,089,332)	(163,397)	(16,252,729)
Other expenses	(12,568,057)	(7,930,668)	(20,498,725)
Finance costs	(1,669,149)	(67,564)	(1,736,713)
Profit/(Loss) before tax	24,400,071	133,596	24,533,667
Segment assets	443,575,308	22,481,721	466,057,029
Segment liabilities	75,199,196	2,370,817	77,570,013

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 31 December 2018.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 December 2018.

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 2018.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 31 December 2018.

B1 Review Of Performance

CURRENT QUARTER (FY2019-Q3 vs FY2018-Q3)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2018	31.12.2017			31.12.2018	31.12.2017		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	31,114,073	25,895,851	5,218,222	20%	90,930,211	76,431,003	14,499,208	19%
Profit before interest and tax	11,244,152	10,147,922	1,096,230	11%	35,175,952	26,270,380	8,905,572	34%
Profit before taxation	10,075,415	9,544,332	531,083	6%	32,386,505	24,533,667	7,852,838	32%
GROUP	As at		Variance	Variance				
	31.12.2018				31.12.2017			
	RM	RM			RM	%		
Hire Purchase Receivables	456,060,532	370,406,483	85,654,049	23%				
Total Borrowings	100,225,406	44,393,845	55,831,561	126%				

The Group's revenue increased by 20% to RM31.11 million. The Group's profit before tax increased by 6% to RM10.08 million. The increase in revenue and profit before tax were due to higher contribution from both hire purchase and furniture segment for the quarter ended 31 December 2018.

Hire purchase receivables recorded a 23% growth year on year from RM370.41 million to RM456.06 million as at 31 December 2018. This was the key factor that led to the increase in hire purchase revenue for the current financial period.

Total borrowings increased by 126% mainly due to higher drawdown of block discounting facility during the current financial period to support the increased hire purchase receivables. Nevertheless, the gearing ratio remains at a low level of 0.25 times as at 31 December 2018.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2018	31.12.2017			31.12.2018	31.12.2017		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	21,674,676	18,445,056	3,229,620	18%	62,370,996	53,750,940	8,620,056	16%
Profit before interest and tax	10,976,055	10,084,747	891,308	9%	34,463,006	26,069,220	8,393,786	32%
Profit before taxation	9,807,318	9,507,725	299,593	3%	31,673,559	24,400,071	7,273,488	30%

Revenue increased by 18% to RM21.67 million, mainly due to increase in hire purchase portfolio.

Other income decreased by 20% to RM0.52 million mainly due to reduction of income received from short term funds.

Impairment allowance increased by 8% to RM4.90 million. However, credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 1.18% to 1.05%. The improvement in the credit loss charge was mainly due to stable domestic economic environment during the financial period under review and the Group's concerted efforts in credit recovery.

Other expenses increased by 41% to RM6.17 million mainly due to higher staff costs attributed to the recruitment of a larger workforce and higher staff development expenses. As a result of higher borrowings, the finance cost increased by 103% to RM1.17 million.

The profit before tax increased by 3% to RM9.81 million mainly due to increase in hire purchase portfolio for the quarter ended 31 December 2018.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2018	31.12.2017			31.12.2018	31.12.2017		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	9,439,397	7,450,795	1,988,602	27%	28,559,215	22,680,063	5,879,152	26%
Profit before interest and tax	268,097	63,175	204,922	324%	712,946	201,160	511,786	254%
Profit before taxation	268,097	36,607	231,490	632%	712,946	133,596	579,350	434%

Revenue increased by 27% to RM9.44 million mainly due to the increase of local sales, which is in line with the Group's effort to focus its operations in the domestic market.

Other expenses increased by 15% to RM3.16 million mainly due to higher operating expenses which is in tandem with the higher sales.

The segment recorded a profit before tax of RM0.27 million mainly due to higher revenue for the quarter ended 31 December 2018 .

YEAR-TO-DATE (FY2019 YTD vs FY2018 YTD)

The Group's revenue increased by 19% to RM90.93million, due to higher contribution from both hire purchase and furniture segment.

The Group's profit before tax increased by 32% to RM32.39 million, mainly contributed by the hire purchase segment.

Hire Purchase Segment

Revenue increased by 16% from RM53.75 million to RM62.37 million, mainly due to increase in hire purchase portfolio.

Impairment allowance decreased by 24% to RM12.30 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 4.41% to 2.85%. The improvement was mainly due to stable domestic economic environment during the financial period under review and the Group's concerted efforts in credit recovery.

Other expenses increased by 35% to RM16.94 million mainly due to higher staff costs attributed to the recruitment of a larger workforce and higher staff development expenses.

As a result of higher borrowings, the finance cost increased by 67% to RM2.79 million.

The profit before tax increased by 30% to RM31.67 million mainly due to increase in hire purchase portfolio and lower impairment allowance for the nine (9) months period ended 31 December 2018.

Furniture Segment

Revenue increased by 26% to RM28.56 million mainly due to the increase of local sales, which is in line with the Group's effort to focus its operations in the domestic market.

Impairment allowance increased by RM0.18 million to RM0.34 million, mainly due to slower payment from furniture dealers. Other expenses increased by 17% to RM9.27 million mainly due to higher operating expenses which is in tandem with the higher sales.

The segment recorded a profit before tax of RM0.71 million for the nine (9) months period ended 31 December 2018.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	31.12.2018	30.09.2018		
	RM	RM	RM	%
Revenue	31,114,073	30,994,500	119,573	0%
Profit before interest and tax	11,244,152	12,482,161	(1,238,009)	-10%
Profit before taxation	10,075,415	11,589,735	(1,514,320)	-13%

The Group's profit before tax for the current quarter of RM10.08 million was lower as compared to RM11.60 million of the immediate preceding quarter mainly due to lower profit contribution from the hire purchase segment in the current quarter.

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

Notes to the Interim Financial Statements
for the third quarter ended 31 December 2018

B3 Prospects and Outlook

Despite the uncertain global economic conditions ahead, the overall domestic macro-economic factors (i.e. labour market conditions, inflation outlook, cost of living) and general public sentiments remain stable. In view of this, the Group intends to maintain its momentum in growing its hire purchase portfolio in the financial year ending 31 March 2019 without compromising on the quality of its assets.

The Group will focus on its core business of second hand car hire purchase financing, which strategically operates in the underserved niche market, and continue to remain prudent in managing its credit risks.

The furniture business will continue to focus its operations in the domestic market.

In conclusion, the Board is confident that the Group's performance for the financial year ending 31 March 2019 is expected to be better than financial year ended 31 March 2018.

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 2018 are set out below:

	3 months ended	9 months ended
	31.12.2018	31.12.2018
	RM	RM
(a) Income Tax	2,359,338	7,950,257
(b) Deferred Taxation	3,512	32,746
	<u>2,362,850</u>	<u>7,983,003</u>

The effective tax rate of the Group for the financial period ended 31 December 2018 was higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

B6 Status of Corporate Proposals Announced

There are no corporate proposals announced for the Group as at the reporting date.

B7 Group Borrowings & Debt Securities

The Group does not have any borrowings or debt securities that are denominated in foreign currency.

		As at	As at
		31.12.2018	31.12.2017
		RM	RM
Borrowings			
Block Discounting Payables	- within 1 year	43,439,919	17,689,492
(Fixed rate and secured)	- later than 1 year	56,785,487	26,704,353
		100,225,406	44,393,845
Debt Securities			
ICULS - liability component	- later than 1 year	677,805	2,384,897

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

Notes to the Interim Financial Statements
for the third quarter ended 31 December 2018

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 (3Q 2018 : Nil).

Year-to-date ("YTD") dividend for the financial period ended 31 December 2018 is 3.50 sen per ordinary share (YTD FY 2018: 3.25 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 31.12.2018	Quarter ended 31.12.2017	Year to date ended 31.12.2018	Year to date ended 31.12.2017
Profit after taxation (RM)	7,712,565	7,002,154	24,403,502	18,013,687
Weighted average number of ordinary shares (units)	295,553,682	284,985,908	292,337,148	253,798,114
Basic earnings per ordinary share (sen)	2.61	2.46	8.35	7.10

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 31.12.2018	Quarter ended 31.12.2017	Year to date ended 31.12.2018	Year to date ended 31.12.2017
Profit after taxation (RM)	7,712,565	7,002,154	24,403,502	18,013,687
Interest expense on ICULS, net of tax (RM)	16,925	22,804	99,763	371,382
Adjusted profit after tax (RM)	7,729,490	7,024,958	24,503,265	18,385,069
Weighted average number of ordinary shares (units)	295,553,682	284,985,908	292,337,148	253,798,114
Adjustment for potential dilutive shares (units)	7,654,578	18,222,353	10,871,112	22,867,157
Adjusted weighted average number of ordinary shares (units)	303,208,260	303,208,261	303,208,260	276,665,271
Diluted earnings per ordinary share (sen)	2.55	2.32	8.08	6.65

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2018 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended	9 months ended
	31.12.2018	31.12.2018
	RM	RM
Profit before taxation is arrived at after charging:		
Interest expense	1,168,737	2,789,447
And crediting :		
Interest income	352,247	1,111,459
Unrealised foreign exchange (loss) / gain	(6,258)	16,537
Realised foreign exchange loss	-	25,074

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	As at
	31.12.2018	31.03.2018
	RM	RM
Total retained earnings of the Company and its subsidiaries		
- Realised	101,355,678	97,021,116
- Unrealised	2,669,751	3,043,541
	<u>104,025,429</u>	<u>100,064,657</u>
Less: Consolidation adjustments	(34,870,480)	(34,895,499)
Total retained earnings as per consolidation accounts	<u><u>69,154,949</u></u>	<u><u>65,169,158</u></u>