

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 DECEMBER 2019**

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 December 2019

(The figures have not been audited.)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>		<u>9 months ended</u>	
	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Revenue	38,654,047	31,114,073	110,470,086	90,930,211
Other income	1,177,616	498,197	2,844,360	1,810,945
Cost of inventories sold	(7,168,000)	(5,826,937)	(21,332,695)	(18,094,413)
Depreciation of PPE & right of use assets	(594,727)	(279,649)	(1,699,831)	(624,675)
Impairment allowance	(6,229,303)	(4,931,733)	(15,572,315)	(12,639,277)
Other expenses	(8,829,357)	(9,329,799)	(27,943,919)	(26,206,839)
Finance costs	(3,759,164)	(1,168,737)	(8,402,413)	(2,789,447)
Profit before taxation	<u>13,251,112</u>	<u>10,075,415</u>	<u>38,363,273</u>	<u>32,386,505</u>
Taxation	(3,818,873)	(2,362,850)	(10,040,807)	(7,983,003)
Profit for the financial period	<u>9,432,239</u>	<u>7,712,565</u>	<u>28,322,466</u>	<u>24,403,502</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	<u>9,432,239</u>	<u>7,712,565</u>	<u>28,322,466</u>	<u>24,403,502</u>
Earnings per ordinary share - basic (sen)	<u>3.17</u>	<u>2.61</u>	<u>9.54</u>	<u>8.35</u>
Earnings per ordinary share - diluted (sen)	<u>3.12</u>	<u>2.55</u>	<u>9.37</u>	<u>8.08</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 2019)

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

As at 31 December 2019

(The figures have not been audited.)

	As at 31.12.2019 RM	As at 31.03.2019 RM
ASSETS		
Non-current assets		
Property, plant and equipment	10,712,042	10,667,280
Hire purchase receivables	464,978,112	357,435,653
Deferred tax assets	3,282,997	3,337,307
Right-of-use assets	2,743,535	-
	481,716,686	371,440,240
Current assets		
Inventories	12,950,747	11,057,387
Other assets	1,853,345	1,312,303
Trade receivables	12,518,351	11,506,486
Hire purchase receivables	136,713,023	119,018,183
Other receivables, deposits and prepayments	1,799,769	1,783,133
Current tax assets	90,253	35,447
Short term funds	31,535,051	16,408,066
Cash and bank balances	65,518,992	15,001,840
	262,979,531	176,122,845
Total assets	<u>744,696,217</u>	<u>547,563,085</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	344,340,237	343,162,661
Retained earnings	68,308,479	60,900,167
ICULS - equity component	5,895,891	6,877,394
Total equity	418,544,607	410,940,222
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	101,266,897	64,080,577
Term loan - non secured	15,324,000	-
ICULS - liability component	403,136	629,435
Lease liabilities	1,426,514	-
Deferred tax liability	12,289	12,289
Medium term notes	52,705,472	-
	171,138,308	64,722,301
Current liabilities		
Trade payables	15,365,384	13,915,203
Other payables and accruals	4,878,181	5,237,530
Dividend payable	10,402,828	-
Block discounting payables - secured	60,630,813	50,223,162
Term loan - non secured	4,097,483	-
Lease liabilities	1,375,612	-
Current tax liabilities	5,058,496	2,524,667
Medium term notes	53,204,505	-
	155,013,302	71,900,562
Total liabilities	<u>326,151,610</u>	<u>136,622,863</u>
TOTAL EQUITY AND LIABILITIES	<u>744,696,217</u>	<u>547,563,085</u>
Net assets per share	1.41	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 2019)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 31 December 2019
(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 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
- Adjustment on initial application of MFRS 9	-	-	-	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 ended 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
Balance as at 1 April 2019	296,148,507	343,162,661	-	60,900,167	-	6,877,394	410,940,222
Total comprehensive income	-	-	-	28,322,466	-	-	28,322,466
Issuance of shares upon conversion of ICULS	997,937	1,177,576	-	(115,473)	-	(981,503)	80,600
Final dividend for financial year ended 31 March 2019	-	-	-	(10,395,853)	-	-	(10,395,853)
Interim Dividend For Financial Year Ending 31 March 2020	-	-	-	(10,402,828)	-	-	(10,402,828)
Balance as at 31 December 2019	297,146,444	344,340,237	-	68,308,479	-	5,895,891	418,544,607

(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 2019)

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

For the financial period ended 31 December 2019

(The figures have not been audited.)

	9 months ended	
	31.12.2019	31.12.2018
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	38,363,273	32,386,505
Adjustment for :		
Depreciation of property, plant and equipment	688,748	629,872
Depreciation of right-of-use assets	1,011,083	-
Loss/(Gain) on disposal of property, plant and equipment	-	(4,510)
Property, plant and equipment written off	1	-
Net impairment allowance made for the financial period	16,949,877	13,958,932
Interest expense	8,270,044	2,789,447
Interest on lease liabilities	132,369	-
Interest income	(858,635)	(346,287)
Income from short term funds	(899,839)	(765,172)
Unrealised (gain) / loss on foreign exchange	5,371	(16,537)
Operating profit before working capital changes	<u>63,662,292</u>	<u>48,632,250</u>
Changes in working capital:		
Inventories	(1,893,361)	(1,643,877)
Other assets	(541,042)	62,702
Hire purchase receivables	(141,717,187)	(80,673,886)
Trade receivables	(1,487,227)	(1,916,459)
Other receivables, deposits and prepayments	(16,635)	446,237
Trade payables	1,450,181	(8,332)
Other payables and accruals	1,985,723	(380,348)
	<u>(142,219,548)</u>	<u>(84,113,963)</u>
Cash generated from/(used in) operations	<u>(78,557,256)</u>	<u>(35,481,713)</u>
Tax paid	<u>(7,532,924)</u>	<u>(5,468,342)</u>
Net cash from/(used in) operating activities	(86,090,180)	(40,950,055)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(733,511)	(4,354,890)
Net placement of fixed deposit with licensed banks with original maturity of more than three (3) months	(46,369,616)	-
Proceeds from disposal of property, plant and equipment	-	203,142
Interest received	858,635	346,287
Income received from short term funds	899,839	765,172
Net cash from/(used in) investing activities	(45,344,653)	(3,040,289)
<u>Cash flows from financing activities</u>		
Net drawdown/(repayment) of term loans	19,332,000	-
Net drawdown/(repayment) of block discounting payables	47,838,078	49,798,138
Interest paid	(8,404,034)	(3,612,189)
Repayment of lease liabilities	(1,084,861)	-
Dividend paid	(10,395,854)	(10,292,128)
Issuance of medium term notes	105,000,000	-
Medium term notes expenses paid	(1,575,976)	-
Net cash from/(used in) financing activities	150,709,353	35,893,821

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

For the financial period ended 31 December 2019

(The figures have not been audited.)

	9 months ended	
	31.12.2019	31.12.2018
	RM	RM
Net increase/(decrease) in cash and cash equivalents during the financial period	19,274,520	(8,096,523)
Effects of exchange rate changes on cash and cash equivalents	-	(29,154)
Cash and cash equivalents as at beginning of financial year	31,409,907	50,264,525
Cash and cash equivalents as at end of financial period	50,684,427	42,138,848
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	65,518,992	42,138,848
Short term fund	31,535,051	-
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(46,369,616)	-
	50,684,427	42,138,848

(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 2019)

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 2019, 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 2019 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 2019.

On 1 April 2019, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
MFRS 16	<i>Leases</i>	1 January 2019
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128	<i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9	<i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119	<i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

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 16 Leases

MFRS 16, Leases replaces the guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group applied MFRS 16 using modified retrospective approach and measured the right-of-use assets equals to the lease liabilities as 1 April 2019 with no restatement of comparative information. The following table analysed the impact of transition to MFRS 16 on the statement of financial position of the Group :

	RM
Right-of-use assets	
Closing balance as at 31 March 2019	-
- Recognition of right-of-use assets under MFRS 16	4,314,959
Opening balance as at 1 April 2019	<u>4,314,959</u>
Lease liabilities	
Closing balance as at 31 March 2019	-
- Recognition of right-of-use assets under MFRS 16	4,314,959
Opening balance as at 1 April 2019	<u>4,314,959</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 2019.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 31 December 2019.

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 2019 except for the following:

Equity Securities

During the financial period under review, the Company had issued 122,625 new ordinary shares pursuant to conversions of 144,700 units of ICULS.

As at 31 December 2019, the number of ordinary shares were 297,146,444 shares. The number of outstanding ICULS stood at 7,152,861 units.

Debt Securities

During the financial period under review, Premier Auto Assets Berhad, a special purpose vehicle incorporated to facilitate the Asset-Backed Securitisation ("ABS") exercise of the Group, had issued RM105 million and RM40.5 million of Senior Medium Term Notes ("MTN") and Junior MTNs respectively. The Junior MTNs were subscribed by ELK-Desa Capital Sdn Bhd, a wholly owned subsidiary of the Company.

A6 Dividend Paid

Pursuant to the shareholders' approval on 8 August 2019 for the single-tier final dividend of 3.50 sen per share in respect of the financial year ended 31 March 2019, the dividend amounting to RM10.40 million was paid to shareholders on 28 August 2018.

On 15 January 2020, the Company had paid a single-tier interim dividend of 3.50 sen per share for the financial year ending 31 March 2020 amounting to RM10.40 million.

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
Quarter Ended 31 December 2019			
Revenue (External)	27,641,608	11,012,439	38,654,047
Other income	1,166,187	11,429	1,177,616
Cost of inventories sold	-	(7,168,000)	(7,168,000)
Depreciation of PPE & right of use assets	(209,598)	(385,129)	(594,727)
Impairment allowance	(6,027,706)	(201,597)	(6,229,303)
Other expenses	(5,923,352)	(2,906,005)	(8,829,357)
Finance costs	(3,721,525)	(37,639)	(3,759,164)
Profit/(Loss) before tax	12,925,614	325,498	13,251,112

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

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
9 months Ended 31 December 2019			
Revenue (External)	77,384,573	33,085,513	110,470,086
Other income	2,805,866	38,494	2,844,360
Cost of inventories sold	-	(21,332,695)	(21,332,695)
Depreciation of PPE & right of use assets	(554,362)	(1,145,469)	(1,699,831)
Impairment allowance	(15,144,353)	(427,962)	(15,572,315)
Other expenses	(19,020,990)	(8,922,929)	(27,943,919)
Finance costs	(8,276,950)	(125,463)	(8,402,413)
Profit/(Loss) before tax	37,193,784	1,169,489	38,363,273
Segment assets	712,862,654	31,833,564	744,696,217
Segment liabilities	320,695,660	5,455,950	326,151,610

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	(16,935,021)	(9,271,818)	(26,206,839)
Finance costs	(2,789,447)	-	(2,789,447)
Profit/(Loss) before tax	31,673,560	712,945	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

A8 Subsequent Events

There was no material event subsequent to the current quarter.

A9 Changes in the Composition of the Group

Saved as disclosed, there were no material 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 2019.

Premier Auto Assets Berhad ("PAAB") a special purpose vehicle was incorporated to facilitate an assets-backed securitisation exercise of the Group.

PAAB is deemed to be an indirect subsidiary of the Company in accordance to the accounting standards.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 31 December 2019.

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 2019.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 31 December 2019.

B1 Review Of Performance

CURRENT QUARTER (FY2020-Q3 vs FY2019-Q3)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2019	31.12.2018			31.12.2019	31.12.2018		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	38,654,047	31,114,073	7,539,974	24%	110,470,086	90,930,211	19,539,875	21%
Profit before interest and tax	17,010,276	11,244,152	5,766,124	51%	46,765,686	35,175,952	11,589,734	33%
Profit before taxation	13,251,112	10,075,415	3,175,697	32%	38,363,273	32,386,505	5,976,768	18%
GROUP	As at		Variance	Variance				
	31.12.2019	31.12.2018						
	RM	RM			RM	%		
Hire Purchase Receivables	601,691,135	456,060,532	145,630,603	32%				
Bank Borrowings	181,319,193	100,225,406	81,093,787	81%				
Medium Term Notes ("MTN")	105,909,977	-	105,909,977	N/A				

The Group's revenue increased by 24% to RM38.65 million. The Group's profit before tax increased by 32% to RM13.25 million. The increase in revenue and profit before tax were mainly due to higher contribution from hire purchase segment for the quarter ended 31 December 2019.

Hire purchase receivables recorded a 32% growth year on year from RM456.06 million to RM601.69 million as at 31 December 2019. This was the key factor that led to the increase in hire purchase revenue for the current financial period.

In line with the Group's capital management strategy to leverage up, total bank borrowings increased by 81% mainly due to higher drawdown of block discounting facility and MTNs were issued during the current financial period to finance the increase of hire purchase receivables. Nevertheless, the Group's gearing remains at a low and manageable level of 0.68 times.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2019	31.12.2018			31.12.2019	31.12.2018		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	27,641,608	21,674,676	5,966,932	28%	77,384,573	62,370,996	15,013,577	24%
Profit before interest and tax	16,647,139	10,976,055	5,671,084	52%	45,470,734	34,463,007	11,007,727	32%
Profit before taxation	12,925,614	9,807,318	3,118,296	32%	37,193,784	31,673,560	5,520,224	17%

Revenue increased by 28% to RM27.64 million, mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 23% to RM6.03 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased slightly from 1.05% to 0.98%. The marginal decrease in credit loss charge was mainly due to the Group's concerted efforts in credit recovery and a larger hire purchase portfolio.

Other expenses decreased by 4% to RM5.92 million. Cost to income ratio remains at manageable level of 27%.

As a result of higher borrowings and debt securities, the finance cost increased by 218% to RM3.72 million.

The profit before tax increased by 32% to RM12.93 million mainly due to increase in hire purchase portfolio for the quarter ended 31 December 2019.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2019	31.12.2018			31.12.2019	31.12.2018		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	11,012,439	9,439,397	1,573,042	17%	33,085,513	28,559,215	4,526,298	16%
Profit before interest and tax	363,137	268,097	95,040	35%	1,294,952	712,945	582,007	82%
Profit before taxation	325,498	268,097	57,401	21%	1,169,489	712,945	456,544	64%

Revenue increased by 17% to RM11.01 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 RM0.17 million to RM0.20 million mainly due to slower payment from furniture dealers. Other expenses reduced by 8% to RM2.91 million mainly due to lower operating expenses.

The segment recorded profit before tax of RM0.33 million mainly due to the higher sales for the quarter ended 31 December 2019.

YEAR-TO-DATE (FY2020 YTD vs FY2019 YTD)

The Group's revenue increased by 21% to RM110.47 million, due to higher contribution from both hire purchase and furniture segment.

The Group's profit before tax increased by 18% to RM38.34 million, mainly contributed by the hire purchase segment.

Hire Purchase Segment

Revenue increased by 24% from RM62.37 million to RM77.38 million, mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 23% to RM15.14 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) marginally decreased from 2.85% to 2.75%. The improvement was mainly due to the Group's concerted efforts in credit recovery and a larger hire purchase portfolio.

Other expenses increased by 12% to RM19.02 million mainly due higher staff costs. Cost to income ratio remains at manageable level of 27%.

As a result of higher borrowings, the finance cost increased by 197% to RM8.28 million.

The profit before tax increased by 17% to RM37.19 million mainly due to increase in hire purchase portfolio for the nine (9) months period ended 31 December 2019.

Furniture Segment

Revenue increased by 16% to RM33.09 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 RM0.08 million to RM0.43 million, mainly due to slower payment from furniture dealers. Other expenses reduced by 4% to RM8.92 million mainly due to lower operating expenses.

The segment recorded a higher profit before tax of RM1.17 million for the nine (9) months period ended 31 December 2019 mainly due to higher revenue.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	31.12.2019	30.09.2019		
	RM	RM	RM	%
Revenue	38,654,047	36,624,091	2,029,956	6%
Profit before interest and tax	17,010,276	15,859,859	1,150,417	7%
Profit before taxation	13,251,112	12,829,214	421,898	3%
Hire purchase receivables	601,691,135	553,768,681	47,922,454	9%
Bank borrowings	181,319,193	146,061,579	35,257,614	24%
Medium term notes	105,909,977	104,527,502	1,382,475	1%

The Group's profit before tax for the current quarter of RM13.25 million was higher as compared to RM12.82 million of the immediate preceding quarter mainly due to higher profit contribution from the hire purchase segment in the current quarter.

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) remain relatively stable.

Moving forward, the Group is also cognisant of the external headwinds pressuring the domestic economy. These include the potential impact from the recent Nova Corona virus outbreak and the uncertainties that stem from the on-going trade war between China and the US. While we are paying close attention to these developments, we believe that the Malaysian economy remains resilient and would be able to withstand the difficulties in the immediate to medium term. In view of this, the Group intends to maintain its strategic direction to grow its hire purchase portfolio dynamically while paying close attention to safeguarding 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 trading business will continue to focus its operations in the domestic wholesale market.

Based on the Group's results to date, the Board is optimistic that the Group's performance for the financial year ending 31 March 2020 is expected to be better than financial year ended 31 March 2019 amidst a more challenging economic environment in the coming months.

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 2019 are set out below:

	3 months ended	9 months ended
	31.12.2019	31.12.2019
	RM	RM
(a) Income Tax	3,809,583	10,011,947
(b) Deferred Taxation	9,290	28,860
	<u>3,818,873</u>	<u>10,040,807</u>

The effective tax rate of the Group for the current quarter ended 31 December 2019 was higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes and under provision of taxation for prior year.

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.

Borrowings		As at	As at
		31.12.2019	31.12.2018
		RM	RM
Block Discounting Payables	- within 1 year	60,630,813	43,439,919
(Fixed rate and secured)	- later than 1 year	101,266,897	56,785,487
		161,897,710	100,225,406
Term Loan	- within 1 year	4,097,483	-
(Floating and unsecured)	- later than 1 year	15,324,000	-
		19,421,483	-
Total Borrowings		<u>181,319,193</u>	<u>100,225,406</u>
Debt Securities			
ICULS - liability component	- later than 1 year	403,136	677,805
Medium Term Notes	- within 1 year	53,204,505	-
	- later than 1 year	52,705,472	-
		105,909,977	-
Total Debt Securities		<u>106,313,113</u>	<u>677,805</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 (3Q 2019 : Nil).

Year-to-date ("YTD") dividend for the financial period ended 31 December 2019 is 3.50 sen per ordinary share (YTD FY2019: 3.50 sen).

B10 Earnings Per Share

Basic earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the financial period.

	Quarter ended 31.12.2019	Quarter ended 31.12.2018	Year to date ended 31.12.2019	Year to date ended 31.12.2018
Profit after taxation (RM)	9,432,239	7,712,565	28,322,466	24,403,502
Weighted average number of ordinary shares (units)	297,112,384	295,553,682	296,787,735	292,337,148
Basic earnings per ordinary share (sen)	3.17	2.61	9.54	8.35

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 31.12.2019	Quarter ended 31.12.2018	Year to date ended 31.12.2019	Year to date ended 31.12.2018
Profit after taxation (RM)	9,432,239	7,712,565	28,322,466	24,403,502
Interest expense on ICULS, net of tax (RM)	26,346	16,925	82,964	99,763
Adjusted profit after tax (RM)	9,458,585	7,729,490	28,405,430	24,503,265
Weighted average number of ordinary shares (units)	297,112,384	295,553,682	296,787,735	292,337,148
Adjustment for potential dilutive shares (units)	6,095,876	7,654,578	6,420,525	10,871,112
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)	3.12	2.55	9.37	8.08

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2019 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 31.12.2019	9 months ended 31.12.2019 RM
Profit before taxation is arrived at after charging:		
Interest expense	3,717,528	8,270,044
Interest on lease liabilities	41,636	132,369
And crediting :		
Interest income	741,076	1,758,474
Unrealised foreign exchange (loss) / gain	(8,333)	(5,371)
Realised foreign exchange (loss) / gain	(35,764)	(196,219)

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 31.12.2019 RM	As at 31.03.2019 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	99,933,507	92,571,839
- Unrealised	3,186,244	3,186,245
	<u>103,119,751</u>	<u>95,758,084</u>
Less: Consolidation adjustments	(34,811,272)	(34,857,917)
Total retained earnings as per consolidation accounts	<u><u>68,308,479</u></u>	<u><u>60,900,167</u></u>