

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 198901002858 (180164-X))

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

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the financial period ended 31 December 2022

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM	RM	RM	RM
Revenue	39,953,805	38,198,676	114,946,987	92,933,518
Other income	422,569	461,263	1,513,172	1,601,342
Cost of inventories sold	(8,992,647)	(10,312,085)	(25,190,303)	(19,300,962)
Depreciation of PPE & right-of-use assets	(656,413)	(656,107)	(2,031,765)	(2,038,372)
Impairment allowance	(3,729,802)	(2,110,167)	(451,832)	(15,775,322)
Other expenses	(9,709,163)	(9,594,470)	(29,076,030)	(22,117,525)
Finance costs	(2,537,611)	(1,864,306)	(6,357,088)	(7,939,663)
Profit before taxation	14,750,738	14,122,804	53,353,141	27,363,016
Taxation	(3,628,372)	(3,604,584)	(13,109,749)	(7,126,007)
Profit for the financial period	11,122,366	10,518,220	40,243,392	20,237,009
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	11,122,366	10,518,220	40,243,392	20,237,009
Earnings per ordinary share - basic (sen)	3.67	3.53	13.29	6.80
Earnings per ordinary share - diluted (sen)	3.67	3.48	13.27	6.70

(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 31 December 2022

(The figures have not been audited.)

	As at 31.12.2022 RM	As at 31.03.2022 RM
ASSETS		
Non-current assets		
Property, plant and equipment	32,960,369	11,181,923
Hire purchase receivables	417,854,112	336,249,132
Right-of-use assets	4,231,262	3,842,989
Deferred tax assets	11,063,449	12,275,500
	466,109,192	363,549,544
Current assets		
Inventories	17,589,864	11,946,537
Other assets	740,423	701,297
Trade receivables	16,149,279	16,459,842
Hire purchase receivables	142,451,568	131,801,653
Other receivables, deposits and prepayments	1,720,908	2,221,076
Current tax assets	389,256	423,603
Short term funds	24,905,949	43,277,806
Cash and bank balances	14,734,796	11,880,630
	218,682,043	218,712,444
Total assets	<u>684,791,235</u>	<u>582,261,988</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	351,493,098	344,898,934
Retained earnings	112,787,326	97,199,748
ICULS - equity component	-	5,430,218
Total equity	464,280,424	447,528,900
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	127,264,755	63,897,622
Term loan - unsecured	3,300,000	6,306,000
Lease liabilities	3,827,647	3,286,604
Deferred tax liabilities	-	2,168
	134,392,402	73,492,394
Current liabilities		
Trade payables	4,401,012	3,617,351
Other payables and accruals	5,469,558	6,965,474
ICULS - liability component	-	7,078
Block discounting payables - secured	63,990,835	42,729,205
Term loan - unsecured	4,008,000	4,008,000
Lease liabilities	674,121	734,027
Bank overdraft	3,497	322,400
Current tax liabilities	7,571,386	2,857,159
	86,118,409	61,240,694
Total liabilities	<u>220,510,811</u>	<u>134,733,088</u>
TOTAL EQUITY AND LIABILITIES	<u>684,791,235</u>	<u>582,261,988</u>
Net assets per share	1.53	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 31 December 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	-	-	20,237,009	-	20,237,009
Issuance of shares upon conversion of ICULS	356,658	420,858	(59,609)	(350,780)	10,469
Second interim dividend for financial year ended 31 March 2021	-	-	(14,134,472)	-	(14,134,472)
Interim dividend for financial year ended 31 March 2022	-	-	(5,951,909)	-	(5,951,909)
Balance as at 31 December 2021	297,595,432	344,870,046	91,667,208	5,454,296	441,991,550
Balance as at 1 April 2022	297,619,913	344,898,934	97,199,748	5,430,218	447,528,900
Total comprehensive income	-	-	40,243,392	-	40,243,392
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)
Interim dividend for financial year ended 31 March 2023	-	-	(13,644,343)	-	(13,644,343)
Balance as at 31 December 2022	303,207,119	351,493,098	112,787,326	-	464,280,424

(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 31 December 2022

(The figures have not been audited.)

	9 months ended	
	31.12.2022	31.12.2021
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	53,353,141	27,363,016
Adjustment for :		
Depreciation of property, plant and equipment	916,431	818,871
Depreciation of right-of-use assets	1,115,335	1,219,501
Loss/(Gain) on disposal of property, plant and equipment	(671)	(1,966)
Derecognition of right-of-use assets	(22,203)	-
Lease concession	(13,466)	(108,585)
Inventories written down / (written back)	35,484	(194,502)
(Reversal)/Impairment allowances made for the financial year:		
- hire-purchase receivables	1,022,538	16,599,063
- trade receivables	270,791	151,718
Interest expense	6,124,888	7,756,301
Interest on lease liabilities	232,200	183,362
Interest income	(340,352)	(544,592)
Income from short term funds	(55,611)	(1,182,033)
Unrealised loss/(gain) on foreign exchange	2,888	(13,062)
Operating profit before working capital changes	62,641,393	52,047,092
Changes in working capital:		
Inventories	(5,678,811)	(1,136,436)
Other assets	(39,126)	(699,152)
Hire purchase receivables	(93,277,433)	36,905,742
Trade receivables	35,321	614,748
Other receivables, deposits and prepayments	500,167	(1,145,340)
Trade payables	783,661	(4,009,568)
Other payables and accruals	(1,275,345)	(2,094,524)
	(98,951,566)	28,435,470
Cash generated from/(used in) operations	(36,310,173)	80,482,562
Tax paid	(7,153,424)	(9,390,743)
Net cash from/(used in) operating activities	(43,463,597)	71,091,819
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(22,694,877)	(886,726)
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	1,120,685	(707,919)
Proceeds from disposal of property, plant and equipment	672	30,300
Interest received	340,352	544,592
Income received from short term funds	55,611	1,182,033
Net cash from/(used in) investing activities	(21,177,557)	5,184,746

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

For the financial period ended 31 December 2022

(The figures have not been audited.)

	<u>9 months ended</u>	
	<u>31.12.2022</u>	<u>31.12.2021</u>
	RM	RM
<u>Cash flows from financing activities</u>		
Net (repayment)/drawdown of term loans	(3,006,000)	(3,006,000)
Net (repayment)/drawdown of block discounting payables	84,931,526	(7,435,070)
Interest paid	(6,644,853)	(7,913,139)
Repayment of lease liabilities	(1,219,002)	(1,233,366)
Dividend paid	(23,498,620)	(20,086,381)
(Repayment)/Issuance of medium term notes	-	(55,000,000)
Net cash from/(used in) financing activities	50,563,051	(94,673,956)
Net increase/(decrease) in cash and cash equivalents during the financial period	(14,078,103)	(18,397,391)
Cash and cash equivalents as at beginning of financial year	53,715,351	79,530,215
Cash and cash equivalents as at end of financial period	<u>39,637,248</u>	<u>61,132,824</u>
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	14,734,796	11,643,479
Bank overdraft	(3,497)	(97,993)
Short term fund	24,905,949	52,103,712
Deposits assigned in favour of the trustee of SPE	-	(2,516,374)
	<u>39,637,248</u>	<u>61,132,824</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 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.

Title		Effective Date
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 31 December 2022.

A4 Change in Estimates

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

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

There were no issuance, repurchases and repayment of debt and equity securities and share cancellations during the financial period ended 31 December 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 31 December 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.

On 16 December 2022, the Company had paid a single-tier interim dividend of 4.50 sen per share for the financial year ending 31 March 2023 amounting to RM13.64 million.

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>Quarter Ended 31 December 2022</u>			
Revenue (External)	25,908,949	14,044,856	39,953,805
Other income	495,462	(72,893)	422,569
Cost of inventories sold	-	(8,992,647)	(8,992,647)
Depreciation of PPE & right-of-use assets	(375,182)	(281,231)	(656,413)
Impairment allowance	(3,779,604)	49,802	(3,729,802)
Other expenses	(6,429,978)	(3,279,185)	(9,709,163)
Finance costs	(2,512,627)	(24,984)	(2,537,611)
Profit before tax	13,307,020	1,443,718	14,750,738

Quarter Ended 31 December 2021

Revenue (External)	22,350,898	15,847,778	38,198,676
Other income	303,342	157,921	461,263
Cost of inventories sold	-	(10,312,085)	(10,312,085)
Depreciation of PPE & right-of-use assets	(340,591)	(315,516)	(656,107)
Impairment allowance	(2,060,680)	(49,487)	(2,110,167)
Other expenses	(6,117,488)	(3,476,982)	(9,594,470)
Finance costs	(1,846,402)	(17,904)	(1,864,306)
Profit/(Loss) before tax	12,289,079	1,833,725	14,122,804

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>9 months Ended 31 December 2022</u>			
Revenue (External)	74,516,040	40,430,947	114,946,987
Other income	1,286,240	226,932	1,513,172
Cost of inventories sold	-	(25,190,303)	(25,190,303)
Depreciation of PPE & right of use assets	(1,067,558)	(964,207)	(2,031,765)
Impairment allowance	(195,804)	(256,028)	(451,832)
Other expenses	(18,883,184)	(10,192,846)	(29,076,030)
Finance costs	(6,252,682)	(104,406)	(6,357,088)
Profit before tax	49,403,052	3,950,089	53,353,141
Segment assets	619,962,372	64,828,863	684,791,235
Segment liabilities	215,360,916	5,149,895	220,510,811

9 months Ended 31 December 2021

Revenue (External)	63,851,134	29,082,384	92,933,518
Other income	1,308,960	292,382	1,601,342
Cost of inventories sold	-	(19,300,962)	(19,300,962)
Depreciation of PPE & right-of-use assets	(1,036,036)	(1,002,336)	(2,038,372)
Impairment allowance	(15,637,761)	(137,561)	(15,775,322)
Other expenses	(14,641,305)	(7,476,220)	(22,117,525)
Finance costs	(7,896,974)	(42,689)	(7,939,663)
Profit/(Loss) before tax	25,948,018	1,414,998	27,363,016
Segment assets	555,453,631	36,009,737	591,463,368
Segment liabilities	144,732,892	4,738,926	149,471,818

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 2022.

A10 Changes in Contingent Liabilities and Contingent Assets

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

A11 Capital Commitments

There were no material capital commitments for the purchase of property, plant and equipment as at the end of the financial period ended 31 December 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-Q3 vs FY2022-Q3)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2022	31.12.2021			31.12.2022	31.12.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	39,953,805	38,198,676	1,755,129	5%	114,946,987	92,933,518	22,013,469	24%
Profit before interest and tax	17,288,349	15,987,110	1,301,239	8%	59,710,229	35,302,679	24,407,550	69%
Profit before taxation	14,750,738	14,122,804	627,934	4%	53,353,141	27,363,016	25,990,125	95%

GROUP	As at		Variance	Variance
	31.12.2022	31.12.2021		
	RM	RM		
Hire Purchase Receivables	560,305,680	469,292,270	91,013,410	19%
Bank Borrowings	198,567,087	130,758,381	67,808,706	52%

The Group's revenue for the quarter increased by 5% to RM39.95 million. Profit before tax for the quarter increased by 4% to RM14.75 million. The higher revenue and profit before tax were due to higher contribution from hire purchase segment.

Hire purchase receivables as at 31 December 2022 stood at RM560.31 million, which is 19% higher than the previous year.

The Group's bank borrowings increased by 52% as a result of higher drawdown of block discounting facilities to support the increased hire purchase receivables. As at 31 December 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				9 months ended			
	31.12.2022	31.12.2021			31.12.2022	31.12.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	25,908,949	22,350,898	3,558,051	16%	74,516,040	63,851,134	10,664,906	17%
Profit before interest and tax	15,819,647	14,135,481	1,684,166	12%	55,655,734	33,844,992	21,810,742	64%
Profit before taxation	13,307,020	12,289,079	1,017,941	8%	49,403,052	25,948,018	23,455,034	90%

Revenue increased by 16% to RM25.91 million mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 83% to RM3.78 million. Credit loss charge increased from 0.40% to 0.64%. Net impaired loans ratio decreased from 1.62% as at 30 September 2022 to 1.58% as at 31 December 2022. Impairment allowance was higher, mainly due to a significantly better credit recovery in the previous corresponding quarter after the MCO was uplifted in Sep 2022.

Other expenses increased by 5% to RM6.43 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 increased by 36% to RM2.51 million mainly due to the higher block discount interest expenses as a result of higher drawdown of block discounting facilities to support the increased hire purchase receivables.

The profit before tax increased by 8% to RM13.31 million mainly due to a larger hire purchase portfolio but mitigated by higher impairment allowance and finance costs during the quarter.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2022	31.12.2021			31.12.2022	31.12.2021		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	14,044,856	15,847,778	(1,802,922)	-11%	40,430,947	29,082,384	11,348,563	39%
Profit before interest and tax	1,468,702	1,851,629	(382,927)	-21%	4,054,495	1,457,687	2,596,808	178%
Profit before taxation	1,443,718	1,833,725	(390,007)	-21%	3,950,089	1,414,998	2,535,091	179%

Revenue decreased by 11% to RM14.04 million mainly due to lower furniture sales in this quarter as compared to the previous corresponding quarter. Other expenses decreased by 6% to RM3.28 million mainly due to lower staff costs and other operating costs.

The segment recorded a lower profit before tax of RM1.44 million mainly due to lower sales for the quarter ended 31 December 2022.

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

The Group's revenue increased by 24% to RM114.95 million while the profit before tax increased by 95% to RM53.35 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 RM74.52 million mainly due to increase in hire purchase portfolio.

Impairment allowance decreased by 99% to RM0.20 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 2.92% to 0.04%. The lower credit loss charge 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 1.58% as at 31 December 2022.

Other expenses increased by 29% to RM18.88 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 21% to RM6.25 million mainly due to full redemption of Medium Term Notes.

The profit before tax for the nine (9) months period increased by 90% from RM25.95 million to RM49.40 million mainly due to larger hire purchase portfolio and lower impairment allowance.

Furniture Segment

Revenue increased by 39% to RM40.43 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 31 December 2021.

Other income decreased by 22% mainly due to lower wage subsidies received and absence of rental rebates.

Impairment allowance increased by 86% to RM0.26 million due to slower repayment from furniture dealers.

Other expenses increased by 36% to RM10.19 million mainly due to higher selling, distribution and staff costs which is in line with the increase in furniture sales. Finance cost has increased to RM 0.1 million by 145% mainly due to higher interest expense on leased asset.

The segment recorded a higher profit before tax of RM3.95 million for the nine (9) months period ended 31 December 2022 mainly due to higher furniture sales.

B2 Comparison of Results with Preceding Quarter

GROUP	Current	Immediate	Variance	Variance
	Quarter	Preceding Quarter		
	31.12.2022	30.09.2022		
	RM	RM	RM	%
Revenue	39,953,805	36,037,722	3,916,083	11%
Profit before interest and tax	17,288,349	17,375,307	(86,958)	-1%
Profit before taxation	14,750,738	15,228,242	(477,504)	-3%
Hire purchase receivables	560,305,680	521,120,039	39,185,641	8%
Bank borrowings	198,567,087	201,331,059	(2,763,972)	-1%

The Group's profit before tax for the current quarter of RM14.75 million was lower as compared to RM15.23 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.

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 nine months was better than expected mainly due to the reversal of impairment allowance on HP receivables in the first half of the financial year. However, we do not foresee such reversal trend to continue in future.

In the first nine 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 31 December 2022 are set out below:

	3 months ended 31.12.2022	9 months ended 31.12.2022
	RM	RM
(a) Income Tax	4,177,218	11,901,998
(b) Deferred Taxation	(548,846)	1,207,751
	<u>3,628,372</u>	<u>13,109,749</u>

The effective tax rate of the Group for the current quarter ended 31 December 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

On 16 November 2022, MIDF Amanah Investment Bank Berhad had, on behalf of our Board, announced that our Company proposes to undertake a proposed bonus issue of up to 151,603,559 new ELK-Desa Shares on the basis of 1 new Share for every 2 existing Shares ("Proposed Bonus Issue") held on an entitlement date to be determined at a later date.

On 18 January 2023, the Proposed Bonus Issue was approved by shareholders at an Extraordinary General Meeting.

Refer to Company's announcement for more details.

B7 Group Borrowings & Debt Securities

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

Borrowings		As at 31.12.2022	As at 31.12.2021
		RM	RM
Block Discounting Payables	- within 1 year	63,990,835	44,601,609
(Fixed rate and secured)	- later than 1 year	127,264,755	74,742,779
		191,255,590	119,344,388
Term Loan	- within 1 year	4,008,000	4,008,000
(Floating and unsecured)	- later than 1 year	3,300,000	7,308,000
		7,308,000	11,316,000
Bank overdraft		3,497	97,993
Total Borrowings		<u>198,567,087</u>	<u>130,758,381</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 FY2022 : Nil).

Year-to-date ("YTD") dividend for the financial period ended 31 December 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 31.12.2022	Quarter ended 31.12.2021	Year to date 31.12.2022	Year to date 31.12.2021
Profit after taxation (RM)	11,122,366	10,518,220	40,243,392	20,237,009
Weighted average number of ordinary shares (units)	303,207,119	297,590,495	302,699,736	297,515,873
Basic earnings per ordinary share (sen)	3.67	3.53	13.29	6.80

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 31.12.2022	Quarter ended 31.12.2021	Year to date 31.12.2022	Year to date 31.12.2021
Profit after taxation (RM)	11,122,366	10,518,220	40,243,392	20,237,009
Interest expense on ICULS, net of tax (RM)	-	22,008	1,375	67,692
Adjusted profit after tax (RM)	11,122,366	10,540,228	40,244,767	20,304,701
Weighted average number of ordinary shares (units)	303,207,119	297,590,495	302,699,736	297,515,873
Adjustment for potential dilutive shares (units)	-	5,617,765	507,383	5,692,387
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)	3.67	3.48	13.27	6.70

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 31.12.2022 RM	9 months ended 31.12.2022 RM
Profit before taxation is arrived at after charging:		
Interest expense	2,471,134	6,124,888
Interest on lease liabilities	66,476	232,200
And crediting :		
Interest income	121,226	395,963
Unrealised foreign exchange gain / (loss)	(106,303)	(2,888)
Realised foreign exchange gain / (loss)	4,504	(310,127)

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 31.12.2022 RM	As at 31.03.2022 RM
Total retained earnings of the Company and its subsidiaries		
- Realised	136,457,310	119,680,770
- Unrealised	11,063,449	12,273,802
	147,520,759	131,954,572
Less: Consolidation adjustments	(34,733,433)	(34,754,824)
Total retained earnings as per consolidation accounts	112,787,326	97,199,748