

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
30 SEPTEMBER 2023**

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial period ended 30 September 2023
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM	RM	RM	RM
Revenue	39,199,363	36,037,722	78,375,239	74,993,181
Other income	462,962	543,648	956,821	1,090,603
Cost of inventories sold	(7,677,091)	(6,913,085)	(15,515,261)	(16,197,656)
Depreciation of PPE & right-of-use assets	(626,638)	(695,614)	(1,274,458)	(1,375,352)
Impairment allowance	(5,846,057)	(1,978,869)	(12,905,694)	3,277,971
Other expenses	(10,642,942)	(9,618,495)	(21,064,532)	(19,366,867)
Finance costs	(3,042,610)	(2,147,065)	(5,635,070)	(3,819,477)
Profit before taxation	11,826,987	15,228,242	22,937,045	38,602,403
Taxation	(2,986,244)	(3,700,755)	(5,595,481)	(9,481,377)
Profit for the financial period	8,840,743	11,527,487	17,341,564	29,121,026
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	8,840,743	11,527,487	17,341,564	29,121,026
Earnings per ordinary share - basic (sen)	1.94	2.53	3.81	6.41
Earnings per ordinary share - diluted (sen)	1.94	2.53	3.81	6.40

(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 2023)

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

As at 30 September 2023

(The figures have not been audited.)

	As at 30.09.2023 RM	As at 31.03.2023 RM
ASSETS		
Non-current assets		
Property, plant and equipment	32,954,234	33,200,590
Investment in unquoted shares	4,030,000	-
Hire purchase receivables	444,189,013	430,791,408
Right-of-use assets	4,980,748	4,776,574
Deferred tax assets	9,046,111	12,889,992
	495,200,106	481,658,564
Current assets		
Inventories	18,376,100	17,221,446
Other assets	1,873,047	700,877
Trade receivables	16,035,465	17,623,180
Hire purchase receivables	144,621,595	144,311,538
Financing receivables	110,000	-
Other receivables, deposits and prepayments	1,939,867	1,462,842
Current tax assets	384,816	402,140
Short term funds	50,677,766	11,251,658
Cash and bank balances	9,095,280	18,417,009
	243,113,936	211,390,690
Total assets	<u>738,314,042</u>	<u>693,049,254</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	351,493,098	351,493,098
Retained earnings	121,702,971	120,279,736
Total equity	473,196,069	471,772,834
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	167,511,020	127,228,240
Term loan - unsecured	294,000	2,298,000
Lease liabilities	4,213,845	4,153,095
	172,018,865	133,679,335
Current liabilities		
Trade payables	4,078,881	3,632,978
Other payables and accruals	7,265,421	7,852,595
Block discounting payables - secured	75,159,415	64,474,434
Term loan - unsecured	4,008,000	4,008,000
Lease liabilities	1,143,273	935,904
Bank overdraft	547,562	999,968
Current tax liabilities	896,556	5,693,206
	93,099,108	87,597,085
Total liabilities	<u>265,117,973</u>	<u>221,276,420</u>
TOTAL EQUITY AND LIABILITIES	<u>738,314,042</u>	<u>693,049,254</u>
Net assets per share	1.04	1.04

(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 2023)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 September 2023
(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 2022	297,619,913	344,898,934	97,199,748	5,430,218	447,528,900
Total comprehensive income	-	-	29,121,026	-	29,121,026
Issuance of shares upon conversion of ICULS	5,587,206	6,594,164	(1,157,194)	(5,430,218)	6,752
Second interim dividend for financial year ended 31 March 2022	-	-	(9,854,277)	-	(9,854,277)
Balance as at 30 September 2022	303,207,119	351,493,098	115,309,303	-	466,802,401
Balance as at 1 April 2023	454,808,456	351,493,098	120,279,736	-	471,772,834
Total comprehensive income	-	-	17,341,564	-	17,341,564
Second interim dividend for financial year ended 31 March 2023	-	-	(15,918,329)	-	(15,918,329)
Balance as at 30 September 2023	454,808,456	351,493,098	121,702,971	-	473,196,069

(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 2023)

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

For the financial period ended 30 September 2023

(The figures have not been audited.)

	6 months ended	
	30.09.2023	30.09.2022
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	22,937,045	38,602,403
Adjustment for :		
Depreciation of property, plant and equipment	677,121	572,383
Depreciation of right-of-use assets	597,337	802,970
Gain on disposal of property, plant and equipment	(53,295)	-
Derecognition of right-of-use assets	-	(22,203)
Lease concession	-	(13,466)
Inventories written down	217,899	28,195
Impairment allowances made for the financial year:		
- hire-purchase receivables	13,835,339	(2,973,238)
- trade receivables	38,581	315,948
Interest expense	5,491,099	3,653,754
Interest on lease liabilities	143,971	165,723
Interest income	(234,674)	(226,816)
Income from short term funds	(229,453)	(47,921)
Unrealised loss/(gain) on foreign exchange	(59,503)	(106,303)
Operating profit before working capital changes	43,361,467	40,751,429
Changes in working capital:		
Inventories	(1,372,553)	(5,902,025)
Other assets	(1,172,170)	4,209
Hire purchase receivables	(27,543,001)	(50,096,016)
Financing receivables	(110,000)	-
Trade receivables	1,608,637	1,615,886
Other receivables, deposits and prepayments	(477,025)	105,209
Trade payables	445,903	64,049
Other payables and accruals	(578,687)	(1,962,208)
	(29,198,896)	(56,170,896)
Cash (used in)/generated from operations	14,162,571	(15,419,467)
Tax paid	(6,530,925)	(5,802,825)
Net cash (used in)/from operating activities	7,631,646	(21,222,292)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(497,886)	(21,177,544)
Purchase of unquoted shares	(4,030,000)	-
Withdrawals of deposits assigned in favour of the trustee	-	1,120,686
Proceeds from disposal of property, plant and equipment	120,415	-
Interest received	234,674	226,816
Income received from short term funds	229,453	47,921
Net cash (used in)/from investing activities	(3,943,344)	(19,782,121)

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

For the financial period ended 30 September 2023

(The figures have not been audited.)

	6 months ended	
	30.09.2023	30.09.2022
	RM	RM
<u>Cash flows from financing activities</u>		
Net repayment of term loans	(2,004,000)	(2,004,000)
Net drawdown/(repayment) of block discounting payables	51,191,657	86,701,758
Interest paid	(5,723,483)	(4,178,718)
Repayment of lease liabilities	(677,362)	(872,322)
Dividend paid	(15,918,329)	(9,854,277)
Net cash from/(used in) financing activities	26,868,483	69,792,441
Net (decrease)/increase in cash and cash equivalents during the financial period	30,556,785	28,788,028
Cash and cash equivalents as at beginning of financial year	28,668,699	53,715,351
Cash and cash equivalents as at end of financial period	59,225,484	82,503,379
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	9,095,280	35,912,214
Bank overdraft	(547,562)	-
Short term fund	50,677,766	46,591,165
	59,225,484	82,503,379

(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 2023)

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements

for the second quarter ended 30 September 2023

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 2023, 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 2023 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 2023.

On 1 April 2023, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		Effective Date
MFRS 17	<i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17	<i>Insurance Contracts (Initial application of MFRS 17 and MFRS 9 - Comparative Information)</i>	1 January 2023
Amendments to MFRS 101	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

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

A2 Seasonal and Cyclical Factors

Generally, the Group's operations will benefit from higher consumer spendings during festive seasons in Malaysia.

A3 Unusual Items due to Their Nature, Size or Incidence

There were no unusual items that may affect the amount stated in the interim financial statements during the financial year ended 30 September 2023.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 30 September 2023.

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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 September 2023.

A6 Dividend Paid

On 22 June 2023, the Company had paid a second interim single tier dividend of 3.50 sen per share in respect of the financial year ended 31 March 2023, the dividend amounting to RM15.92 million.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements

for the second quarter ended 30 September 2023

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>Quarter Ended 30 September 2023</u>			
Revenue (External)	27,436,980	11,762,383	39,199,363
Other income	430,682	32,280	462,962
Cost of inventories sold	-	(7,677,091)	(7,677,091)
Depreciation of PPE & right-of-use assets	(338,994)	(287,644)	(626,638)
Impairment allowance	(5,541,644)	(304,413)	(5,846,057)
Other expenses	(7,222,468)	(3,420,474)	(10,642,942)
Finance costs	(3,006,851)	(35,759)	(3,042,610)
Profit before tax	11,757,705	69,282	11,826,987

Quarter Ended 30 September 2022

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

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>6 months Ended 30 September 2023</u>			
Revenue (External)	54,174,821	24,200,418	78,375,239
Other income	834,223	122,598	956,821
Cost of inventories sold	-	(15,515,261)	(15,515,261)
Depreciation of PPE & right of use assets	(704,962)	(569,496)	(1,274,458)
Impairment allowance	(12,870,908)	(34,786)	(12,905,694)
Other expenses	(13,969,316)	(7,095,216)	(21,064,532)
Finance costs	(5,569,781)	(65,289)	(5,635,070)
Profit before tax	21,894,077	1,042,968	22,937,045

Segment assets	669,594,146	68,719,896	738,314,042
Segment liabilities	259,845,487	5,272,486	265,117,973

6 months Ended 30 September 2022

Revenue (External)	48,607,091	26,386,090	74,993,181
Other income	790,778	299,825	1,090,603
Cost of inventories sold	-	(16,197,656)	(16,197,656)
Depreciation of PPE & right-of-use assets	(692,376)	(682,976)	(1,375,352)
Impairment allowance	3,583,801	(305,830)	3,277,971
Other expenses	(12,453,206)	(6,913,661)	(19,366,867)
Finance costs	(3,740,055)	(79,422)	(3,819,477)
Profit before tax	36,096,033	2,506,370	38,602,403

Segment assets	622,493,651	63,556,848	686,050,499
Segment liabilities	214,329,698	4,918,400	219,248,098

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements
for the second quarter ended 30 September 2023

A8 Subsequent Events

There was no material event subsequent to the current quarter.

A9 Changes in the Composition of the Group

Saved as disclosed in Note A12, there were no changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the financial period ended 30 September 2023.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 30 September 2023.

A11 Capital Commitments

There were no material capital commitments for the purchase of property, plant and equipment as at the end of the financial period ended 30 September 2023.

A12 Related Party Disclosures

On 8 September 2023, ELK-Desa Furniture Sdn Bhd, a wholly owned subsidiary company of the Group has entered into a Share Sale Agreement (“SSA”) with a related party, ELK Group Sdn Bhd for the acquisition of 3,100,000 ordinary shares representing 15.5% equity interest in Tat Lian Holding Sdn Bhd. Refer to Company's announcement for more details.

B1 Review of Performance

YEAR TO DATE AND CURRENT QUARTER (FY2024-Q2 vs FY2023-Q2)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2023	30.09.2022			30.09.2023	30.09.2022		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	39,199,363	36,037,722	3,161,641	9%	78,375,239	74,993,181	3,382,058	5%
Profit before interest and tax	14,869,597	17,375,307	(2,505,710)	-14%	28,572,115	42,421,880	(13,849,765)	-33%
Profit before taxation	11,826,987	15,228,242	(3,401,255)	-22%	22,937,045	38,602,403	(15,665,358)	-41%

GROUP	As at		Variance	Variance
	30.09.2023	30.09.2022		
	RM	RM		
Hire Purchase Receivables	588,810,608	521,120,039	67,690,569	13%
Bank Borrowings	247,519,997	201,331,059	46,188,938	23%

The Group's revenue for the quarter increased by 9% to RM39.20 million mainly due to higher contribution from hire purchase segment. However, the Group's profit before tax for the quarter decreased by 22% to RM11.83 million were due to lower contribution from both hire purchase and furniture segments.

Hire purchase receivables as at 30 September 2023 stood at RM588.81 million, which is 13% higher than the previous year that is in line with the Group's strategy to bring back its hire purchase receivables towards pre-pandemic levels.

The Group's bank borrowings increased by 23% as a result of higher drawdown of block discounting facilities to support the increased hire purchase receivables. Nevertheless, the Group's gearing remains at a manageable level of 0.52 times as compared to 0.43 times one year ago.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2023	30.09.2022			30.09.2023	30.09.2022		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	27,436,980	24,091,745	3,345,235	14%	54,174,821	48,607,091	5,567,730	11%
Profit before interest and tax	14,764,556	16,209,689	(1,445,133)	-9%	27,463,858	39,836,088	(12,372,230)	-31%
Profit before taxation	11,757,705	14,100,470	(2,342,765)	-17%	21,894,077	36,096,033	(14,201,956)	-39%

Revenue increased by 14% to RM27.44 million mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 212% to RM5.54 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased from 0.32% to 0.90%. The higher impairment allowance and credit loss charge were mainly due to the slower repayment from hirers and higher losses incurred from sales of repossessed vehicles in this quarter in contrast to the exceptionally good collections and positive recovery activities in the previous corresponding period.

Nonetheless, as a result of higher level of repossession activities during the quarter, net impaired loans ratio decreased from 2.25% as at 30 June 2023 to 0.96% as at 30 September 2023.

Other expenses increased by 16% to RM7.22 million mainly due to higher operating and staff costs. Cost to income ratio stood at 30% during the quarter as compared to 29% in the previous corresponding quarter. Finance cost increased by 43% to RM3.00 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 decreased by 17% to RM11.76 million mainly due to higher impairment allowances as compared to previous corresponding quarter.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements

for the second quarter ended 30 September 2023

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2023	30.09.2022	RM	%	RM	RM	RM	%
Revenue	11,762,383	11,945,977	(183,594)	-2%	24,200,418	26,386,090	(2,185,672)	-8%
Profit before interest and tax	105,041	1,165,618	(1,060,577)	-91%	1,108,257	2,585,792	(1,477,535)	-57%
Profit before taxation	69,282	1,127,772	(1,058,490)	-94%	1,042,968	2,506,370	(1,463,402)	-58%

Revenue decreased by 2% to RM11.76 million mainly due to lower furniture sales in this quarter as compared to the previous corresponding quarter. The gross profit margin decreased from 42% to 35% mainly due to higher imported good purchase cost as a result of weaker foreign exchange and coupled with general margin squeeze resulting from stiffer competition.

Other expenses increased marginally to RM3.42 million.

The segment recorded a lower profit before tax of RM0.07 million mainly due to lower gross profit margin for the quarter ended 30 September 2023.

YEAR-TO-DATE (FY2024 YTD vs FY2023 YTD)

The Group's revenue increased by 5% to RM78.38 million mainly due to higher contribution from hire purchase segment. However, the Group's profit before tax decreased by 41% to RM22.94 million mainly due to an absence of reversal of impairment allowances for the hire purchase segment in the first quarter of previous financial period.

Hire Purchase Segment

Revenue increased by 11% to RM54.17 million mainly due to increase in hire purchase portfolio.

For the financial period, there was an impairment allowance amounting to RM12.87 million compared to a reversal of impairment allowance amounting to RM3.58 million in the corresponding period of the last financial period. There was a credit loss charge (i.e. impairment allowance over average net hire purchase receivables) of 2.17% compared to a reversal of credit loss charge of 0.66% in the corresponding period of the last financial period.

The higher impairment allowance and credit loss charge were mainly due to the slower repayment from hirers and higher losses incurred from sales of repossessed vehicles in this financial period in contrast to the exceptionally good collections and positive recovery activities in the previous corresponding period.

As a result of higher level of repossession activities during the quarter, the net impaired loans ratio decreased from 1.92% as at 31 March 2023 to 0.96% as at 30 September 2023.

Other expenses increased by 12% to RM13.97 million mainly due to higher operating and staff costs which were in line with the larger hire purchase portfolio. Cost to income ratio stood at 30% in this financial period as compared to 29% in the previous corresponding period of the last financial period.

Finance cost increased by 49% to RM5.57 million mainly due to 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 for the six (6) months period decreased by 39% from RM36.10 million to RM21.89 million mainly due to higher impairment allowances.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements

for the second quarter ended 30 September 2023

Furniture Segment

Revenue decreased by 8% to RM24.20 million mainly due to lower furniture sales in this financial period as compared to the previous corresponding period of the last financial period. The gross profit margin decreased from 39% to 36% mainly due to higher imported good purchase cost as a result of weaker foreign exchange and coupled with general margin squeeze resulting from stiffer competition.

Other expenses increased marginally by 3% to RM7.10 million mainly due to higher staff costs.

The segment recorded a lower profit before tax of RM1.04 million for the six (6) months period ended 30 September 2023 mainly due to lower furniture sales as well as decrease in gross profit margin from 39% to 36%.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	30.09.2023	30.06.2023		
	RM	RM	RM	%
Revenue	39,199,363	39,175,876	23,487	0%
Profit before interest and tax	14,869,597	13,702,518	1,167,079	9%
Profit before taxation	11,826,987	11,110,058	716,929	6%
Hire purchase receivables	588,810,608	574,469,696	14,340,912	2%
Bank borrowings	247,519,997	240,258,326	7,261,671	3%

The Group's profit before tax for the current quarter of RM11.83 million was higher as compared to RM11.11 million of the immediate preceding quarter mainly due to a higher profit contribution from hire purchase segment in the current quarter.

B3 Prospects and Outlook

The Malaysian economy is expected to expand at a more moderate pace amid a challenging external environment, according to Bank Negara Malaysia's ("BNM") fourth quarter report of 2022. BNM indicated that domestic demand will continue to drive growth, supported by the continued recovery in the labour market and the realisation of multi-year investment projects. Nevertheless, economic uncertainties remain as a result of weaker global growth, tighter financial conditions, re-escalation of geopolitical conflicts and worsening supply chain disruptions.

In spite of the resilient domestic economy and better job security, Malaysian consumers, especially in the M40 and B40 segments, are experiencing higher cost of living and tighter disposable incomes. This may impact their propensity to purchase 'big ticket' items such as a used car and furniture or affect their ability to repay loans.

For the Hire Purchase segment, ELK-Desa is confident that demand for used car financing will continue to out-strip supply, more so within the niche and underserved used car financing market that it operates in. In the current financial year FY2024, the Group is not expecting a similar sharp expansion in view of the macroeconomic uncertainties within its operating landscape. In addition to inflationary pressures, the used car financing industry may also require process changes to adapt to the new regulatory oversight by the Consumer Credit Oversight Board, which is expected to come into effect in 2024.

We have observed a downward trend in the impaired loans ratio from the peak during the pandemic period. In FY2024, we will remain focused on further reducing this ratio.

For the Furniture segment, ELK-Desa will stay on track with its strategic direction to grow organically, focusing on the domestic wholesale market to distribute its furniture products to more than 800 furniture retailers throughout Malaysia, especially in Sabah and Sarawak. The Group will continue to source for quality and affordable furniture in order to address the potentially tighter disposable incomes faced by consumers.

The remarkable performance in FY2023 was due to the high levels of reversal of impairment allowances in the first half of FY2023. These exceptional reversals are not expected to continue into FY2024 and as such, the Group does not expect its performance to exceed FY2023. Nevertheless, the Board of Directors remains committed towards achieving sustainable growth in FY2024.

B4 Profit Forecasts

The Group did not issue any profit forecasts for the period under review.

B5 Taxation

Tax charge for the quarter and financial period ended 30 September 2023 are set out below:

	3 months ended	6 months ended
	30.09.2023	30.09.2023
	RM	RM
(a) Income Tax	1,442,050	1,751,600
(b) Deferred Taxation	1,544,194	3,843,881
	<u>2,986,244</u>	<u>5,595,481</u>
Effective tax rate	25%	24%

The effective tax rate of the Group for the current quarter and financial year-to-date ended 30 September 2023 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 but Not Completed

There were no corporate proposals announced that has not been completed for the Group as at the reporting date.

B7 Group Borrowings & Debt Securities

The Group did not have any borrowings or debt securities that were denominated in foreign currency.

Borrowings		As at	As at
		30.09.2023	30.09.2022
		RM	RM
Block Discounting Payables	- within 1 year	75,159,415	63,398,302
(Fixed rate and secured)	- later than 1 year	167,511,020	129,622,757
		242,670,435	193,021,059
Term Loan	- within 1 year	4,008,000	4,008,000
(Floating and unsecured)	- later than 1 year	294,000	4,302,000
		4,302,000	8,310,000
Bank overdraft (Floating and unsecured)		547,562	-
Total Borrowings		<u>247,519,997</u>	<u>201,331,059</u>
Gearing ratio (times)		0.52	0.43

B8 Changes in Material Litigation

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

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements

for the second quarter ended 30 September 2023

B9 Dividend

The Board of Directors has declared a single tier interim dividend of 2.00 sen per share (Q2 FYE2023: 3.00 sen per share after restated for bonus issue) in respect of the current financial year ending 31 March 2024. The dividend will be paid on 18 December 2023 to the shareholders whose name appear in the record of depositors of the Company as at 7 December 2023.

Year-to-date ("YTD") dividend for the financial period ended 30 September 2023 is 2.00 sen per ordinary share (YTD FY2023 : 3.00 sen per share after restated for bonus issue).

B10 Earnings Per Share

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

	Quarter ended 30.09.2023	Quarter ended 30.09.2022	Year to date 30.09.2023	Year to date 30.09.2022
Profit after taxation (RM)	8,840,743	11,527,487	17,341,564	29,121,026
Weighted average number of ordinary shares	454,808,456	454,808,456	454,808,456	454,045,995
Basic earnings per ordinary share (sen)	1.94	2.53	3.81	6.41

Comparative figures for the weighted average number of ordinary shares used in the calculation of basic earnings per share have been restated to reflect the increase number of shares arising from the bonus issue in the preceding financial year ended 31 March 2023. Prior to the restatement, the basic earnings per ordinary share for the financial quarter were 3.80 sen and financial year ended 30 September 2022 were 9.63 sen respectively.

Diluted earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares.

	Quarter ended 30.09.2023	Quarter ended 30.09.2022	Year to date 30.09.2023	Year to date 30.09.2022
Profit after taxation (RM)	8,840,743	11,527,487	17,341,564	29,121,026
Interest expense on ICULS, net of tax (RM)	-	-	-	1,375
Adjusted profit after tax (RM)	8,840,743	11,527,487	17,341,564	29,122,401
Weighted average number of ordinary shares	454,808,456	454,808,456	454,808,456	454,045,995
Adjustment for potential dilutive shares (units)	-	-	-	762,461
Adjusted weighted average number of ordinary	454,808,456	454,808,456	454,808,456	454,808,456
Diluted earnings per ordinary share (sen)	1.94	2.53	3.81	6.40

Comparative figures for the weighted average number of ordinary shares used in the calculation of diluted earnings per share have been restated to reflect the increase number of shares arising from the bonus issue in the preceding financial year ended 31 March 2023. Prior to the restatement, the diluted earnings per ordinary share for financial quarter were 3.80 sen and financial year ended 30 September 2022 were 9.60 sen respectively.

ELK-DESA RESOURCES BERHAD (Company No: 198901002858 (180164-X))

Notes to the Interim Financial Statements

for the second quarter ended 30 September 2023

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2023 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended 30.09.2023 RM	6 months ended 30.09.2023 RM
Profit before taxation is arrived at after charging:		
Interest expense	2,967,940	5,491,099
Interest on lease liabilities	74,670	143,971
And crediting :		
Interest	293,767	464,127
Unrealised foreign exchange gain / (loss)	(7,870)	59,503
Realised foreign exchange gain / (loss)	(46,984)	(84,937)