

ELK-DESA[®]

ELK-DESA RESOURCES BERHAD

(Company No: 198901002858 (180164-X))

**QUARTERLY REPORT ON CONSOLIDATED
RESULTS FOR THE PERIOD ENDED
31 DECEMBER 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 31 December 2023
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM	RM	RM	RM
Revenue	42,766,170	39,953,805	121,141,409	114,946,987
Other income	417,283	422,569	1,374,104	1,513,172
Cost of inventories sold	(8,893,910)	(8,992,647)	(24,409,171)	(25,190,303)
Depreciation of PPE & right-of-use assets	(620,351)	(656,413)	(1,894,810)	(2,031,765)
Impairment allowance	(6,406,473)	(3,729,802)	(19,312,167)	(451,832)
Other expenses	(11,161,679)	(9,709,163)	(32,226,210)	(29,076,030)
Finance costs	(3,100,751)	(2,537,611)	(8,735,820)	(6,357,088)
Profit before taxation	13,000,289	14,750,738	35,937,335	53,353,141
Taxation	(3,392,784)	(3,628,372)	(8,988,265)	(13,109,749)
Profit for the financial period	9,607,505	11,122,366	26,949,070	40,243,392
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	9,607,505	11,122,366	26,949,070	40,243,392
Earnings per ordinary share - basic (sen)	2.11	2.45	5.93	8.86
Earnings per ordinary share - diluted (sen)	2.11	2.45	5.93	8.85

(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 31 December 2023

(The figures have not been audited.)

	As at 31.12.2023 RM	As at 31.03.2023 RM
ASSETS		
Non-current assets		
Property, plant and equipment	33,211,119	33,200,590
Investment in unquoted shares	4,030,000	-
Hire purchase receivables	470,017,378	430,791,408
Right-of-use assets	4,679,917	4,776,574
Deferred tax assets	8,574,682	12,889,992
	520,513,096	481,658,564
Current assets		
Inventories	17,716,738	17,221,446
Other assets	3,018,421	700,877
Trade receivables	16,617,937	17,623,180
Hire purchase receivables	146,045,952	144,311,538
Financing receivables	82,496	-
Other receivables, deposits and prepayments	2,056,465	1,462,842
Current tax assets	434,198	402,140
Short term funds	36,561,710	11,251,658
Cash and bank balances	16,081,974	18,417,009
	238,615,891	211,390,690
Total assets	<u>759,128,987</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	122,214,308	120,279,736
Total equity	473,707,406	471,772,834
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	181,647,009	127,228,240
Term loan - unsecured	-	2,298,000
Lease liabilities	3,979,669	4,153,095
	185,626,678	133,679,335
Current liabilities		
Trade payables	7,063,109	3,632,978
Other payables and accruals	8,620,875	7,852,595
Block discounting payables - secured	78,609,243	64,474,434
Term loan - unsecured	3,300,000	4,008,000
Lease liabilities	1,103,043	935,904
Bank overdraft	536,047	999,968
Current tax liabilities	562,586	5,693,206
	99,794,903	87,597,085
Total liabilities	<u>285,421,581</u>	<u>221,276,420</u>
TOTAL EQUITY AND LIABILITIES	<u>759,128,987</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 31 December 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	-	-	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
Balance as at 1 April 2023	454,808,456	351,493,098	120,279,736	-	471,772,834
Total comprehensive income	-	-	26,949,070	-	26,949,070
Second interim dividend for financial year ended 31 March 2023	-	-	(15,918,329)	-	(15,918,329)
Interim dividend for financial year ending 31 March 2024	-	-	(9,096,169)	-	(9,096,169)
Balance as at 31 December 2023	454,808,456	351,493,098	122,214,308	-	473,707,406

(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 31 December 2023

(The figures have not been audited.)

	9 months ended	
	31.12.2023	31.12.2022
	RM	RM
<u>Cash flows from operating activities</u>		
Profit before taxation	35,937,335	53,353,141
Adjustment for :		
Depreciation of property, plant and equipment	996,642	916,431
Depreciation of right-of-use assets	898,168	1,115,335
Gain on disposal of property, plant and equipment	(46,858)	(671)
Derecognition of right-of-use assets	-	(22,203)
Lease concession	-	(13,466)
Inventories written down	254,318	35,484
Impairment allowances made for the financial year:		
- hire-purchase receivables	21,312,273	1,022,538
- trade receivables	269,419	270,791
Interest expense	8,520,774	6,124,888
Interest on lease liabilities	215,045	232,200
Interest income	(328,718)	(340,352)
Income from short term funds	(329,713)	(55,611)
Unrealised loss/(gain) on foreign exchange	(20,798)	2,888
Operating profit before working capital changes	<u>67,677,887</u>	<u>62,641,393</u>
Changes in working capital:		
Inventories	(749,610)	(5,678,811)
Other assets	(2,317,544)	(39,126)
Hire purchase receivables	(62,272,657)	(93,277,433)
Financing receivables	(82,496)	-
Trade receivables	756,622	35,321
Other receivables, deposits and prepayments	(593,624)	500,167
Trade payables	3,430,131	783,661
Other payables and accruals	780,391	(1,275,345)
	(61,048,787)	(98,951,566)
Cash (used in)/generated from operations	<u>6,629,100</u>	<u>(36,310,173)</u>
Tax paid	(10,192,512)	(7,153,424)
Tax refunded	356,879	-
Net cash (used in)/from operating activities	<u>(3,206,533)</u>	<u>(43,463,597)</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(1,080,749)	(22,694,877)
Purchase of unquoted shares	(4,030,000)	-
Withdrawals of deposits assigned in favour of the trustee	-	1,120,685
Proceeds from disposal of property, plant and equipment	120,436	672
Interest received	328,718	340,352
Income received from short term funds	329,713	55,611
Net cash (used in)/from investing activities	<u>(4,331,882)</u>	<u>(21,177,557)</u>

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

For the financial period ended 31 December 2023

(The figures have not been audited.)

	9 months ended	
	31.12.2023	31.12.2022
	RM	RM
<u>Cash flows from financing activities</u>		
Net repayment of term loans	(3,006,000)	(3,006,000)
Net drawdown/(repayment) of block discounting payables	68,870,535	84,931,526
Interest paid	(8,849,842)	(6,644,853)
Repayment of lease liabilities	(1,022,842)	(1,219,002)
Dividend paid	(25,014,498)	(23,498,620)
Net cash from/(used in) financing activities	30,977,353	50,563,051
Net (decrease)/increase in cash and cash equivalents during the financial period	23,438,938	(14,078,103)
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	52,107,637	39,637,248
<u>Composition of cash and cash equivalents</u>		
Deposits, cash and bank balances	16,081,974	14,734,796
Bank overdraft	(536,047)	(3,497)
Short term fund	36,561,710	24,905,949
	52,107,637	39,637,248

(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 third quarter ended 31 December 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 31 December 2023.

A4 Change in Estimates

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

On 16 December 2023, the Company had paid a single-tier interim dividend of 2.00 sen per share for the financial year ending 31 March 2024 amounting to RM9.10 million.

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

Notes to the Interim Financial Statements
for the third quarter ended 31 December 2023

A7 Segmental Reporting

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>Quarter Ended 31 December 2023</u>			
Revenue (External)	28,978,886	13,787,284	42,766,170
Other income	424,723	(7,440)	417,283
Cost of inventories sold	-	(8,893,910)	(8,893,910)
Depreciation of PPE & right-of-use assets	(331,795)	(288,556)	(620,351)
Impairment allowance	(6,177,634)	(228,839)	(6,406,473)
Other expenses	(7,795,611)	(3,366,068)	(11,161,679)
Finance costs	(3,067,440)	(33,311)	(3,100,751)
Profit before tax	12,031,129	969,160	13,000,289

Quarter Ended 31 December 2022

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

	Hire Purchase Financing RM	Furniture RM	Consolidated RM
<u>9 months Ended 31 December 2023</u>			
Revenue (External)	83,153,707	37,987,702	121,141,409
Other income	1,258,946	115,158	1,374,104
Cost of inventories sold	-	(24,409,171)	(24,409,171)
Depreciation of PPE & right of use assets	(1,036,757)	(858,053)	(1,894,810)
Impairment allowance	(19,048,542)	(263,625)	(19,312,167)
Other expenses	(21,764,926)	(10,461,284)	(32,226,210)
Finance costs	(8,637,221)	(98,599)	(8,735,820)
Profit before tax	33,925,207	2,012,128	35,937,335

Segment assets	691,511,722	67,617,265	759,128,987
Segment liabilities	279,978,146	5,443,435	285,421,581

9 months Ended 31 December 2022

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

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

Notes to the Interim Financial Statements
for the third quarter ended 31 December 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 31 December 2023.

A10 Changes in Contingent Liabilities and Contingent Assets

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

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

Notes to the Interim Financial Statements
for the third quarter ended 31 December 2023

B1 Review of Performance**YEAR TO DATE AND CURRENT QUARTER (FY2024-Q3 vs FY2023-Q3)**

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2023	31.12.2022			31.12.2023	31.12.2022		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	42,766,170	39,953,805	2,812,365	7%	121,141,409	114,946,987	6,194,422	5%
Profit before interest and tax	16,101,040	17,288,349	(1,187,309)	-7%	44,673,155	59,710,229	(15,037,074)	-25%
Profit before taxation	13,000,289	14,750,738	(1,750,449)	-12%	35,937,335	53,353,141	(17,415,806)	-33%

GROUP	As at		Variance	Variance
	31.12.2023	31.12.2022		
	RM	RM		
Hire Purchase Receivables	616,063,330	560,305,680	55,757,650	10%
Bank Borrowings	264,092,299	198,567,087	65,525,212	33%

The Group's revenue for the quarter increased by 7% to RM42.77 million mainly due to higher contribution from hire purchase segment. However, the Group's profit before tax for the quarter decreased by 12% to RM13.00 million were due to lower contribution from both hire purchase and furniture segments.

Hire purchase receivables as at 31 December 2023 stood at RM616.06 million, which is 10% 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 33% 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 0.56 times as compared to 0.43 times one year ago.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2023	31.12.2022			31.12.2023	31.12.2022		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	28,978,886	25,908,949	3,069,937	12%	83,153,707	74,516,040	8,637,667	12%
Profit before interest and tax	15,098,569	15,819,647	(721,078)	-5%	42,562,428	55,655,734	(13,093,306)	-24%
Profit before taxation	12,031,129	13,307,020	(1,275,891)	-10%	33,925,207	49,403,052	(15,477,845)	-31%

Revenue increased by 12% to RM28.98 million mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 63% to RM6.18 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased from 0.64% to 0.97%. 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 good collections and positive recovery activities in the previous corresponding quarter.

Nonetheless, as a result of higher level of repossession activities during the quarter, net impaired loans ratio decreased from 0.96% as at 30 September 2023 to 0.58% as at 31 December 2023.

Other expenses increased by 21% to RM7.80 million mainly due to higher operating and staff costs. Cost to income ratio stood at 31% during the quarter as compared to 29% in the previous corresponding quarter. Finance cost increased by 22% to RM3.07 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 10% to RM12.03 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 third quarter ended 31 December 2023

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				9 months ended			
	31.12.2023	31.12.2022	RM	%	RM	RM	RM	%
Revenue	13,787,284	14,044,856	(257,572)	-2%	37,987,702	40,430,947	(2,443,245)	-6%
Profit before interest and tax	1,002,471	1,468,702	(466,231)	-32%	2,110,727	4,054,495	(1,943,768)	-48%
Profit before taxation	969,160	1,443,718	(474,558)	-33%	2,012,128	3,950,089	(1,937,961)	-49%

Revenue decreased by 2% to RM13.79 million mainly due to lower furniture sales in this quarter as compared to the previous corresponding quarter. The gross profit margin decreased marginally from 36% 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 RM3.37 million.

The segment recorded a lower profit before tax of RM0.97 million mainly due to lower sales and higher impairment allowance for the quarter ended 31 December 2023.

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

The Group's revenue increased by 5% to RM121.14 million mainly due to higher contribution from hire purchase segment. However, the Group's profit before tax decreased by 33% to RM35.94 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 12% to RM83.15 million mainly due to increase in hire purchase portfolio.

Impairment allowance increased to RM19.05 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased from 0.04% to 3.05%. 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 0.58% as at 31 December 2023.

Other expenses increased by 15% to RM21.76 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.

Finance cost increased by 38% to RM8.64 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 nine (9) months period decreased by 31% from RM49.40 million to RM33.93 million mainly due to higher impairment allowances.

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

Notes to the Interim Financial Statements
for the third quarter ended 31 December 2023

Furniture Segment

Revenue decreased by 6% to RM37.99 million mainly due to lower furniture sales in this financial period as compared to the previous corresponding period. The gross profit margin decreased from 38% 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 RM10.46 million mainly due to higher staff costs.

The segment recorded a lower profit before tax of RM2.01 million for the nine (9) months period ended 31 December 2023 mainly due to lower furniture sales as well as decrease in gross profit margin from 38% to 36%.

B2 Comparison of Results with Preceding Quarter

GROUP	Current Quarter	Immediate Preceding Quarter	Variance RM	Variance %
	31.12.2023 RM	30.09.2023 RM		
Revenue	42,766,170	39,199,363	3,566,807	9%
Profit before interest and tax	16,101,040	14,869,597	1,231,443	8%
Profit before taxation	13,000,289	11,826,987	1,173,302	10%
Hire purchase receivables	616,063,330	588,810,608	27,252,722	5%
Bank borrowings	264,092,299	247,519,997	16,572,302	7%

The Group's profit before tax for the current quarter of RM13.00 million was higher as compared to RM11.83 million of the immediate preceding quarter mainly due to a higher profit contribution from furniture segment in the current quarter.

B3 Prospects and Outlook

The Malaysian economy is expected to grow between 4% and 5% in 2024, according to Bank Negara Malaysia's ("BNM") Fourth Quarter Report of 2023. The growth will be driven by improvement in external demand as well as resilient domestic expenditure that is buoyed by household spending, continued employment and wage growth.

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 disposal 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 expects its performance to be lower than 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 31 December 2023 are set out below:

	3 months ended	9 months ended
	31.12.2023	31.12.2023
	RM	RM
(a) Income Tax	2,921,355	4,672,955
(b) Deferred Taxation	471,429	4,315,310
	<u>3,392,784</u>	<u>8,988,265</u>
Effective tax rate	26%	25%

The effective tax rate of the Group for the current quarter and financial year-to-date ended 31 December 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
		31.12.2023	31.12.2022
		RM	RM
Block Discounting Payables	- within 1 year	78,609,243	63,990,835
(Fixed rate and secured)	- later than 1 year	181,647,009	127,264,755
		260,256,252	191,255,590
Term Loan	- within 1 year	3,300,000	4,008,000
(Floating and unsecured)	- later than 1 year	-	3,300,000
		3,300,000	7,308,000
Bank overdraft (Floating and unsecured)		536,047	3,497
Total Borrowings		<u>264,092,299</u>	<u>198,567,087</u>
Gearing ratio (times)		0.56	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
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B9 Dividend

There was no dividend proposed in the current quarter (3Q FY2023 : Nil).

Year-to-date ("YTD") dividend for the financial year ending 31 March 2024 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 31.12.2023	Quarter ended 31.12.2022	Year to date 31.12.2023	Year to date 31.12.2022
Profit after taxation (RM)	9,607,505	11,122,366	26,949,070	40,243,392
Weighted average number of ordinary shares	454,808,456	454,808,456	454,808,456	454,301,073
Basic earnings per ordinary share (sen)	2.11	2.45	5.93	8.86

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 3.67 sen and financial period ended 31 December 2022 were 13.29 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 31.12.2023	Quarter ended 31.12.2022	Year to date 31.12.2023	Year to date 31.12.2022
Profit after taxation (RM)	9,607,505	11,122,366	26,949,070	40,243,392
Interest expense on ICULS, net of tax (RM)	-	-	-	1,375
Adjusted profit after tax (RM)	9,607,505	11,122,366	26,949,070	40,244,767
Weighted average number of ordinary shares	454,808,456	454,808,456	454,808,456	454,301,073
Adjustment for potential dilutive shares (units)	-	-	-	507,383
Adjusted weighted average number of ordinary	454,808,456	454,808,456	454,808,456	454,808,456
Diluted earnings per ordinary share (sen)	2.11	2.45	5.93	8.85

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 3.67 sen and financial period ended 31 December 2022 were 13.27 sen respectively.

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Notes to the Interim Financial Statements
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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 31.12.2023 RM	9 months ended 31.12.2023 RM
Profit before taxation is arrived at after charging:		
Interest expense	3,029,675	8,520,774
Interest on lease liabilities	71,075	215,046
And crediting :		
Interest	194,304	658,432
Unrealised foreign exchange gain / (loss)	(38,705)	20,798
Realised foreign exchange gain / (loss)	(4,227)	(89,164)