

NEWS RELEASE**ELK-Desa Records RM10.99 million Q1 Profit Before Tax**

KUALA LUMPUR, 15 August 2024 – ELK-Desa Resources Berhad, a non-bank lender focused on the used-car segment, today announced its financial results for the first quarter ended 30 June 2024.

During the quarter, the Group registered a notable revenue growth of 17% to RM45.88 million compared to RM39.18 million a year ago. The increase in revenue was due to higher contribution from both its hire purchase and furniture segments. Nevertheless, profit before tax declined marginally by 1% to RM10.99million compared to RM11.11 million last year. This decline was mainly due to an increase in impairment allowance and other expenses.

The Group's hire purchase receivables as at 30 June 2024 stood at RM668.34 million, a 16% improvement against last year's RM574.47 million. This is reflective of the Group's strategy to expand its hire purchase receivables even further; after it has surpassed pre-pandemic levels in the previous financial year.

In order to support the expansion of its hire purchase receivables, the Group's bank borrowings increased by 26%. In spite of this, the Group's gearing remains at a manageable level of 0.63 times.

For the hire purchase segment, revenue in the first three months of FY2025 had increased by 15% to RM30.71 million as a result of the growth of its portfolio. However, impairment allowance also increased by 32% to RM9.71 million while credit loss charge (i.e. impairment allowance over average net hire purchase receivables) increased to 1.43% from 1.18%. The higher impairment allowance and credit loss charge were mainly due to the slower hirer repayment and the higher losses incurred from sales of repossessed vehicles during the quarter.

Nevertheless, net impaired loans ratio had decreased to 0.52% as at 30 June 2024 from 0.56% as at 31 March 2024. This is reflective of the Group's efforts towards ensuring adequate provisions for its impaired loans.

As a result of higher impairment allowances and finance costs during the quarter, profit before tax for the hire purchase segment had decreased marginally by 1% to RM10.02 million.

For the furniture segment, revenue increased by 22% to RM15.17 million, mainly due to higher domestic wholesale activities, especially in East Malaysia, where the Group has been steadfastly growing its presence in key markets within Sabah and Sarawak.

Gross profit margin for the segment had decreased marginally to 36% from 37%. Additionally, other expenses rose due to higher selling and distribution cost from shipping cost to East

Malaysia. The impairment allowance also increased to RM0.14 million due to slower repayment from furniture dealers in this quarter as compared to corresponding quarter last year. Despite these challenges, the Group's furniture segment still posted a profit before tax of RM0.97 million for the quarter.

Teoh Seng Hee, the Executive Director and Chief Financial Officer of ELK-Desa Resources Berhad, said, "Our performance in the first quarter was reflective of the operating landscape."

"For our hire purchase segment, we will continue to sustain a growth trajectory by expanding our hire purchase receivables moderately, targeting a growth rate in the lower to mid teens. Nevertheless, we intend to keep a close eye on potential economic headwinds that may stem from changes to domestic policy on subsidies and price controls, slower than expected growth in key economies and the increasing cost of domestic goods," he explained.

Teoh also added that in FY2025, ELK-Desa will pay special attention towards driving down impaired loans ratio even further. "In addition to our robust risk management process, we also pro-actively engage our customers while maintaining our pace in recovery efforts," he added.

On the Group's furniture segment, Teoh said, "Sabah and Sarawak remain exciting markets for us and we plan to enhance our logistics capabilities while offering our customers more in terms of diversity and range of products in order to become more competitive in this space," he concluded.

About ELK-Desa Resources Berhad

ELK-Desa Resources Berhad (Stock Code: 5228/Sector: Finance) started its hire purchase financing operations in 2004. The Group's core focus area is in the under-served hire purchase financing for used motor vehicles. The Group also cross-sells general insurance products to its hire purchase customers. ELK-Desa currently employs more than 200 individuals for its hire purchase division and its business activities are centered within the Klang Valley. In addition, the Group is also involved in the trading of home furniture products. For more information, please visit www.elk-desa.com.my

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