

永聯資源有限公司
ELK-DESA RESOURCES BERHAD
(Company No: 180164-X)
(Incorporated in Malaysia under the Companies Act, 1965)

永聯資源有限公司 ELK-DESA RESOURCES BERHAD

PROSPECTUS

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(Company No: 180164-X)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- (I) NON-RENOUNCEABLE RESTRICTED OFFER FOR SALE OF 13,493,454 ORDINARY SHARES OF RM1.00 EACH IN ELK-DESA RESOURCES BERHAD ("ELK-DESA RESOURCES") TO THE SHAREHOLDERS OF UNICO-DESA PLANTATIONS BERHAD ("UNICO-DESA") ON A PRO RATA BASIS AS AT 5.00P.M. ON 19 NOVEMBER 2012 ("ENTITLEMENT DATE") PURSUANT TO THE LISTING OF ELK-DESA RESOURCES; AND
- (II) PUBLIC ISSUE OF 25,000,000 NEW ELK-DESA RESOURCES' SHARES ("PUBLIC ISSUE SHARE(S)"), COMPRISING:
 - (A) 4,510,000 PUBLIC ISSUE SHARES TO ELIGIBLE EMPLOYEES (EXCLUDING DIRECTORS OF UNICO-DESA AND ELK-DESA RESOURCES) OF UNICO-DESA, ELK-DESA RESOURCES AND THE SUBSIDIARY COMPANIES OF ELK-DESA RESOURCES;
 - (B) 15,625,000 PUBLIC ISSUE SHARES TO BUMIPUTERA INVESTORS TO BE APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND
 - (C) 4,865,000 PUBLIC ISSUE SHARES TO THE MALAYSIAN PUBLIC

AT AN OFFER/ISSUE PRICE OF RM1.16 PER SHARE PAYABLE IN FULL UPON APPLICATION.

Adviser, Managing Underwriter and Underwriter

midf
INVESTMENT

MIDF AMANAH INVESTMENT BANK BERHAD (23878-X)

Co-Underwriter

Apex

JF APEX SECURITIES BERHAD (47680-X)
A Participating Organisation of Bursa Malaysia Securities Berhad

This Prospectus is dated 21 November 2012

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISKS RELATING TO AN INVESTMENT IN THE SHARES WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 3 OF THIS PROSPECTUS.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

PROSPECTUS

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offeror (as defined herein) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information in this Prospectus. Having made all reasonable enquiries, they confirm that there are no false or misleading statements or other facts which if omitted, would make any statement in the Prospectus false or misleading.

MIDF Amanah Investment Bank Berhad, being the Adviser, Managing Underwriter and Underwriter acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO (as defined herein).

STATEMENTS OF DISCLAIMER

The Securities Commission ("SC") of Malaysia has approved this issue, offer or invitation for the offering and a copy of this Prospectus has been registered with the SC. The approval, and registration of this Prospectus, should not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure in this Prospectus by us and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND AN INVESTMENT IN US. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

On 4 October 2012, approval has been obtained from Bursa Securities (as defined herein) for the listing of and quotation for our Shares (as defined herein). Admission to the Official List (as defined herein) of Bursa Securities is not to be taken as an indication of the merits of the IPO, our Company, or of our Shares.

Bursa Securities shall not be liable for any non-disclosure in this Prospectus by us and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the application form, has also been lodged with the Registrar of Companies of Malaysia who takes no responsibility for its contents.

If the approval of the Bursa Securities is not granted before the expiration of 6 weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC), all monies received from the applicants shall be repaid within 14 days after our Company becomes liable to pay it. In the event such monies are not repaid, the provision of Section 243(2) of the CMSA (as defined herein) shall apply.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the IPO for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent jurisdiction or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia. No action has been taken or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia.

We will not, prior to acting on any acceptance in respect of the Restricted Offer for Sale (as defined herein) and Public Issue (as defined herein) make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability in relation thereto or not any enquiry or investigation is made in connection therewith.

It shall be your responsibility to ensure that your application for the Restricted Offer for Sale and Public Issue would be in compliance with the terms of the Restricted Offer for Sale and Public Issue and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted the Restricted Offer for Sale and Public Issue in Malaysia and will be subject to the laws of Malaysia in connection therewith.

However, we reserve the right in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility to consult your legal or other professional adviser on the laws to which the Restricted Offer for Sale and Public Issue or you are or might be subjected to. Neither we nor our Adviser nor any other advisers in relation to the Restricted Offer for Sale and Public Issue shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

The contents of the electronic prospectus ("Electronic Prospectus") and the paper / printed copy of this Prospectus registered with the SC are the same. You may view or download a copy of the Electronic Prospectus from Bursa Securities' website at www.bursamalaysia.com.

You are advised that the Internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). Risks due to computer viruses, spyware, data transmission, fraudulent or 'phishing' websites, computer security threats, faults with computer software and other events are beyond the control of and will not be borne by Bursa Securities and the Internet Participating Financial Institution(s) (as defined herein).

In relation to any reference in this Prospectus to third party Internet sites (referred to as "Third Party Internet Sites") whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Adviser do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we and our Adviser are not responsible for the availability of, or the content or any data, information, file or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, file or other material provided by such parties; and

- (iii) any data, information, file or other material downloaded from the Third Party Internet Sites is done at your discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of any Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the Internet is not a fully secured medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any faults with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to the information or systems in relation to the website of the Internet Participating Financial Institution and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

If in doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Adviser or Equiniti Services Sdn Bhd, a paper / printed copy of this Prospectus. The Electronic Prospectus submitted to the SC and Bursa Securities is intended to be exactly the same as the registered paper / printed copy. However, the contents of the paper / printed copy of this Prospectus which is registered with the SC shall prevail if there is any discrepancy between the contents of the Electronic Prospectus and the paper / printed copy of this Prospectus.

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INDICATIVE TIMETABLE

The indicative timing and sequence of events leading up to the listing of and quotation for our entire enlarged issued and fully paid-up share capital on the Main Market of Bursa Securities is as follows:

KEY DATES

Issue of Prospectus / Opening date of the IPO	21 November 2012
Closing date of the applications	6 December 2012
Balloting of applications from the Malaysian Public for the Public Issue Shares	10 December 2012
Allotment of Restricted Offer Shares and Public Issue Shares	14 December 2012
Tentative Listing date	18 December 2012

This timetable is subject to any changes which may be necessary to facilitate implementation procedures.

Our Directors reserve the right to extend the closing date for applications for the Restricted Offer Shares and Public Issue Shares. Unless so extended the application period shall end at 5.00 p.m. on 6 December 2012.

If the closing date of the Restricted Offer for Sale and Public Issue is extended, the dates for balloting of the Public Issue Shares and allotment of the Restricted Offer Shares and Public Issue Shares and our Listing will be extended accordingly. Such extended dates will be announced by way of advertisements in widely circulated English and Bahasa Malaysia daily newspapers.

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DEFINITIONS

The following definitions or acronyms are used in this Prospectus:

ACCA	Association of Chartered Certified Accountants
Act	The Companies Act, 1965, or any statutory modification, amendment or re-enactment thereof for the time being in force
ADA	Authorised Depository Agent
ADA Code	ADA (Broker) Code
Admission	Admission of our Shares to the Official List of the Main Market of Bursa Securities and "admitted" will be construed accordingly
Adviser	MIDF Amanah Investment Bank Berhad (23878-X)
AHPCM	Association of Hire Purchase Companies Malaysia
Amity Corp	Amity Corporation Sdn Bhd (74000-D)
Application(s)	The application for the Public Issue Shares by way of Application Form or by way of Electronic Share Application or Internet Share Application
Application Form(s)	The application form(s) used in applying for the Public Issue Shares which include the White Application Form(s) and the Pink Application Form(s)
ATM	Automated Teller Machine
BNM	Bank Negara Malaysia
Bonus Issue	Bonus issue involving the issuance of 50,000,000 new ELK-Desa Resources Shares credited as fully paid-up to ELK-Desa Resources' sole shareholder, Unico-Desa
Board or Directors	Board of Directors of ELK-Desa Resources
Bursa Depository	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W)
CDS	Central Depository System
Central Depositories Act	The Securities Industry (Central Depositories) Act, 1991, or any statutory modification, amendment or re-enactment thereof for the time being in force
CMSA	The Capital Markets and Services Act, 2007, or any statutory modification, amendment or re-enactment thereof for the time being in force
Co-Underwriter	JF Apex Securities Berhad (47680-X)
CTOS	CTOS Business Systems Sdn Bhd (650035-U)
Depositor	A holder of a Securities Account
Distribution	Distribution of ordinary shares in ELK-Desa Resources to all shareholders of Unico-Desa by way of dividend in specie on the basis of one (1) ordinary share in ELK-Desa Resources for every ten (10) ordinary shares held in Unico-Desa
EBIT	Earnings before interest and taxation

DEFINITIONS

EBITDA	Earnings before interest, taxation, depreciation and amortisation
Electronic prospectus	A copy of a prospectus that is issued, circulated or distributed via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs
ELK-Desa Capital	ELK-Desa Capital Sdn Bhd (76994-P), a wholly-owned direct subsidiary of ELK-Desa Resources
ELK-Desa Development	ELK-Desa Development Sdn Bhd (88844-X), a wholly-owned direct subsidiary of ELK-Desa Marketing
ELK-Desa Marketing	ELK-Desa Marketing Sdn Bhd (432412-M), a wholly-owned direct subsidiary of ELK-Desa Capital
ELK-Desa Resources or Company	ELK-Desa Resources Berhad (180164-X)
ELK-Desa Resources Group or Group	ELK-Desa Resources and its subsidiaries
ELK-Desa Risk Agency	ELK-Desa Risk Agency Sdn Bhd (69053-U), a wholly-owned direct subsidiary of ELK-Desa Capital
ELK Group	ELK Group Sdn Bhd (105628-K)
Eng Lee Capital	Eng Lee Capital Sdn Bhd (<i>formerly known as ELK Amity Resources Sdn Bhd</i>) (546265-H), a wholly-owned direct subsidiary of ELK Group
Eng Lee Kredit	Eng Lee Kredit Sdn Bhd (10458-A), a wholly-owned direct subsidiary of ELK Group
Entitlement Date	5.00 p.m. on 19 November 2012
EPS	Earnings per share
Equiniti or Issuing House	Equiniti Services Sdn Bhd (11324-H)
FIS	Financial Information Services Sdn Bhd (153169-H)
FPE	Financial period ended / ending
FRS	Financial Reporting Standards
FYE	Financial year ended / ending
GDP	Gross Domestic Product
HP Act	The Hire Purchase Act, 1967, or any statutory modification, amendment or re-enactment thereof for the time being in force
IMR Report	The independent market research report titled "Strategic Analysis of the Malaysian Hire Purchase Market for Used Motor Vehicles" dated October 2012 which was prepared by the Independent Market Researcher
Independent Market Researcher	Protégé Associates Sdn Bhd (675767-H)
Internet Participating Financial Institution(s)	Participating financial institution(s) in the Internet Share Application, as listed in Section 13 of this Prospectus

DEFINITIONS

Internet Share Application	Application for the Public Issue Shares through an Internet Participating Financial Institution
IPO	Initial public offering by ELK-Desa Resources comprising the Restricted Offer for Sale and Public Issue, collectively
IPO Price	The Public Issue Price and/or Offer Price of RM1.16 for each IPO Share
IPO Share(s)	Public Issue Share(s) and/or Restricted Offer Share(s)
IT	Information Technology
JPJ	Jabatan Pengangkutan Jalan, Malaysia
KLSCDCCA	Kuala Lumpur and Selangor Car Dealers and Credit Companies Association
Latest Practicable Date or LPD	15 October 2012 being the last practicable date for information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus
Listing	Admission to the Official List and the listing of and quotation for the Company's entire issued and paid-up share capital comprising 125,000,000 Shares on the Main Market of Bursa Securities
Listing Requirements	The Main Market Listing Requirements of Bursa Securities, as amended, supplemented or modified from time to time
Listing Scheme	Restricted Offer for Sale, Public Issue and Listing, collectively.
Managing Underwriter	MIDF Amanah Investment Bank Berhad (23878-X)
Market Day	A day on which Bursa Securities is open for trading in securities
MIA	Malaysia Institute of Accountants
MIDF Investment	MIDF Amanah Investment Bank Berhad (23878-X)
MITI	Ministry of International Trade and Industry
NA	Net assets attributable to ordinary equity holders of the corporation
NBV	Net book value
NCI	Non-controlling interests
NTA	Net tangible assets
Green Offer Acceptance Form(s)	The application form(s) used in applying for the Restricted Offer Shares
Offer Price	RM1.16 per Restricted Offer Share
Offeror	Unico-Desa
Official List	A list specifying all securities which have been admitted for listing on the Main Market and not removed
Participating Financial Institution(s)	Participating financial institution(s) for Electronic Share Application as listed in Section 13 of this Prospectus
PAT	Profit after taxation

DEFINITIONS

PBT	Profit before taxation
PE Multiple	Price earnings multiple
Pink Application Form(s)	Application form(s) to be used by the eligible employees (excluding Directors of Unico-Desa and ELK-Desa Resources) of Unico-Desa, ELK-Desa Resources and the subsidiary companies of ELK-Desa Resources for their applications for their respective Share allocations pursuant to the Public Issue
PPE	Property, plant and equipment
Prescribed Security	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules of Depository
Promoters	Promoters of our Company as set out in Section 5.1 of this Prospectus
Prospectus	This Prospectus dated 21 November 2012 issued by our Company in respect of the Restricted Offer for Sale and Public Issue
Public Issue	Public issue of 25,000,000 new ELK-Desa Resources at the Public Issue Price comprising: <ul style="list-style-type: none"> (a) 4,510,000 Public Issue Shares to eligible employees (excluding Directors of Unico-Desa and ELK-Desa Resources) of the Unico-Desa, ELK-Desa Resources and the subsidiary companies of ELK-Desa Resources; (b) 15,625,000 Public Issue Shares to Bumiputera investors to be approved by the MITI; and (c) 4,865,000 Public Issue Shares to the Malaysian public at an issue price of RM1.16 per Share payable in full upon application
Public Issue Price	RM1.16 per Public Issue Share
Public Issue Share(s)	The 25,000,000 Shares, which are the subject of the Public Issue
Puspakom	Puspakom Sdn Bhd (285985-U), a company appointed by the Malaysian Government to undertake all mandatory inspections for commercial and public vehicles, as well as private vehicles for hire-purchase financing, ownership transfer and insurance purposes
RM and sen	Ringgit Malaysia and sen respectively, the legal currency of Malaysia
Restricted Offer for Sale	Restricted offer for sale of the remaining shares in ELK-Desa Resources after the Distribution on a pro rata basis to all shareholders of Unico-Desa at the Entitlement Date pursuant to the Listing of ELK-Desa Resources
Restricted Offer Share(s) or Offer Share(s)	The 13,493,454 ELK-Desa Resources Shares which is the subject of the Restricted Offer for Sale
Rules of Depository	The Rules of Bursa Depository, including any amendment that may be made from time to time
SC	Securities Commission, Malaysia
SC Guidelines	SC's Equity Guidelines

DEFINITIONS

Securities Account	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
Share(s)	Ordinary share(s) of RM1.00 each in ELK-Desa Resources
SMS	Short Message Service
Unico-Desa	Unico-Desa Plantations Berhad (78983-V)
Unico-Desa Group	Unico-Desa and its subsidiary companies, collectively
White Application Form(s)	Application form(s) to be used by Bumiputera investors approved by MITI and the Malaysian public for their respective shares applications pursuant to the Public Issue

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GLOSSARY OF TECHNICAL TERMS

The following technical terms or abbreviations are used in this Prospectus.

Fifth Schedule Notice	Notice from ELK-Desa Capital to the hirer and the guarantor (if applicable) to inform them to redeem the repossessed used motor vehicle and to reinstate the HP Agreement within twenty-one (21) days from the date of the notice, failing which the repossessed used motor vehicle will be disposed off
Fourth Schedule Notice	Notice from ELK-Desa Capital to the hirer informing the hirer of ELK-Desa Capital's intention to repossess the financed used motor vehicle which notice will detail the total arrears of instalments and arrears of interests due on overdue instalments payable to ELK-Desa Capital
Gross HP Receivables	Value of outstanding HP receivables (principals and term charges) due by the hirers which includes current, delinquent and renegotiated HP receivables, but not HP receivables that have been written off
HP	Hire purchase
HP Loss Rate	The total of repossession losses and expenses, bad debts written off and recoveries, divided by the sum of Net HP receivables at the beginning of the financial year and the current year HP disbursement
Net HP Income Margin	The difference between the term charges imposed on the hirers and the cost of funding
Net HP Receivables	Gross HP Receivables less unearned HP term charges
Notice under Part 1 of the Second Schedule	Notice from ELK-Desa Capital to the intending hirer summarising his financial obligations under the proposed HP Agreement
NPL	Non-performing loans are HP Receivables with arrears of 4 months and above. HP interest continues to be accrued and impaired simultaneously, as an expense until the HP agreements are terminated or written off as bad debts
NPL Ratio	The amount of NPL over Net HP Receivables, expressed as a percentage
Second Notice of Intention to Repossess	Second notice from ELK-Desa Capital to the hirer (to be issued subsequent to the Fourth Schedule Notice) informing the hirer of ELK-Desa Capital's intention to repossess the financed used motor vehicle

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PRESENTATION OF INFORMATION

"We", "us", "our" and "ourselves" refers to our company, ELK-Desa Resources, and where relevant, includes other companies in our Group.

"our Group" or "the Group" refers to the ELK-Desa Resources Group.

Beliefs, expectations, estimates and opinions are those of our Directors.

Acronyms, abbreviations and technical terms used in this Prospectus are contained in the Sections on "Definitions" and "Glossary of Technical Terms".

Unless specifically stated otherwise, all references to Sections shall refer to sections of this Prospectus.

References to the singular shall include the plural and *vice versa*.

References to the masculine gender shall include the feminine and neuter genders and *vice versa*.

References to persons shall include companies or corporations.

The use of words such as "could", "would", "may", "believe", "plan", "expect", "intend", "estimate" "anticipate", "aim", "forecast" and similar expressions identify forward-looking statements which are based on assumptions and subject to known and unknown risks, uncertainties and contingencies. Forward-looking statements represent our Directors' views and beliefs with respect to the future of our Group, but are not meant to be a guarantee.

Actual results may differ materially from information contained in forward-looking statements. For further explanation on the reasons for this difference see **Section 3** on Risk Factors and **Section 8.3** on our management's discussion and analysis of our financial condition and results of our operations.

Information contained on our Group's website or on any other website directly or indirectly linked to such website does not form part of this Prospectus and should not therefore be relied upon.

Any reference to any provisions of the statutes, rules regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulation, enactment or rules of stock exchange for the time being in force.

All references to dates and times are references to dates and times in Malaysia.

All references to the "LPD" in this Prospectus are to 15 October 2012, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

All the information set out in this Prospectus is presented as of the LPD, unless otherwise indicated.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest tenth/ hundredth or one/ two decimal places. Any numeric discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences.

Further, certain background information on substantial shareholders contained in this Prospectus was obtained from publicly available sources, which neither we nor our advisers have verified.

All references to the "year ended/ending" in this Prospectus are to the respective financial year ended or ending 31 March, as the case may be. References to the "period ended/ending" in this Prospectus are to the financial period in the number of months as stated in this Prospectus.

PRESENTATION OF INFORMATION

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industries in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from report(s) provided by the independent business and market research consultants, Protégé Associates Sdn Bhd. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industries in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data and accordingly, you should not place undue reliance on the statistical data cited in this Prospectus.

Similarly, third-party projections, including the projections from the independent business and market research consultants, cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. Hence, you should not place undue reliance on the third-party projections cited in this Prospectus.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Address	Occupation	Nationality
Teoh Hock Chai @ Tew Hock Chai	Non-Independent Non-Executive Chairman	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor	Director	Malaysian
Lim Keng Chin	Executive Director	No. 44, Jalan SS20/4 Damansara Utama 47400 Petaling Jaya Selangor	Director	Malaysian
Teoh Seng Hui	Non-Independent Non-Executive Director	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor	Director	Malaysian
Teoh Seng Kar	Non-Independent Non-Executive Director	No. 20, Jalan Perkasa 6 Taman Maluri, Cheras 55100 Kuala Lumpur	Director	Malaysian
Ng Soon Lai @ Ng Siek Chuan	Independent Non- Executive Director	No. 20, Jalan Setiamurni 6 Bukit Damansara 50490 Kuala Lumpur	Director	Malaysian
Loong Foo Ching	Independent Non- Executive Director	No. 58, Jalan Desa Mesra Taman Desa 58100 Kuala Lumpur	Advocate & Solicitor	Malaysian
Yee Kin Lan	Independent Non- Executive Director	No. 31, Jalan Radin 1 Taman Sri Endah, Seri Petaling, 57000 Kuala Lumpur	Director	Malaysian
Tham Wai Hoong	Independent Non- Executive Director	No. 44, BU11/6 Bandar Utama 47800 Petaling Jaya Selangor	Director	Malaysian
Toh Jyh Wei	Independent Non- Executive Director	No. 1, Jalan Setiabakti 10 Bukit Damansara 50490 Kuala Lumpur	Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Ng Soon Lai @ Ng Siek Chuan	Chairman	Independent Non-Executive Director
Loong Foo Ching	Member	Independent Non-Executive Director
Teoh Seng Kar	Member	Non-Independent Non-Executive Director

CORPORATE DIRECTORY**NOMINATION COMMITTEE**

Name	Designation	Directorship
Teoh Hock Chai @ Tew Hock Chai	Chairman	Non-Independent Non-Executive Chairman
Ng Soon Lai @ Ng Siek Chuan	Member	Independent Non-Executive Director
Loong Foo Ching	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Teoh Hock Chai @ Tew Hock Chai	Chairman	Non-Independent Non-Executive Chairman
Ng Soon Lai @ Ng Siek Chuan	Member	Independent Non-Executive Director
Loong Foo Ching	Member	Independent Non-Executive Director

Company Secretary	:	Loke Weng Fook (MIA 6573) No. 35, Jalan Puncak Setiawangsa 7, Taman Setiawangsa 54200 Kuala Lumpur Malaysia
Registered Office	:	15-17, Jalan Brunei Utara Off Jalan Pudu 55100 Kuala Lumpur Malaysia Telephone no. : (03) 2145 7000 Facsimile no. : (03) 2145 8258 E-mail : enquiry@elk-desa.com.my
Head Office	:	15-17, Jalan Brunei Utara Off Jalan Pudu 55100 Kuala Lumpur Malaysia Telephone no. : (03) 2145 7000 Facsimile no. : (03) 2145 8258 E-mail : enquiry@elk-desa.com.my
Website	:	www.elk-desa.com.my

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CORPORATE DIRECTORY

- Registrar** : Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Telephone no. : (03) 2264 3883
Facsimile no. : (03) 2282 1886
E-mail : is.enquiry@my.tricorglobal.com
Website : www.tricorglobal.com
- Auditors and Reporting Accountants** : BDO (AF 0206)
12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Telephone no. : (03) 2616 2888
Facsimile no. : (03) 2616 3191
- Solicitors for the IPO** : Shook Lin & Bok
20th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Telephone no. : (03) 2031 1788
Facsimile no. : (03) 2031 1775
- Principal Bankers** : Public Bank Berhad (6463-H)
Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Telephone no. : (03) 2176 6000
Facsimile no. : (03) 2163 9917
- Malayan Banking Berhad (3813-K)
Level 2, Tower A
Dataran Maybank
No.1, Jalan Maarof
59000 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Telephone no. : (03) 2297 2600
Facsimile no. : (03) 2283 2216
- Bank of China (Malaysia) Berhad (511251-V)
Grd, Mezz. & 1st Floor
Plaza OSK
25 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Telephone no. : (03) 2162 6633
Facsimile no. : (03) 2161 5150

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CORPORATE DIRECTORY

- Independent Business and Market Research Consultants** : Protégé Associates Sdn Bhd (675767-H)
Suite C-06-06 Plaza Mont' Kiara
2 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Malaysia
Telephone no. : (03) 6201 9301
Facsimile no. : (03) 6201 7302
- Issuing House** : Equiniti Services Sdn Bhd (11324-H)
Level 8, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Telephone no. : (03) 2166 0933
Facsimile no. : (03) 2166 0688
- Adviser, Managing Underwriter and Underwriter** : MIDF Amanah Investment Bank Berhad (23878-X)
Level 21, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Telephone no. : (03) 2173 8888
Facsimile no. : (03) 2173 8277
- Co-Underwriter** : JF Apex Securities Berhad (47680-X)
6th Floor, Menara Apex
Off Jalan Semenyih, Bukit Mewah
43000 Kajang
Selangor Darul Ehsan
Malaysia
Telephone no : (03) 7620 1118
Facsimile no : (03) 7620 6388
- Listing Sought** : Main Market of Bursa Securities

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1. INFORMATION SUMMARY

This Section of the Prospectus highlights some summary of the salient information about our Group. It may not contain all the information that may be important to you. You should read and understand the whole Prospectus carefully before deciding whether or not to invest in our shares. Prospective investors are advised to read the risk factors described in Section 3 of this Prospectus for an understanding of the risks associated with the investment in our Company.

1.1 BACKGROUND INFORMATION ON ELK-DESA RESOURCES GROUP

CORPORATE STRUCTURE

ELK-Desa Resources was incorporated under the Act in Malaysia as a private company limited by shares on 24 March 1989 under the name of Tekad Murni Sdn Bhd. Subsequently on 13 October 2004, it changed its name to ELK-Desa Resources Sdn Bhd. ELK-Desa Resources was converted into a public company limited by shares on 16 March 2012. The principal activity of ELK-Desa Resources is investment holding.

ELK-Desa Capital was incorporated under the Act in Malaysia as a private company limited by shares on 19 October 1981 under the name of Unico Corporation Sdn Bhd. Subsequently on 24 July 2004, it assumed its present name. It became a wholly-owned subsidiary company of ELK-Desa Resources on 16 February 2005. The principal activity of ELK-Desa Capital is the provision of HP financing for used motor vehicles.

ELK-Desa Risk Agency was incorporated under the Act in Malaysia as a private company limited by shares on 31 March 1981 under the name of Multi Development (M) Sdn Bhd. Subsequently on 3 July 1981, it changed its name to Longlive Development (M) Sdn Bhd. On 6 September 2004, it assumed its present name. It became a wholly-owned subsidiary company of ELK-Desa Capital on 23 November 1996. The principal activity of ELK-Desa Risk Agency is acting as an insurance agent.

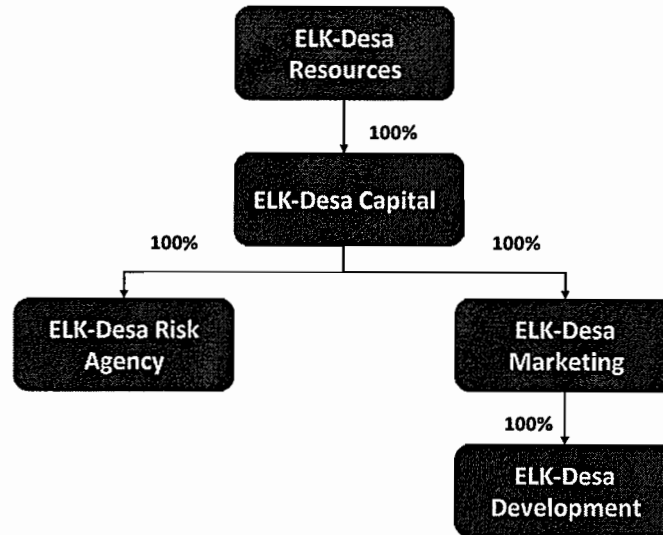
ELK-Desa Marketing was incorporated under the Act in Malaysia as a private company limited by shares on 22 May 1997 under the name of Panglima Vista Sdn Bhd. Subsequently on 25 January 2006, it assumed its present name. It became a wholly-owned subsidiary company of ELK-Desa Capital on 1 August 2006. The principal activity of ELK-Desa Marketing is the trading of used motor vehicles.

ELK-Desa Development was incorporated under the Act in Malaysia as a private company limited by shares on 18 August 1982 under the name of Puuvun Sdn Bhd. Subsequently on 13 October 2004, it assumed its present name. It became a wholly-owned subsidiary company of ELK-Desa Marketing on 25 April 2007. Currently, ELK-Desa Development is a dormant company.

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1. INFORMATION SUMMARY

Our Group structure is as follows:



OUR BUSINESS

ELK-Desa Resources Group, through its wholly-owned subsidiary, ELK-Desa Capital is primarily involved in the business of HP financing for used motor vehicles. The Group is also involved in selling general insurance policies as an insurance agent and trading of used motor vehicles through ELK-Desa Capital's two (2) wholly-owned subsidiary companies, ELK-Desa Risk Agency and ELK-Desa Marketing respectively.

Our business is depicted below:

(a) HP Financing for Used Motor Vehicles

Our business is focused on the provision of HP financing for used motor vehicles. For the past four (4) financial years from 31 March 2009 to 31 March 2012 and five (5) months FPE 31 August 2012, the HP financing business has contributed over ninety (90) percent to ELK-Desa Resources Group's overall revenue. The revenue from this business comprises HP interest income, handling and processing fees and overdue and service charges.

Currently, ELK-Desa Resources Group, through ELK-Desa Capital, operates out of two (2) financing centres in Kuala Lumpur and Klang, Selangor in Malaysia.

(b) Insurance Agency

Our secondary business is acting as an insurance agent in selling general insurance policies. ELK-Desa Resources Group's insurance business, via ELK-Desa Risk Agency, contributes less than ten (10) percent to our PAT for the past four (4) financial years from 31 March 2009 to 31 March 2012 and five (5) months FPE 31 August 2012 and is considered an ancillary product offering complementing our HP financing business.

1. INFORMATION SUMMARY

(c) Trading of Used Motor Vehicles

ELK-Desa Resources Group, through ELK-Desa Marketing, is involved in the trading of used motor vehicles. It not only refers new hirers to the Group's HP financing business, but also helps in disposing a portion of the repossessed used motor vehicles from its immediate holding company, ELK-Desa Capital's HP operations. Although the income contribution is not substantial, it complements the HP financing activities of the entire Group.

Detailed information on our Group is as set out in **Section 4**.

REVENUE STREAM

The revenue of the ELK-Desa Resources Group is mainly generated from our HP financing business for used motor vehicles. HP interest income earned by the Group represented 82% of total revenue in FYE 2009, 80% in FYE 2010, 78% in FYE 2011, 80% in FYE 31 March 2012 and 79% in FPE 31 August 2012.

Details on our financial information are set out in **Section 8**.

1.2 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our success and future prospects are supported by a combination of advantages and key strengths as follows:

- (a) Strength in credit risk management
- (b) Relatively higher degree of bargaining power vis-à-vis hirers
- (c) Synergy within operations
- (d) Large motor vehicle dealers network across Kuala Lumpur and Klang, Selangor
- (e) An experienced management team

Details on our competitive advantages and key strengths are discussed in **Section 4.3.1(c)**.

1.3 SUMMARY OF RISK FACTORS

Industry Risks

- (a) We face continuous competition in our industry
- (b) We are vulnerable to fluctuations in interest rates
- (c) We are vulnerable to changes in political, economic and regulatory conditions

Business Risks

- (a) We are dependent on our Directors and key management team
- (b) Our business may be affected by change of our potential hirers' demand
- (c) We are dependent on our motor vehicle dealers
- (d) We are dependent on our financial institutions
- (e) We are dependent on management information system
- (f) Credit risk
- (g) Failure of or deficiency in our Group's Internal Control System to detect procedural errors, frauds and misconducts will affect our operations
- (h) Our Group's reputation may be affected by the conducts of external parties engaged to repossess used motor vehicles and recover debts

1. INFORMATION SUMMARY

Risks Related to Investment in our Shares

- (a) No prior market for our Shares
- (b) Capital market risks and share price volatility
- (c) Possible influence by Promoters
- (d) Achievement of business targets and payment of dividends
- (e) Future fund raisings dilute shareholders' equity and restrict our operations or dividend payments
- (f) Failure or delay in Listing
- (g) Delay between Admission and trading of our Shares
- (h) Disclosure regarding forward-looking statements

Please note that though the risks affecting our Group, our business and in investing in our Shares are discussed in detail in **Section 3**, we can give no assurance that the risk factors which we have listed out are exhaustive and that there is no possibility of any other risks materially and adversely affecting our Group, our business, our profitability or the market price of our Shares.

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1. INFORMATION SUMMARY

1.4 SUMMARY OF FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF OUR GROUP

The following table sets out the summary of the Consolidated Statements of Comprehensive Income of ELK-Desa Resources Group for the past four (4) FYE 31 March 2009 to FYE 31 March 2012 and the five (5) months FPE 31 August 2011 and FPE 31 August 2012. The Consolidated Statements of Comprehensive Income of ELK-Desa Resources Group for the FPE 31 August 2011 have not been audited and have been prepared for comparative purposes only.

You should read the Consolidated Statements of Comprehensive Income in conjunction with the accompanying notes and assumptions included in the Proforma Consolidated Financial Information set out in **Section 8.7** of this Prospectus.

	← Audited →				Unaudited	Audited
	← FYE 31 March →				FPE 31 August	FPE 31 August
	2009 RM	2010 RM	2011 RM	2012 RM	2011 RM	2012 RM
Revenue	29,227,229	30,894,480	35,406,270	38,604,166	15,744,669	17,126,174
Other income	289,556	247,676	328,288	427,231	143,109	133,908
Cost of inventories sold	(177,673)	(65,576)	(100,181)	(10,075)	(4,705)	(18,690)
Depreciation of property, plant and equipment	(143,644)	(150,328)	(164,063)	(198,864)	(80,702)	(93,104)
Impairment allowance	(8,984,470)	(4,711,827)	(5,012,959)	(6,389,027)	(1,681,049)	(1,684,856)
Other expenses	(5,355,995)	(6,183,628)	(6,963,552)	(7,773,430)	(3,206,676)	(3,631,605)
Profit before interest and tax	14,855,003	20,030,797	23,493,803	24,660,001	10,914,646	11,831,827
Finance costs	(1,460,830)	(2,241,543)	(3,019,421)	(3,136,284)	(1,317,642)	(1,317,115)
Profit before tax	13,394,173	17,789,254	20,474,382	21,523,717	9,597,004	10,514,712
Tax expenses	(3,376,077)	(4,590,005)	(5,193,230)	(5,580,538)	(2,421,001)	(2,671,515)
Net Profit for the financial years/period	10,018,096	13,199,249	15,281,152	15,943,179	7,176,003	7,843,197
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	10,018,096	13,199,249	15,281,152	15,943,179	7,176,003	7,843,197
<i>Attributable to:</i>						
- Owner of the Company	10,018,096	13,199,249	15,281,152	15,943,179	7,176,003	7,843,197
- NCI	-	-	-	-	-	-
<i>Earnings before interest, tax, depreciation and amortisation ("EBITDA") (RM)</i>	14,992,034	20,174,996	23,652,873	24,855,066	10,994,076	11,924,042
<i>Number of ordinary shares of RM1.00 each</i>	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
<i>Gross earnings per share (RM)</i>	0.27	0.36	0.41	0.43	0.19	0.21
<i>Net earnings per share (RM)</i>	0.20	0.26	0.31	0.32	0.14	0.16
<i>Profit before tax margin (%)</i>	45.83	57.58	57.83	55.75	60.95	61.40

1. INFORMATION SUMMARY

	← Audited →				Unaudited	Audited
	← FYE 31 March →				FPE 31 August	FPE 31 August
	2009 RM	2010 RM	2011 RM	2012 RM	2011 RM	2012 RM
Net profit margin (%)	34.28	42.72	43.16	41.30	45.58	45.80
EBITDA margin (%)	51.29	65.30	66.80	64.38	69.83	69.62
Effective tax rate (%)	25.21	25.80	25.36	25.93	25.23	25.41

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP

The Proforma Consolidated Statements of Financial Position of ELK-Desa Resources Group as at 31 August 2012 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Section 8.7 on the assumption that these transactions were completed on 31 August 2012.

	Audited	← Proforma →		
	As at 31 August 2012	I	II	III
		RM	After Proforma I RM	After Proforma II RM
ASSETS				
Non-current assets				
Property, plant and equipment	1,349,848	1,349,848	1,349,848	1,349,848
Deferred tax assets	2,207,326	2,207,326	2,207,326	2,207,326
Hire-purchase receivables	129,060,047	129,060,047	129,060,047	129,060,047
	<u>132,617,221</u>	<u>132,617,221</u>	<u>132,617,221</u>	<u>132,617,221</u>
Current assets				
Inventories	835,568	835,568	835,568	835,568
Trade and other receivables	1,674,832	1,674,832	1,674,832	1,674,832
Hire-purchase receivables	62,323,729	62,323,729	62,323,729	62,323,729
Current tax assets	475	475	475	475
Cash and cash equivalents	555,419	555,419	29,555,419	26,555,419
	<u>65,390,023</u>	<u>65,390,023</u>	<u>94,390,023</u>	<u>91,390,023</u>
TOTAL ASSETS	<u>198,007,244</u>	<u>198,007,244</u>	<u>227,007,244</u>	<u>224,007,244</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	50,000,000	100,000,000	125,000,000	125,000,000
Share premium	-	-	4,000,000	3,779,800
Retained earnings	75,006,958	25,006,958	25,006,958	22,227,158
TOTAL EQUITY	<u>125,006,958</u>	<u>125,006,958</u>	<u>154,006,958</u>	<u>151,006,958</u>

1. INFORMATION SUMMARY

	Audited	Proforma		
	As at 31 August 2012	I	II	III
	RM	After Proforma I RM	After Proforma II RM	After Proforma III RM
Non-current liabilities				
Borrowings	40,286,630	40,286,630	40,286,630	40,286,630
	40,286,630	40,286,630	40,286,630	40,286,630
Current liabilities				
Trade and other payables	12,455,815	12,455,815	12,455,815	12,455,815
Borrowings	18,331,300	18,331,300	18,331,300	18,331,300
Current tax liabilities	1,926,541	1,926,541	1,926,541	1,926,541
	32,713,656	32,713,656	32,713,656	32,713,656
TOTAL LIABILITIES	73,000,286	73,000,286	73,000,286	73,000,286
TOTAL EQUITY AND LIABILITIES	198,007,244	198,007,244	227,007,244	224,007,244
Net assets	125,006,958	125,006,958	154,006,958	151,006,958
Number of ordinary shares assumed in issue	50,000,000	100,000,000	125,000,000	125,000,000
Net assets attributable to equity holders per ordinary share (RM)	2.50	1.25	1.23	1.21

Auditors' qualification

As set out in the Accountants' Report in **Section 9**, the financial statements of the companies within our Group for the financial years/financial period under review were not subject to any audit qualification.

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1. INFORMATION SUMMARY

1.5 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The names and designations of our Promoters, substantial shareholders, Directors and key management (before and after the IPO) are set out below:

Promoters	<ul style="list-style-type: none"> • Unico-Desa • Teoh Hock Chai @ Tew Hock Chai • ELK Group • Eng Lee Kredit • Eng Lee Capital
Substantial shareholders	<ul style="list-style-type: none"> • Unico-Desa • Teoh Hock Chai @ Tew Hock Chai • ELK Group • Eng Lee Kredit • Eng Lee Capital • Unico Holdings Berhad • Dr. Yeong Cheong Thye @ Yeong Yue Chai • Amity Corp
Directors	<ul style="list-style-type: none"> • Teoh Hock Chai @ Tew Hock Chai, Non-Independent Non-Executive Chairman • Lim Keng Chin, Executive Director • Teoh Seng Hui, Non-Independent Non-Executive Director • Teoh Seng Kar, Non-Independent Non-Executive Director • Ng Soon Lai @ Ng Siek Chuan, Independent Non-Executive Director • Loong Foo Ching, Independent Non-Executive Director • Yee Kin Lan, Independent Non-Executive Director • Tham Wai Hoong, Independent Non-Executive Director • Toh Jyh Wei, Independent Non-Executive Director
Key management	<ul style="list-style-type: none"> • Lim Keng Chin, Executive Director of ELK-Desa Resources • Teoh Seng Hee, Executive Director of ELK-Desa Capital • Teoh Hock Su, Senior Manager, Business and Operations • Loke Weng Fook, Group Accountant and Company Secretary • Choo Kim Hong, Senior Manager, General Administration and Banking • Teo Yet Lang, Operation Manager • Peh Bee Chin, Assistant Accountant

Further details of our Promoters, substantial shareholders, Directors and key management are set out in **Section 5**.

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1. INFORMATION SUMMARY**1.6 PRINCIPAL STATISTICS RELATING TO THE LISTING SCHEME**

	No. of Shares	Share Capital (RM)
Authorised share capital	300,000,000	300,000,000
Existing issued and fully paid-up share capital of RM1.00 each (after the Bonus Issue which will be completed after obtaining the SC's approval for the listing)	100,000,000	100,000,000
New Shares to be issued pursuant to the Public Issue	25,000,000	25,000,000
Entire enlarged issued and paid up share capital upon Listing	125,000,000	125,000,000
Restricted Offer for Sale	13,493,454	13,493,454
PUBLIC ISSUE PRICE / OFFER PRICE PER SHARE		RM1.16
PROFORMA CONSOLIDATED NA / NTA		
Proforma consolidated NA / NTA as at 31 August 2012 (based on our entire enlarged issued and paid up share capital after the Listing and after deducting the estimated listing expenses of RM3 million)		RM151,006,958
Proforma consolidated NA / NTA per share (based on our entire enlarged issued and paid up share capital)		RM1.21
OUR MARKET CAPITALISATION (based on the Public Issue Price / Offer Price and our entire enlarged share capital after the Listing)		RM145,000,000

Further details on the Listing Scheme are set out in **Section 2**.

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1. INFORMATION SUMMARY

1.7 EXPECTED PROCEEDS FROM THE RESTRICTED OFFER FOR SALE AND PUBLIC ISSUE

Our Company will not receive any proceeds from the Restricted Offer for Sale. The gross proceeds from the Restricted Offer for Sale of approximately RM15.65 million arising from the Restricted Offer for Sale of 13,493,454 Shares will accrue entirely to the Offeror.

Our Public Issue Shares, if fully subscribed, will result in us receiving gross proceeds of RM29.0 million.

Further details on the proposed utilisation of proceeds from the Public Issue are set out in **Section 2.8**.

1.8 UTILISATION OF PROCEEDS FROM THE PUBLIC ISSUE

Proposed utilisation	RM	Percentage of total proceeds (%)	Time frame for utilisation
Expansion of business	26,000,000	89.66	within 6 months
Estimated listing expenses	3,000,000	10.34	within 3 months
TOTAL	29,000,000	100.00	

Detailed information on the proposed utilisation of proceeds from the Public Issue is set out in **Section 2.8**.

1.9 DIVIDEND POLICY

We do not currently have a dividend policy. However, for the FYE 31 March 2013, our Board of Directors intend to recommend and distribute approximately 50% of our PAT to our shareholders as dividends subject to the following factors:-

- (i) the availability of adequate distributable reserves and cash flows;
- (ii) our operating cash flow requirements and financial commitments;
- (iii) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plans; and
- (iv) any material impact of tax laws and other regulatory requirements.

Detailed information on the dividend policy is set out in **Section 8.6**.

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1. INFORMATION SUMMARY

However, investors should note that the intention to recommend the dividends should not be treated as a legal obligation on us to do so. The level of dividends should also not be treated as an indication of our future dividend policy. There is no assurance that dividends will be paid out in the future or on the timing of any dividends that may be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximizing shareholders' value. However, our ability to pay dividends will depend on a number of factors, including our earnings, capital requirements, our general financial condition, our distributable reserves and any other factors considered relevant by our Board of Directors.

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2. PARTICULARS OF THE IPO

2.1 INTRODUCTION

This Prospectus is dated 21 November 2012

A copy of this Prospectus has been registered with the SC and lodged with the Registrar of Companies, both of whom take no responsibility for its contents.

The approval of the SC for our IPO (details of which are set out in Section 6 of this Prospectus) which was obtained vide their letter dated 14 September 2012 shall not be taken to indicate that the SC recommends the IPO and/or the listing of ELK-Desa Resources on the Main Market of Bursa Securities. You are advised to make your own individual assessment on the merits and risks of the IPO.

Bursa Securities has approved our admission to the Official List of the Main Market of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital, including the IPO Shares which is the subject of this Prospectus, on the Main Market of Bursa Securities vide its letter dated 4 October 2012. Our Shares will be admitted to the Official List and official quotation will commence upon receipt of confirmation from the Bursa Depository that all CDS Accounts of the successful applicants have been duly credited with the IPO Shares and notices of allotment have been issued and despatched to all successful applicants.

Acceptances of applications for the IPO Shares will be conditional upon the permission being granted by Bursa Securities to deal in and for quotation and listing of our entire issued and paid-up share capital on the Main Market of Bursa Securities. Accordingly, monies paid in respect of any application accepted from the IPO will be returned in full without interest within 14 days if the aforesaid permission for quotation is not granted within six (6) weeks from the date of issue of this Prospectus, or such longer period as may be specified by the SC, provided that we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If such monies are not repaid within the said period, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Pursuant to Section 14(1) of the Central Depository Act, Bursa Securities has prescribed our Shares as prescribed securities. In consequence thereof, our Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository.

Pursuant to the Listing Requirements, at least 25% of the total number of shares for which the listing is sought must be in the hands of a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon admission to the Main Market of Bursa Securities. In the event that the above requirement is not met pursuant to the IPO, we may not be allowed to proceed with our Listing on the Main Market of Bursa Securities. In such event, we will return all the monies paid in respect of all applications without interest.

If you are submitting your application by way of an Application Form or Electronic Share Application or Internet Share Application, you **MUST** have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an application for our IPO Shares. Please refer to **Section 13** of this Prospectus for further details on the procedures for application for the IPO Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorized by us. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Group since the date hereof.

2. PARTICULARS OF THE IPO

Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

This Prospectus does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any countries or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which the Restricted Offer for Sale and Public Issue or you are or might be subjected to. Neither we nor the Adviser nor any other advisers in relation to the Restricted Offer for Sale and Public Issue shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or expressed in this Prospectus. Admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of our merit or the merit of our Shares.

If you are in doubt concerning this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant, or any other professional advisers.

2.2 INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:

Event(s)	Tentative Date(s)
Issue of prospectus / Opening date of the IPO	21 November 2012
Closing date of the applications	6 December 2012
Balloting of applications from the Malaysian Public for the Public Issue Shares	10 December 2012
Allotment of Restricted Offer Shares and Public Issue Shares	14 December 2012
Tentative Listing date	18 December 2012

Our Directors reserve the right to extend the closing date for applications for the Restricted Offer Shares and Public Issue Shares. Unless so extended the application period shall end at 5.00 p.m. on 6 December 2012.

If the closing date of the Restricted Offer for Sale and Public Issue is extended, the dates for balloting of the Public Issue Shares and allotment of the Restricted Offer Shares and Public Issue Shares and our Listing will be extended accordingly. Such extended dates will be announced by way of advertisements in widely circulated English and Bahasa Malaysia daily newspapers.

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2. PARTICULARS OF THE IPO

2.3 PURPOSE OF LISTING

The purpose of the Listing is:

- (a) to enable Unico-Desa shareholders to directly participate in the envisaged growth of ELK-Desa Resources Group and also serve to meet part of the public shareholding spread requirement of ELK-Desa Resources pursuant to our Listing;
- (b) to provide an opportunity for the employees of both Unico-Desa and ELK-Desa Resources Group and the Malaysian public to participate in ELK-Desa Resources' equity and continuing growth;
- (c) to enable ELK-Desa Resources Group to gain access to the capital markets to raise funds for our future expansion and continued growth; and
- (d) to enable ELK-Desa Resources Group to gain recognition and corporate stature through our listing status and further enhance our corporate reputation and assist the ELK-Desa Resources Group in expanding our customer base.

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2. PARTICULARS OF THE IPO

2.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE IPO SHARES

	No. of Shares	Share Capital (RM)
Authorised share capital	300,000,000	300,000,000
Existing issued and fully paid-up share capital of RM1.00 each (after the Bonus Issue which will be completed after obtaining the SC's approval for the listing)	100,000,000	100,000,000
New Shares to be issued pursuant to the Public Issue	25,000,000	25,000,000
Entire enlarged issued and paid up share capital upon Listing	125,000,000	125,000,000
Restricted Offer for Sale	13,493,454	13,493,454
PUBLIC ISSUE PRICE / OFFER PRICE PER SHARE		RM1.16
PROFORMA CONSOLIDATED NA / NTA		
Proforma consolidated NA / NTA as at 31 August 2012 (based on our entire enlarged issued and paid up share capital after the Listing and after deducting the estimated listing expenses of RM3 million)		RM151,006,958
Proforma consolidated NA / NTA per share (based on our entire enlarged issued and paid up share capital)		RM1.21
OUR MARKET CAPITALISATION (based on the Public Issue Price / Offer Price and our entire enlarged share capital after the Listing)		RM145,000,000

The IPO Price is payable in full upon application.

We only have one (1) class of shares, being ordinary shares of RM1.00 each, all of which rank equally with each other. The Public Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued Shares which are fully paid-up including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of our Shares.

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2. PARTICULARS OF THE IPO

Subject to special rights attaching to any share which may be issued in the future, our shareholders shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and provisions of the Act.

Each shareholder shall be entitled to vote at any of our general meetings in person or by proxy, and, on a show of hands, every person present who is a shareholder or a representative or proxy of a shareholder, shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or other duly authorised representative shall have one (1) vote for each of our Shares held. A proxy may but need not be a member.

2.5 DETAILS OF THE IPO

2.5.1 Public Issue

The Public Issue of 25,000,000 new Shares, representing approximately 20% of our enlarged issued and paid-up share capital, at the Public Issue Price, payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated in the following manner:

PUBLIC ISSUE

Number of Public Issue Shares offered	25,000,000
---------------------------------------	------------

Public Issue Price	RM1.16
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Allocation and allotment:

(i) Malaysian Public via Balloting

4,865,000 Public Issue Shares, representing 3.89% of our entire enlarged issued and paid-up share capital upon Listing, will be made available for application by the Malaysian Public via balloting.

The basis of allocation for the balloting shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants in view of broadening the shareholding base of our Company to meet the public spread requirements, and to establish a liquid and adequate market in the Shares. Applicants will be selected in a manner to be determined by our Directors.

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2. PARTICULARS OF THE IPO**(ii) Employees of Unico-Desa and ELK-Desa Resources Group**

4,510,000 Public Issue Shares, representing 3.61% of our enlarged issued and paid-up share capital upon Listing, will be made available for the eligible employees (excluding Directors of Unico-Desa and ELK-Desa Resources) of Unico-Desa, ELK-Desa Resources and the subsidiary companies of ELK-Desa Resources.

The total number of persons eligible for the allocation is 226. Set forth below is the summary of allocation of the Public Issue Shares to the employees of Unico-Desa, ELK-Desa Resources (excluding Directors of Unico-Desa and ELK-Desa Resources) and the subsidiary companies of ELK-Desa Resources.

Eligibility	Designation	Number of Public Issue Shares allocated
Eligible Directors of the subsidiary companies of ELK-Desa Resources		
(i) Teoh Seng Hee	Executive Director of ELK-Desa Capital/Director of ELK-Desa Risk Agency and ELK-Desa Marketing	50,000
(ii) Loke Weng Fook	Group Accountant and Company Secretary/Director of ELK-Desa Capital and ELK-Desa Risk Agency	100,000
Eligibility	Number of eligible person(s)	Aggregate number of Public Issue Shares allocated
Eligible employees of ELK-Desa Resources Group (excluding the Directors of ELK-Desa Resources)	94	1,670,000
Eligible employees of Unico-Desa (excluding the Directors of Unico-Desa)	132	2,840,000
Total	226	4,510,000

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2. PARTICULARS OF THE IPO

The Public Issue Shares have been allocated to the eligible employees of Unico-Desa and ELK-Desa Resources (excluding Directors of Unico-Desa and ELK-Desa Resources) and the subsidiary companies of ELK-Desa Resources based on, amongst others, the following criteria as approved by the Company's Board of Directors:

- (a) at least eighteen (18) years old;
- (b) must be a confirmed full time employee and on the payroll of Unico-Desa, ELK-Desa Resources or the subsidiary companies of ELK-Desa Resources as at 31 March 2012; and
- (c) the number of Public Issue Shares allocated to the employees are based on their respective salaries, i.e. the number of shares allocated are fixed for salaries within a certain salary range.

(iii) Bumiputera investors approved by the MITI

15,625,000 Public Issue Shares, representing 12.5% of our entire enlarged issued and paid-up share capital are to be made available for application to Bumiputera investors to be approved by the MITI.

Any of the 15,625,000 Public Issue Shares that are not allocated by MITI to the approved Bumiputera investors or unsubscribed by the MITI approved Bumiputera investors, will be made available for application by Bumiputera Malaysian public via balloting. In the event that 50% or more of the 15,625,000 Public Issue Shares are not allocated by MITI to the approved Bumiputera investors, consequently, all the 4,865,000 Public Issue Shares, representing 3.89% of our entire enlarged issued and paid-up share capital will be made available to identified investors via private placement.

In view that the MITI has yet to revert on the list of approved Bumiputera investors, in respect of the 15,625,000 Public Issue Shares, the Board has recommended that all the 4,865,000 Public Issue Shares, representing 3.89% of our entire enlarged issued and paid-up share capital will be made available to the Malaysian public via balloting, where 50% of the 4,865,000 or 1.95% of our entire enlarged issued and paid-up share capital will be offered to Bumiputera Malaysian public as part of the balloting process.

If any of the 4,510,000 Public Issue Shares, representing 3.61% of our enlarged issued and paid-up share capital made available for application by employees of Unico-Desa, ELK-Desa Resources (excluding Directors of Unico-Desa and ELK-Desa Resources) and the subsidiary companies of ELK-Desa Resources are not fully subscribed, the amount of Shares not subscribed will be made available to the Malaysian public via balloting.

Thereafter, any remaining Public Issue Shares which are not subscribed for by the Malaysian public via balloting will then be subscribed by the underwriters based on the terms of the Underwriting Agreement as disclosed in **Section 2.12**.

There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of our IPO Shares.

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2. PARTICULARS OF THE IPO**2.5.2 Restricted Offer for Sale**

RESTRICTED OFFER FOR SALE	
Number of Restricted Offer Shares offered	13,493,454
Offer Price	RM1.16
Allocation and allotment:	
<u>Eligibility</u>	Aggregate number of Restricted Offer Shares allocated
Shareholders of Unico-Desa as at the Entitlement Date	13,493,454

The Restricted Offer for Sale of 13,493,454 ELK-Desa Resources Shares after the Distribution, represents 10.79% of our enlarged issued and paid-up share capital.

The Restricted Offer for Sale of 13,493,454 ELK-Desa Resources Shares after the Distribution will be offered by the Offeror on a pro rata basis to all shareholders of Unico-Desa at the Offer Price of RM1.16 per Share, payable in full on application upon such terms and conditions as set out in this Prospectus. The proceeds from the Restricted Offer for Sale will accrue entirely to the Offeror.

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2. PARTICULARS OF THE IPO

Details of the Offeror and the Offer Shares are as follows:

Offeror	Registered Address	Relationship with the Group within the past three (3) years	Shares held after the Bonus Issue		Shares to be distributed pursuant to the Distribution		Shares to be offered pursuant to the Restricted Offer for Sale ⁽²⁾		Shares after the IPO ⁽²⁾	
			No. of ordinary shares of RM1.00 each	%	No. of ordinary shares of RM1.00 each	% ⁽¹⁾	No. of ordinary shares of RM1.00 each	% ⁽¹⁾	No. of ordinary shares of RM1.00 each	%
Unico-Desa	8th Floor, Menara BGI Plaza Berjaya 12, Jalan Imbi 55100 Kuala Lumpur	Promoter and holding company	100,000,000	100.00	86,506,546	86.51	13,493,454	13.49	-	-

Notes:

⁽¹⁾ Based on our issued and paid-up share capital as at 15 October 2012, after the Bonus Issue but before the Public Issue, of 100,000,000 Shares.

⁽²⁾ Based on the assumption that the Restricted Offer for Sale will be fully applied for by all the shareholders of Unico-Desa as per their allocated entitlements or via applications for excess Restricted Offer Shares.

The Restricted Offer for Sale is non-renounceable. The Restricted Offer Shares shall be made available for application by Unico-Desa' shareholders on a pro rata basis at the Entitlement Date.

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2. PARTICULARS OF THE IPO

Fractional entitlements arising from the Restricted Offer for Sale will be disregarded and the aggregate of such fractions will be dealt with in such manner or on such terms as the Board of Directors of the Offeror may deem fit in a fair and equitable manner or on such terms that are in the best interest of the Offeror.

In the event the Restricted Offer Shares are not fully applied for, these Restricted Offer Shares ("Excess Restricted Offer Shares") will be made available for application by the Unico-Desa shareholders who apply for Excess Restricted Offer Shares. The Offeror shall allocate the Excess Restricted Offer Shares on a fair and equitable basis and in such manner that the incidence of odd lots will be minimised and the public shareholding spread requirement is met in accordance with the Listing Requirements.

Any Excess Restricted Offer Shares not fully subscribed for shall be retained by Unico-Desa. These shares retained by Unico-Desa shall be subject to moratorium.

In summary, the IPO Shares will be allocated in the following manner:-

Public Issue	No. of Shares	% of enlarged issued and paid up capital
Malaysian Public via balloting	4,865,000	3.89
Eligible employees of Unico-Desa, ELK-Desa Resources (excluding Directors of Unico-Desa and ELK-Desa Resources) and the subsidiary companies of ELK-Desa Resources	4,510,000	3.61
Bumiputera investors approved by MITI	15,625,000	12.50
Total	25,000,000	20.00
Restricted Offer for Sale		
Shareholders of Unico-Desa as at the Entitlement Date	13,493,454	10.79

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2. PARTICULARS OF THE IPO

2.6 DILUTION

Our audited NA per Share as at 31 August 2012 based on our share capital of 50,000,000 ELK-Desa Resources Shares was RM2.50. Our proforma NA per Share after the Bonus Issue which was completed on 3 October 2012 based on the enlarged share capital of 100,000,000 ELK-Desa Resources Shares is RM1.25. As illustrated in the proforma consolidated financial information in **Section 8.7** of this Prospectus upon completion of the Public Issue and Restricted Offer for Sale and pursuant to the IPO, our NA per Share would be RM1.21. This represents an immediate decrease in NA per Share of RM0.04 to the Promoters and an immediate increase in NA per Share of RM0.05 to our new investors. The following table illustrates such decrease and increase on a per Share basis:

	RM
IPO Price	1.16
NA per Share as at 31 August 2012, before adjusting for the Bonus Issue, Public Issue and Restricted Offer for Sale	2.50
Proforma NA per Share as at 31 August 2012, after adjusting for the Bonus Issue	1.25
Proforma NA per Share after adjusting for the Public Issue, Restricted Offer for Sale and IPO and after deducting the estimated listing expenses of RM3.0 million	1.21
Decrease in NA per Share attributable to the shareholders of ELK-Desa Resources after Distribution	0.04
Decrease in NA per Share attributable to the shareholders of ELK-Desa Resources after Distribution pursuant to the IPO	3.20%
Increase in NA per Share to new investors	0.05
Increase in NA per Share to new investors as a percentage of the IPO Price	4.31%

Our holding company and promoter, Unico-Desa, which currently holds the entire Shares in our Company will cease to be our holding company and shareholder upon completion of the Distribution and the Restricted Offer for Sale (assuming full subscription by Unico-Desa's shareholders).

In the event any Excess Restricted Offer Shares are not fully subscribed, these Shares shall be retained by Unico-Desa and in such an event, Unico-Desa shall remain a shareholder.

There was no acquisition of any existing equity securities in the ELK-Desa Resources Group by our directors or key management, substantial shareholders or persons connected with them during the past three years, or which they have the right to acquire.

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2. PARTICULARS OF THE IPO

2.7 BASIS OF ARRIVING AT THE PUBLIC ISSUE PRICE/ OFFER PRICE

The Public Issue Price has been determined on the same basis as the Offer Price for the Restricted Offer for Sale which is fixed at RM1.16 per Share.

The Public Issue Price/ Offer Price has been determined by our Directors, the Offeror and our Adviser, MIDF Investment, after consideration of the following:

- (a) our Group's competitive advantages and key strengths and operating and financial history, as outlined in **Section 4.3.1(c)**;
- (b) our Group's net EPS of 12.75 sen per Share for the FYE 31 March 2012 and annualised net EPS of 15 sen per Share for FPE 31 August 2012, based on our entire enlarged issued and paid up capital of 125,000,000 Shares translating to a proforma net PE multiple of 9.10 and 7.70 times, respectively;
- (c) our proforma consolidated NA as at 31 August 2012 of RM1.21 per Share, based on our entire enlarged issued and paid-up share capital of 125,000,000 Shares after the Listing and the utilisation of the proceeds; and
- (d) the overview and outlook of the industry as outlined in **Section 10 of the Independent Market Research Report** and the future plans and prospects of the Group in **Section 4.20.2**.

Our Board, the Offeror and MIDF Investment are of the opinion that the Public Issue Price/ Offer Price is fair and reasonable.

The market price of our Shares upon Listing is however subject to the inherent unpredictability of the capital market and other uncertainties that may affect the price of our Shares when they are traded. You should form your own views on the valuation of the securities and the reasonableness of the bases used.

2.8 PROPOSED UTILISATION OF PROCEEDS FROM THE IPO

Our Company will not receive any proceeds from the Restricted Offer for Sale. The gross proceeds from the Restricted Offer for Sale of approximately RM15.65 million arising from the Restricted Offer for Sale of 13,493,454 Shares will accrue entirely to the Offeror.

There is no minimum subscription amount to be raised in order to satisfy the objective of the Listing.

The Public Issue is expected to raise gross proceeds of RM29.0 million which shall accrue to the Company.

We propose to use the entire proceeds of our Public Issue in the following manner:

Proposed utilisation	RM	Percentage of total proceeds (%)	Time frame for utilisation
Expansion of business ^(a)	26,000,000	89.66	within 6 months
Estimated listing expenses ^(b)	3,000,000	10.34	within 3 months
TOTAL	29,000,000	100.00	

2. PARTICULARS OF THE IPO

Notes:

(a) Expansion of business

We propose to allocate the expected net proceeds of RM29.0 million from the Public Issue to fund the growth of our HP portfolio. The allocated amount will be utilised as HP disbursements by our wholly-owned subsidiary, ELK-Desa Capital.

(b) Estimated Listing expenses

Our listing expenses are estimated to be RM3.0 million consist of the following:

	RM
Professional advisors	1,680,000
Fees to authorities	200,000
Underwriting commission and brokerage	580,000
Printing, advertising and miscellaneous	540,000
Total	3,000,000

Note:

If the actual expenses for the Listing are higher than budgeted, the deficit will be funded out of the portion allocated for expansion of business. Conversely, if the actual expenses for the Listing are lower than budgeted, the excess will be utilised for HP disbursements for expansion of business.

We will bear all expenses and fees incidental to the listing of and quotation of our Shares on the Main Market of Bursa Securities, which includes underwriting commission, brokerage, professional fees, authorities' fees, advertising and other fees the aggregate of which is estimated to be approximately RM3.0 million.

The Restricted Offer for Sale will raise gross proceeds of approximately RM15.65 million. This amount shall accrue entirely to the Offeror and no part of the proceeds shall be receivable by us. The Offeror shall bear stamp duty and other charges relating to the Restricted Offer for Sale.

Pending the eventual utilisation of the proceeds raise from the IPO for the abovementioned purposes, the proceeds raised will be placed as short-term deposits with licensed banks or licensed financial institutions, as our Directors may deem appropriate in their absolute discretion.

2.9 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

Growth in HP receivables

With the proceeds from the Public Issue, our Group will be able to fund the growth of its HP portfolio without relying on additional bank borrowings. These proceeds will be utilised for HP disbursements.

The maximum HP interest rate charged by ELK-Desa Capital is 10% flat rate per annum. The average HP interest rate charged on the HP disbursement is approximately 9.8% flat rate per annum. ELK-Desa Capital charges its hirers based on fixed HP interest rate.

2. PARTICULARS OF THE IPO

Generally, the effective interest rates earned from HP disbursements range from 13.6% to 18.2% per annum. The effective interest rate is dependent on the HP interest rate and HP repayment tenure.

Factors to be considered when determining the HP interest rate charged to its hirers include but not limited to the assessment of the hirers and the type and age of the motor vehicles financed.

2.10 PLACEMENT FEES

We will pay to our Placement Agent placement fees at the rate of up to 2.0% of the value of the 4,865,000 Public Issue Shares reserved to the Malaysia Public via balloting in the event that 50% or more of the 15,625,000 Public Issue Shares are not allocated by MITI to the approved Bumiputera investors as stated in **Section 2.5.1**.

In view that the MITI has yet to revert on the list of approved Bumiputera investors, in respect of the 15,625,000 Public Issue Shares, the Board has recommended that all the 4,865,000 Public Issue Shares, representing 3.89% of our entire enlarged issued and paid-up share capital will be made available to the Malaysian public via balloting. Hence, there is no private placement to be made available to identified investors.

2.11 BROKERAGE

We will pay to the relevant parties, brokerage incurred on the sale of 4,865,000 Public Issue Shares under **Section 2.5.1** at the rate of 1.0% of the Public Issue Price per Share in respect of successful applications bearing the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

2.12 UNDERWRITING COMMISSION

An underwriting agreement has been entered into by our Company and the Underwriters on 24 October 2012 to underwrite the 25,000,000 Public Issue Shares to be issued to the Malaysian public, eligible employees of Unico-Desa, ELK-Desa Resources (excluding Directors of Unico-Desa and ELK-Desa Resources) and the subsidiary companies of ELK-Desa Resources at the rate of 2.0% of the value of the shares to be underwritten. The salient terms of the underwriting agreement are set out below. Unless otherwise stated, all capitalised terms shall have the same meanings as defined in the said underwriting agreement.

2.12.1 Salient terms of the Underwriting Agreement

An underwriting agreement was entered into between the Company and the Managing Underwriter on 24 October 2012 to severally but not jointly underwrite up to 25,000,000 IPO Shares (" Underwritten Shares ") subject to clawback and reallocation, for an underwriting commission of 1.0% of the value of the Underwritten Shares (being the number of Underwritten Shares multiplied by the IPO Price) (" Underwriters ' Underwriting Commission "). Further, under the Underwriting Agreement, the Company will also pay the Managing Underwriter a managing underwriting commission of 1.0% of the IPO Price multiplied by the number of Underwritten Shares (" Managing Underwriting Commission ").

Subject to certain conditions precedent, the Managing Underwriter has agreed to underwrite the subscription for the Underwritten Shares.

2. PARTICULARS OF THE IPO

The salient terms of the Underwriting Agreement are set out below:

(Unless otherwise stated, all capitalised terms herein shall bear the same meanings as prescribed in the Underwriting Agreement.)

“CLAUSE 5 (CONDITION PRECEDENT)

Unless waived by the Managing Underwriter (in which case any condition precedent or any part thereof so waived shall be deemed to have been satisfied), the obligations of the Underwriter under this Agreement shall be conditional upon the following:-

- (a) *this Agreement having been duly executed by all the parties hereto;*
- (b) *the Listing Exercise having been unconditionally approved-in-principle by the Stock Exchange on or prior to the Closing Date and such approval is not withdrawn and the Managing Underwriter being reasonably satisfied that such listing and quotation shall be granted within three (3) clear Market Days (or such other period as the Stock Exchange may permit) after an application for quotation is made to the Stock Exchange and receipt of confirmation from Bursa Depository that all Securities Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;*
- (c) *there not having been, on or prior to the Closing Date, in the reasonable opinion of the Managing Underwriter (whose opinion is final and binding) any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which in the reasonable opinion of the Managing Underwriter (whose opinion is final and binding) is material in the context of the issuance of the Public Issue Shares;*
- (d) *the Prospectus being in form and substance satisfactory to the Managing Underwriter;*
- (e) *the Prospectus having been registered with the SC and lodged with the CCM within thirty (30) days from the date of this Agreement, or within such other period as the parties may mutually agree;*
- (f) *the Prospectus having been issued within two (2) months of the date hereof or such other date as the parties may mutually agree upon in writing;*
- (g) *the Listing Exercise having been approved by the SC and Bursa Securities;*
- (h) *there shall not have occurred, on or prior to the Closing Date, any event rendering untrue, inaccurate or incorrect in any material respect any of the representations or warranties contained in Clause 6(1) hereof;*
- (i) *there shall not have occurred, on or prior to the Closing Date, any material breach of and or failure to perform any of the undertakings contained in Clause 6(1) hereof;*
- (j) *the Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 20 hereof;*
- (k) *the Public Issue (as the case may be) not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;*

2. PARTICULARS OF THE IPO

- (l) *the Managing Underwriter having been reasonably satisfied that the Company has complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;*
- (m) *the delivery of the following documents to the Managing Underwriter on or before the Closing Date:*
 - (i) *such reports and confirmations dated the Closing Date from the board of directors of the Company as the Managing Underwriter may reasonably require to confirm that there has not been any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Group from that existing as at the date of this Agreement which is material in the context of the Public Issue Shares; and*
 - (ii) *a certificate, in the form or substantially in the form contained in the Third Schedule hereto, dated the Closing Date signed by a duly authorised officer of the Company stating that, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 5(m)(i) above;*
- (n) *the Managing Underwriter receiving a copy duly certified by a director or secretary of the Company to be a true copy of a resolution of the Board of Directors of the Company approving the Listing Exercise, the Prospectus and this Agreement, the issue and offer of the Public Issue Shares and authorising a person or persons to sign this Agreement on behalf of the Company;*
- (o) *an application being made to the Stock Exchange within three (3) Market Days from the date of issue of the Prospectus for admission to the Official List of the Stock Exchange (where applicable).*

CLAUSE 6 (REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS)

- (1) *The commitment of the Underwriters to underwrite the Underwritten Shares is being made on the basis of the representations, warranties and undertakings of the Company in this Clause and with the intention that such representations, warranties and undertakings shall remain true and accurate in all respects up to and including the Closing Date, and in consideration of such commitment to underwrite,*
 - (A) *the Company hereby represents and warrants to the Underwriters:-*
 - (a) *that each of the Company and its subsidiaries is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and is not in liquidation and, no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and or manager or judicial manager of the Company or any of its subsidiaries or of any of their respective assets or undertakings;*
 - (b) *that save as disclosed in the Prospectus and the documents (if any) attached thereto or as has been disclosed in writing to the Underwriter prior to the date hereof:-*

2. PARTICULARS OF THE IPO

- (i) *neither the Company nor any of its subsidiaries is in default under or in breach of any agreement to which it is bound or the terms of any licence, permit, approval, consent, directive, legislation or regulation of any relevant authority (including the Stock Exchange and the SC) applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Company or the Group as a whole or the success of Public Issue and the listing and quotation of the Public Issue Shares; and*
- (ii) *there is no litigation, arbitration, administrative proceedings or winding-up proceedings (including investigations by the Stock Exchange and/or the SC), criminal charge or investigation current or pending, or threatened against the Company or any of its subsidiaries, the effect of which would materially and adversely affect the financial condition of the Company or the Group as a whole or the success of the Public Issue and the listing and quotation of the Public Issue Shares; and after making due and careful enquiries, the Company is not aware of any facts or circumstances likely to give rise thereto and the Group is not subject to the provisions of any injunction, judgment, decree or order of any court, regulatory body, administrative agency or other governmental body;*
- (c) *that other than indebtedness contested in good faith by the Company or any of its subsidiaries as disclosed in the Prospectus and the documents (if any) attached thereto and no outstanding indebtedness of the Company or any of its subsidiaries has become or is likely to become payable by reason of default by the Company or any such subsidiary and no event has occurred or is, so far as the Company is aware, pending which with the lapse of time, or the fulfilment of any conditions, or the giving of any notice, may result in any such indebtedness becoming payable;*
- (d) *that the audited accounts of the Group have been prepared in accordance with all applicable laws and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Group as a whole for the financial years or the periods (as the case may be) set out in Section 14 of the First Schedule hereto and the Group has made adequate provisions for and or appropriate disclosures of all known material liabilities, whether actual or contingent, of the Group as a whole as at such dates and has complied in all respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since the date set out in Section 15 of the First Schedule hereto there has been no material adverse change in the financial position of the Company or the Group taken as a whole, save as may be disclosed in the Prospectus or prior to the Closing Date, in any public announcement or publicly available documents or as has been disclosed to the Underwriters prior to the date of this Agreement;*

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2. PARTICULARS OF THE IPO

(e) *that all necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities required for or in connection with the execution of this Agreement, the issue, listing and quotation of the Public Issue Shares and any other matters contemplated thereby:-*

- (i) *have been or will be unconditionally obtained prior to the Closing Date;*
- (ii) *if granted subject to conditions, such conditions will be fulfilled to the reasonable satisfaction of the Managing Underwriter by the due date therefor; and*
- (iii) *are and will remain in full force and effect;*

and all other actions will be taken by the Company to comply with all legal and other requirements necessary to ensure that the foregoing actions will not infringe any existing laws or the terms of any such consent, approval or authorisation;

(f) *that the authorisation of the Public Issue and the issue thereof on the terms and conditions of the Prospectus and the compliance by the Company with their terms and the terms of this Agreement:-*

- (i) *do not and will not conflict with, or result in a breach of any of the terms or provisions of the Memorandum and Articles of Association of the Company or any existing law, regulation or listing requirements applicable to or affecting the Company or any of its subsidiaries or the Public Issue; and*
- (ii) *do not and will not conflict with, or result in a breach, or infringe the terms of, or constitute a default under any judgment, order, licence, permit, approval, consent, trust deed, agreement or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any part of the undertakings, assets, properties or revenues of the Company or any of its subsidiaries is bound or affected;*

and the Public Issue or as the case may be, the execution and issue or delivery by the Company of this Agreement, the Prospectus and the Underwritten Shares and the performance of the obligations to be assumed thereunder and hereunder by the Company have been duly authorised by all necessary corporate actions of the Company including but not limited to the approval of the shareholders of the Company in a general meeting (if and to the extent required) and upon due execution of this Agreement or deposit or credit of the Public Issue Shares into the Securities Accounts, the obligations assumed hereunder will constitute legally valid, binding and enforceable obligations of the Company in accordance with their respective terms;

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2. PARTICULARS OF THE IPO

- (g) *the Directors of the Company have made or will make as the case may be all reasonable enquiries to ensure that all facts material for the Prospectus have been disclosed, and have verified the completeness and accuracy of all such information and there are no false or misleading statements or other facts the omission of which would make any statements in the Prospectus false or misleading;*
- (h) *that the Prospectus:-*
- (i) *will comply in all material respects with the CA, the CMSA and/or any other applicable law and any rules, regulations and guidelines thereunder and shall be in form and substance satisfactory and acceptable to and registrable with the SC and all other relevant authorities (where applicable);*
 - (ii) *will contain all information which is material in the context of the Public Issue (as the case may be) and such information as contained therein will be true, complete, and accurate in all material respects;*
 - (iii) *will not omit to state or disclose any material fact or information required or necessary to be stated therein with regard to the Public Issue (as the case may be) and all statements of fact and information so made and/or disclosed, in the light of the circumstances under which they are made or disclosed, are true and accurate in all material respects and not misleading in any respect;*
- (i) *that all information supplied or to be supplied to the Underwriters for the purpose of or in connection with the underwriting of the Underwritten Shares including but not limited to any information supplied or to be supplied in connection with the application for listing and of the Public Issue Shares or for the purpose of the Prospectus is or will be true, complete and accurate in all material respects and nothing has been furnished, supplied or omitted from such information which would or might make any of the information materially untrue, incomplete, inaccurate, misleading or which would or might be expected to materially affect the willingness of the Underwriters to underwrite or subscribe for or sell the Underwritten Shares;*
- (j) *that every expression of opinion, intention and expectation (if any) which have been disclosed in the listing applications and in the Prospectus in connection with the issue and offer for sale of the Public Issue Shares are or will be truly, fairly, reasonably and honestly held by the Directors and promoters of the Company and have been made or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure, and to the extent it is based on assumptions, those assumptions are reasonable;*
- (k) *that there has not been, as at any time hereafter up to and including the Closing Date, any circumstances or situations which will or are likely to materially and adversely affect the financial condition or business of the Company or the Group as a whole, or the success of the Public Issue;*

2. PARTICULARS OF THE IPO

- (l) *that save as disclosed in the Prospectus and the documents (if any) attached thereto or as has been disclosed in writing to the Underwriter prior to the date hereof, neither the Company nor any other company in the Group has entered into any contract and/or commitment of an unusual or onerous nature, which, in the context of the Public Issue, might be material for disclosure nor has any event occurred or any fact been discovered which will render inaccurate, untrue or incorrect in any material respect any of the representations, warranties and undertakings contained herein if they were repeated on and as of the Closing Date;*
- (m) *that the records, statutory books and books of accounts of the Group are duly entered and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and records and documents (including documents of title) are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the CCM or the Registrar of Companies (as the case may be) or other relevant authorities have been duly and correctly delivered or made;*
- (n) *that the Public Issue Shares are free from all claims, charges, liens and other encumbrances, and shall rank pari passu in all respects with the then existing Shares except that they shall not be entitled to any dividends, rights, allotments and or distributions, the entitlement date of which is prior to the Closing Date;*
- (o) *all information supplied to the relevant authorities in relation to the Listing Exercise and the Public Issue Shares is or will be true, complete and accurate in all material respects and nothing material has been/will be omitted from such information which would or might make any of the information misleading or which would or might affect the decision of the relevant authorities in making their respective decisions;*
- (p) *no information has been withheld from the Underwriters which would materially and adversely affect the success of the Public Issue and/or the listing and quotation of the Public Issue Shares;*
- (q) *subject to Clause 11 hereof, there will be no variation between the prospectus in the form attached hereto and the Prospectus in the form registered with the SC and lodged with the CCM without the prior written consent of the Managing Underwriter;*
- (B) *the Company hereby irrevocably and unconditionally covenants and undertakes with the Underwriters to do the following:-*
- (a) *to pay all and any stamp and other documentary taxes or duties, payable on, or in connection with, the creation, issue and distribution of the Public Issue Shares and the execution of this Agreement including any interest and penalties resulting from delay or omission on the part of the Company;*
- (b) *to comply with all the conditions, if any, imposed by the SC, the MITI, the Stock Exchange and any other relevant authority for the listing of and quotation for its entire issued and paid-up share capital on the Stock Exchange;*

2. PARTICULARS OF THE IPO

- (c) *to furnish or deliver to the Underwriters any and all information and documents which the Underwriters may reasonably require:*
 - (i) *in respect of the accounts or affairs of the Company or the Group or in connection with the Public Issue or the other proposals contained in the Prospectus and the documents (if any) attached thereto; and*
 - (ii) *for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained herein;*
- (d) *to fix the Closing Date as determined by the Board of Directors of the Company;*
- (e) *to do all other things and sign or execute such other documents as may reasonably be required in order to complete the Public Issue;*
- (f) *not to publish any amendments or supplements to the Prospectus which the Managing Underwriter has not previously been notified in writing of or to which the Managing Underwriter or its legal adviser shall reasonably object but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriter hereunder;*
- (g) *to notify in writing and discuss with the Managing Underwriter any announcement proposed to be made to the public which would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion shall not affect or prejudice any of the rights of the Underwriters hereunder;*
- (h) *to the extent permitted by law, notify in writing and discuss with the Managing Underwriter any announcement proposed to be made to the public which would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion shall not affect or prejudice any of the rights of the Underwriters hereunder;*
- (i) *not to make public any information which will or is likely to affect the market price of the Shares without the prior written notice to the Managing Underwriter even if such disclosure is required by law or the Listing Requirements of the Stock Exchange;*
- (j) *to promptly and without any delay whatsoever notify the Underwriters of any breach of any of the representations, warranties or undertakings or of any facts, information, situations or circumstances which the Company in its reasonable opinion, believes may materially and adversely affect the financial condition or the business of the Company and or the Group as a whole, or the success of Public Issue and without prejudice to the generality of the foregoing representations, warranties or undertakings, the Company will take such steps as may be reasonably requested by the Managing Underwriter to remedy and/or publicise the same, at any time prior to the Closing Date;*

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2. PARTICULARS OF THE IPO

- (k) to furnish or deliver to the Managing Underwriter, at the request of the Managing Underwriter, all information and documents which the Managing Underwriter may reasonably request for, for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained herein at any time prior to the Closing Date;*
 - (l) to apply for and obtain the approval-in-principle of the Stock Exchange for the admission to the Official List of the Stock Exchange and for the listing of and quotation for its entire issued and paid-up share capital on the Stock Exchange before the Closing Date and will comply with all requirements and provisions of the CA, CMSA and the Listing Requirements of the Stock Exchange and all other applicable laws, rules, regulations, guidelines and the requirements of all other relevant authorities in relation to the listing of and quotation for its entire issued and paid-up share capital on the Stock Exchange; the Company shall at all times promptly furnish and deliver all documents, instruments, information, certificates and undertakings as may be necessary or advisable in order to obtain such permission and quotation;*
 - (m) to ensure that the Group will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standards and practices;*
 - (n) to notify the Managing Underwriter who shall thereafter inform the other Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect any of its representations, warranties or undertakings at any time prior to the Closing Date, which shall come to its notice or of which it becomes aware or which shall occur at any time prior to the Closing Date, but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*
 - (o) to do all other things and sign or execute such other documents as may reasonably be required by the Managing Underwriter in connection with the Listing Exercise; and*
 - (p) to use its best endeavours to procure the fulfillment of the conditions precedent set out in Section 5 hereof.*
- (2) Each of the Underwriters severally and not jointly represents and warrants to and for the benefit of the Company that:-*
- (a) it has the power to enter into, exercise its rights and perform and comply with its obligations under this Agreement;*
 - (b) it will duly observe and comply with all applicable laws and regulations in each jurisdiction in which it may offer or sell the Public Issue Shares;*
 - (c) its obligations under this Agreement are valid, binding and enforceable in accordance with its terms; and*
 - (d) subject to compliance by the Company with the terms hereof, it will consent to the inclusion of its names in the Prospectus in the form and context in which they appear in the Prospectus.*

2. PARTICULARS OF THE IPO

- (3) *Each party may at their discretion waive in whole or in part with or without terms or conditions any breach of any of the representations, warranties and undertakings herein contained without prejudicing their respective rights hereunder.*

CLAUSE 7 (REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS TO SURVIVE AGREEMENT)

- (1) *The representations, warranties and undertakings set out in this Agreement shall survive the execution of this Agreement and shall be deemed to be repeated on each day up to the date of delivery of the notice of allotment in respect of the Underwritten Shares subscribed for by the Underwriter as if made on each such day with reference to the facts and circumstances existing on each such day.*
- (2) *The rights and remedies conferred upon the Underwriters by the representations, warranties, and undertakings contained in Clause 6(1) hereof shall continue in full force and effect from the date hereof notwithstanding completion of the sale and subscription of the Underwritten Shares and notwithstanding any investigation by or on behalf of the Underwriters.*

CLAUSE 15 (TERMINATION)

- (1) *Notwithstanding any other provision herein contained, the Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw the commitment of the Underwriter to underwrite the Underwritten Shares if:-*
- (a) *any of the conditions precedent set out in Clause 5 hereof are not duly satisfied by the Closing Date; or*
 - (b) *there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 6(1) hereof, which is not capable of remedy or, if capable of remedy, is not remedied to the reasonable satisfaction of the Underwriter within ten (10) Market Days from the date the Company is notified by the Underwriter of such breach; or*
 - (c) *there is failure on the part of the Company to perform in any material respect any of its obligations herein contained; or*
 - (d) *there is withholding of information by the Company which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Public Issue Shares; or*
 - (e) *the approval of the Stock Exchange for the listing and quotation of its entire issued and paid-up share capital on the Stock Exchange is withdrawn; or*

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2. PARTICULARS OF THE IPO

(f) *there shall have occurred, or happened any of the following circumstances:-*

(i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing; or*

(ii) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, national disorder, declaration of a state of national emergency, acts of terrorism, strikes, lock outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

which, would have or can reasonably be expected to have, in the reasonable opinion of the Managing Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue (as the case may be), or the distribution or sale of the Public Issue Shares, or which has or is reasonably likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

(2) *In the event that this Agreement is terminated pursuant to Clause 15(1)(b) and (f), the Underwriters and the Company may confer with a view to deferring the Public Issue (as the case may be) by amending its terms or the terms of this Agreement and may enter into a new underwriting agreement accordingly, but neither the Underwriters nor the Company shall be under any obligation to enter into a fresh agreement.*

CLAUSE 16 (CONSEQUENCES OF TERMINATION)

(1) *In the event of termination pursuant to any of Clauses 15(1), 38(1)(i), 38(1)(ii), 38(1)(iii) or 38(1)(v) hereof, the respective parties hereto shall, save and except for any antecedent breach, be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force or effect subject to the following:-*

(a) *the liability of the Company for the payment of costs and expenses as provided in Clause 20 hereof incurred prior to or in connection with such termination shall remain;*

(b) *the liability of the Company for the payment of the Underwriting Commission as provided in Clauses 12 and 13 hereof shall remain;*

(c) *the liability of the Company for the payment of the Arranger Fee as provided in Clauses 12 and 13 hereof shall remain; and*

(d) *subject thereto, each party hereto shall return any moneys paid without interest thereon to the other party within three (3) Market Days of the receipt of such notice of termination from the Managing Underwriter;*

2. PARTICULARS OF THE IPO

Provided that the Managing Underwriter may at its discretion waive compliance with or modify any of the provisions of this Clause without prejudice to their powers, rights and remedies under this Agreement. For the avoidance of doubt, in the event of termination pursuant to any of Clauses 15(1), 37(1)(i), 37(1)(ii), 37(1)(iii) or 37(1)(v) hereof, the liability of the Company for the payment of the Underwriting Commission and Arranger Fee as provided in Clauses 12 and 13 hereof shall remain.

- (2) *In the event of termination pursuant to Clause 37(1)(iv) hereof, the respective parties hereto shall, save and except for any antecedent breach, be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force or effect subject to the following:-*
- (a) *the liability of the Company for the payment of costs and expenses as provided in Clause 20 hereof incurred prior to or in connection with such termination shall remain; and*
 - (b) *subject thereto, each party hereto shall return any moneys paid without interest thereon to the other party within three (3) Market Days of the receipt of such notice of termination from the Managing Underwriter.*

CLAUSE 22 (POST-CLOSING OBLIGATIONS)

In the event that all or any of the Unsubscribed Underwritten Shares are not listed on the Stock Exchange due to the act, default or omission of the Company, upon the expiry of two (2) months from the Closing Date, the Managing Underwriter may issue a notice in writing (the "Rectification Notice") to the Company requiring the Company to rectify the same within one (1) month from the date of receipt of the Rectification Notice failing which the Underwriter shall be entitled to the refund from the Company of the remittances referred to in Clause 10(1) (subject to the issuance of a notice in writing to such effect (the "Refund Notice") by the Underwriter to the Company), within seven (7) Market Days from the date of receipt of the Refund Notice by the Company.

CLAUSE 37 (FORCE MAJEURE)

- (1) *Notwithstanding anything herein contained, the Managing Underwriter may in its reasonable opinion at any time before the Closing Date, by notice in writing delivered to the Company terminate the obligations of the Underwriter under this Agreement and/or request for the Closing Date to be extended to such reasonable date as the Underwriter may decide, upon the occurrence of the following events:*
- (i) *changes in national or international monetary, financial, political, economic or stock market conditions or exchange control or currency exchange rates or interest rates or otherwise as would in the reasonable opinion of the Underwriter prejudice materially and adversely the success of the Public Issue (as the case may be) and the listing and quotation of the Public Issue Shares;*
 - (ii) *national disorder, outbreak of war, armed conflict or serious threat of the same, hostilities, embargo, detention, revolution, riot, looting, labour disputes, any unavailability of transportation or severe economic dislocation, outbreak of disease, Act of God or the declaration of a state of national emergency;*

2. PARTICULARS OF THE IPO

- (iii) material changes in law, regulation, directive, policy or ruling in any jurisdiction which may seriously and adversely affect the business of the Group;*
- (iv) the Kuala Lumpur Composite Index falling below 1,000 points and remaining below 1,000 points for three (3) consecutive days; or*
- (v) the imposition of any moratorium, suspension, or material restriction on trading in all securities generally on the Stock Exchange for one (1) Market Day;*

and thereupon the parties shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 20 above incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

- (2) In the event of a delivery of a request for the Closing Date to be extended by the Underwriter to the Company, the Company shall consent to such request for the extension of the Closing Date.*
- (3) The delivery of a request under Clause 37(2) shall not preclude the Underwriter from giving a further request for the extension of the Closing Date or from giving a notice to terminate pursuant to Clause 37(1).*

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3. RISK FACTORS

3.1 RISK FACTORS

The following are potential risks which our Board views as having a possible adverse impact on the future performance of our Group or on the market prices of our Shares. Some of these risks can be mitigated by employing contingency plans and/or safeguards. Other risks however are inherent or beyond our control and cannot be mitigated.

Before deciding to invest in our Company you should carefully consider the following risk factors (which in our view are comprehensive but not exhaustive) and their respective mitigating or contingency plans/safeguards.

3.2 RISKS RELATING TO OUR INDUSTRY, OPERATION AND BUSINESS AND INVESTMENT IN OUR SHARES

3.2.1 Risks affecting our industry

(a) We face continuous competition in our industry

Our business faces competition from other HP financiers in Malaysia for used motor vehicles. The HP financiers can be divided into four categories namely the banks and financial institutions, independent HP financiers, motor vehicle make- or franchise holder-backed HP financiers as well as other HP financiers who directly offer HP financing to their customers to facilitate fast disposal of their used motor vehicles. Although our Group has forged strong relationships with our motor vehicle dealers, we will continue to face competition from our peers in the industry. As a mitigating factor, we believe that we have embarked on a niche business strategy to target and focus on HP financing for used motor vehicles with older age profile of six (6) years and above with the support of our network of more than 700 motor vehicle dealers in Kuala Lumpur and Klang, Selangor instead of competing head-on with the banks and financial institutions. Our Group is managed by an experienced and competent management team some of whom have more than 20 years related working experience in HP financing. This should enable our Group to remain competitive in the future.

In addition, with the synergistic integration of the HP financing, insurance agency and used motor trading business segments within the Group, there are huge potential cross-selling opportunities between these business segments. The Group is able to intensify sales and marketing drive through cross-selling without incurring substantial increase in cost of capital. All the business segments within the Group are able to share resources and tap into the same hirer's database for cross-selling opportunities.

Nevertheless there is no assurance that our Group will be able to continue to be competitive in the future in light of competition from existing players and/or potential entrants into the industry.

(b) We are vulnerable to fluctuations in interest rates

Our Group is exposed to interest rate risk as a result of HP financing and interest-bearing borrowings. Our Group's profitability is highly positively correlated with the Net HP Income Margin. The interest charge imposed by our Group to our hirers is determined by the market demand for HP financing and the prevailing competition in the industry. It is also capped by the relevant provisions under the HP Act.

3. RISK FACTORS

As a large portion of our Group's working capital is sourced externally from local financial institutions, our borrowing cost is susceptible to fluctuations in interest rates. As at 31 August 2012, our Group's working capital that was sourced externally (including funds for HP disbursements) was RM58.6 million. Details of the Group's borrowings are disclosed in **Section 8.4.3**. Our Group's borrowing cost is dependent on interest rates imposed by financial institutions which, in turn, are guided by prevailing monetary policy. An increase in interest rate imposed will lead to an increase in our Group's borrowing cost and vice versa.

We manage our interest rate risks with the following measures:

- (i) continuous effort to source from various financial institutions which offer competitive interest rates;
- (ii) maintaining a mixture of fixed and floating rate borrowings; and
- (iii) maintaining a prudent level of long term borrowings ranging from two (2) to five (5) years.

For the past four (4) FYE 31 March 2009 to 31 March 2012, our long term bank borrowings range from 51% to 80% of the total bank borrowings. The proportion of fixed interest and floating interest rate borrowings is 79:21 in FYE 31 March 2009, 37:63 in FYE 31 March 2010, 39:61 in FYE 31 March 2011, 50:50 in FYE 31 March 2012 and FPE 31 August 2012. The change in the proportion of the fixed and floating interest rate borrowings for FYE 31 March 2009 to FYE 31 March 2011 was due to the new floating rate term loan facilities amounting to RM35 million, obtained by the Group in FYE 31 March 2010. In FYE 31 March 2012, there was repayment of term loans (floating rate) amounting to RM5.1 million and an increase in block discounting payables (fixed rate), amounting to RM5.9 million, resulting in the change in proportion of the fixed and floating rate borrowings.

If the interest rate on the bank borrowings had been 100 basis points lower or higher, with all the variables held constant, the Group's profit for the financial year would have been RM199,171 higher or lower, arising mainly from lower or higher interest expense on floating rate instruments. Based on the FYE 31 March 2012 net profits of approximately RM15.9 million, this would translate to an impact to the net profit of approximately 1.25%.

(c) We are vulnerable to changes in political, economic and regulatory conditions

External factors beyond the control of our Group may also have adverse effects on our operations and financial performance. These include, but are not limited to changes in the political, economic and regulatory conditions.

Political risk includes international and local events such as wars, terrorist attacks and political instability. Additionally, a change in the political environment may also affect the legal regimes and government regulations which regulate the business operations of our Group. While the risks of war, terrorism and expropriation are uncommon in Malaysia, there remains an underlying risk for such occurrences.

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3. RISK FACTORS

Economic risk refers to general economic conditions which directly affect and control the spending habits of consumers. Deteriorating market sentiments will cause consumers to cut back on spending and refrain from purchasing motor vehicles. This will have a material impact on our Group's HP portfolio and financial performance. Additionally, poor economic conditions may affect the ability of hirers in paying instalments in a timely manner. In such instances, our HP Loss Rate may increase, affecting our financial performance.

Our Group's operations are regulated under the HP Act which sets out the form and contents of HP agreements and the rights and duties of parties to such agreements. Any amendment to the HP Act may impact the business processes and activities of our Group. The amended HP Act, which came into effect in June 2011, provides for additional requirements relating to repossession activities of motor vehicles. As this area is an important aspect of our HP business, any delay in the repossession activities could potentially result in deterioration of our HP portfolio in terms of delinquent accounts.

Based on the recent developments on the National Automotive Policy (NAP), it may be anticipated that the lowering of new motor vehicle prices would have an impact on the market for used motor vehicles. However, at this stage, the new NAP has not been officially announced and it is only expected to be announced by the Malaysian Government in the near future.

In the event there is a drastic drop in new car prices as a result of the upcoming new NAP, our Group is expected to be negatively impacted as the consumers may also opt for new cars if they can afford the new lower pricings. Therefore, our Group stands to lose out on potential new demand for its hire purchase financing on used motor vehicles. Furthermore, this will also reduce future revenue earnings as the Group will not be able to further expand the size of its hire purchase disbursements portfolio. However, our Group is of the opinion that it is unlikely that there will be a drastic drop in the new car prices.

Our Group has not in the past experienced any severe restrictions on our conduct of business and will take steps to comply with any new laws and regulations imposed. However, there is no assurance that any adverse development or changes in the political, economic or regulatory environment will not have a significant effect on our Group's business operations.

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3. RISK FACTORS

3.2.2 Risks relating to our operation and business**(a) We are dependent on our Directors and key management team**

To a large extent, the continuing success of our Group is dependent on the leadership of Teoh Hock Chai @ Tew Hock Chai, our Non-Independent Non-Executive Chairman and efforts of our Executive Director, Lim Keng Chin, and other key management personnel. The loss of our key management without suitable or timely replacements may adversely affect our business performance.

As such, our Board recognises that the ability to retain our Directors and key management personnel is critical to the performance of the Group in the future and has facilitated the implementation of the following strategies:

- (i) we groom young members of our key management personnel to take on more responsibilities and ensure a smooth transition as part of our management succession plan in the event of any departures from our key management personnel; and
- (ii) we continue to attract and retain our key management personnel who are essential in the support of our Group's operations by providing employee benefits and incentives to ensure a longer term commitment of our key management personnel to the Group.

Upon completion of the Listing, our Non-Independent Non-Executive Chairman, Teoh Hock Chai @ Tew Hock Chai, will by virtue of his direct and indirect shareholdings held through by his family controlled companies, hold 24.26% of ELK-Desa Resources whilst our Executive Director, Lim Keng Chin will hold 0.28%. In addition, Teoh Hock Chai @ Tew Hock Chai, his family controlled companies and Lim Keng Chin have agreed to a moratorium of six (6) months, on the disposal of their entire shareholdings. This will further ensure that Teoh Hock Chai @ Tew Hock Chai and Lim Keng Chin will continue to have a vested interest in the success of our Group. Details of the moratorium are set out in **Section 6.2** of this Prospectus.

There can be no assurance that the above measures will be successful in ensuring their continuous involvement in the Group. Although we seek to limit our dependency on our Non-Independent Non-Executive Chairman, Executive Director and key management personnel, there can also be no assurance that the transition in key management personnel in the event of any departures will be smooth.

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3. RISK FACTORS

(b) **Our business may be affected by change of our potential hirers' demand**

Our potential hirers consist of individuals in the low and medium income group that typically purchase motor vehicles for their practical transportation needs. These group of potential hirers are generally looking for used motor vehicles aged six (6) years and above to fulfil their needs.

Nevertheless, our Group needs to be mindful of the following factors that may affect potential hirers' demand for used motor vehicles and possible alternatives that potential hirers may opt for, e.g. new motor vehicles or public transport:

- multiplier effects from the 10th Malaysia Plan and the Economic Transformation Programme's ("ETP") projects which would likely give a further boost to the domestic economy and create greater demand for new motor vehicles;
- positive consumer sentiment is expected to continue owing to greater stability in the employment market;
- sharp decline in new motor vehicle prices; and
- intensifying efforts by the Malaysian government in developing the local urban public transportation system

Our Group acknowledges that there is always a possibility that our potential hirers may opt for new motor vehicles or public transport which may adversely affect our business. Nevertheless, we believe that HP has remained the preferred financial option in Malaysia for most used motor vehicle buyers who are not willing to pay or unable to fork out the total amount when making the first used motor vehicle purchase. Besides that, we believe that owning a motor vehicle in general is gaining prominence in modern day Malaysian living as this is generally considered to be a necessary mode of transport that can provide a sense of freedom and independence. Our Group also believes that favourable consumer sentiment may not necessary lead to a substitution of used motor vehicles with new motor vehicles as it can also lead to potential hirers upgrading their mode of transport, e.g. motor cycle owners opting to trade their motor cycles for used passenger cars. Moreover, used motor vehicles have a relatively lower price entry level as compared to new motor vehicles which makes them more affordable for potential hirers.

(c) **We are dependent on our motor vehicle dealers**

Our Group currently operates at two (2) financing centres in Kuala Lumpur and Klang, Selangor and is well supported by our network of more than 700 registered motor vehicle dealers located in these two (2) Malaysian states. Over 90 percent of our Group's monthly HP disbursements originate from referrals by more than 80% of motor vehicle dealer network. For the past four (4) FYE 31 March 2009 to 31 March 2012 as well as for FPE 31 August 2012, our HP disbursements originated from referrals by our external motor vehicles dealers (i.e. other than our used car trading arm) were 91%, 91%, 93%, 93% and 95% of our total HP disbursements in the respective financial years / period.

As such, our Group is reliant on our motor vehicle dealer network to secure new hirers each month. As these motor vehicle dealers are not contractually obligated to refer their customers to our Group, there can be no assurance that our Group will be able to secure a steady stream of new hirers each month, and correspondingly a stable level of HP disbursements.

3. RISK FACTORS

As with other HP financiers in Malaysia, our Group plays an important role in facilitating motor vehicle dealers in selling their motor vehicles by providing their customers with access to financing. Although we do not rely on any single motor vehicle dealer, our Group continuously grows our motor vehicle dealer network. Our Group has always strived to provide reliable services to these motor vehicle dealers. Our Group's senior management team is also directly involved in building up a long lasting relationship with these motor vehicle dealers. In addition, our Group is also a registered member of the Association of HP Companies Malaysia and the KLSCDCCA which enables us to receive all relevant and updated information on the latest market environment, and understand and fulfill the needs of the motor vehicle dealers.

(d) **We are dependent on our financial institutions**

For the five (5) month FPE 31 August 2012, our total HP receivables (after taking into account the impairment and doubtful debts allowances) stood at RM191.4 million. The Group's HP operations are mainly financed by borrowings from three (3) local financial institutions and cash flow from operating activities. The Group's interest bearing borrowings are approximately RM31.4 million, RM58.9 million, RM60.8 million and RM58.9 million as at the FYE 31 March 2009, FYE 31 March 2010, FYE 31 March 2011 and FYE 31 March 2012 respectively and RM58.6 million for the FPE 31 August 2012 due to our business expansion. Our interest cover is approximately 7.79 times for the FYE 31 March 2011, 7.86 times for the FYE 31 March 2012 and 8.98 times for the five (5) months FPE 31 August 2012.

Due to the continuous review of our financial position, we have not defaulted on any principal or interest payment in the past and we have not restructured the repayment schedule of any borrowing. Our total HP receivables are 3.07 times and 3.26 times of our total borrowings as at 31 March 2012 and 31 August 2012, respectively.

We are aware of the risk of dependence on any major source of funds from certain financial institutions. We will consider diversifying our sources of funds through a wider spread of financial institutions. However, there is no assurance that our Group will always be able to source for funds from financial institutions in the near future.

There is also no assurance that our Group will be able to repay all our borrowings and service all our interest in the future as it is depends on our ability to generate sufficient cash in the future, which is subject to many factors beyond our control. Our Group's operating results and financial performance will also be adversely affected if the Group fails to repay our borrowings and service our interest in the future.

(e) **We are dependent on management information system**

Our Group being in the HP business, has 20,477 hirers as at 31 August 2012. As a result of high volume of hirers, our Group is highly dependent on our management information system to maintain a database to store voluminous confidential information of our hirers, processing of applications and payments at our offices at Kuala Lumpur and Klang, Selangor.

Our Group has not experienced any information system disaster that has materially affected the Group. Our Group will continuously enhance and develop the system to improve its efficiency, functionality and security. Our Group has already put in place various disaster recovery plans to protect all hirers' information to ensure business continuity.

3. RISK FACTORS

Firstly, our Group has implemented a redundancy backup system via one on-site independent back-up component. Secondly, crucial data is saved regularly in an external back-up component and safely kept in a separate office used by our Group. Finally, our Group can opt to continue its HP operations under an offline mode by utilising its manual records that are kept within the branch.

Despite the measures taken above, there can be no assurance that our Group's present and future management information system can cope with all the potential threats particularly those arising from events beyond our control resulting in our business being adversely affected.

(f) **Credit risk**

Our Group faces credit risk arising from potential losses due to our hirers failing to perform their contractual obligations to us. Our Group grants HP financing mainly to purchasers of used motor vehicles aged six (6) to fifteen (15) years old, who are often from the low to medium income group. While we stand to earn a higher profit margin by serving this niche market, this strategy also carries a higher risk of default in repayment.

Our Group is well aware of our exposure to a high default risk and has put in place stringent credit management policies in our HP disbursement strategy and stringent monitoring of repayment to mitigate this risk. At the same time, our Group minimises our exposure to this risk by broadening our hirer base and not heavily relying on any single large hirer. As at 31 August 2012, there is no single hirer that has accounted for more than 0.03% of our total HP receivables. Our Group's average HP disbursements stood at approximately RM13,500 per hirer while HP disbursements are generally capped at not more than RM20,000 per disbursement. We strive to provide HP financing for selected models of used motor vehicles that, from our past experience, can offer relatively good resale value, incur relatively minimal or slower depreciation in value over their remaining useful life and can be disposed at a relatively faster rate if necessary. Moreover, the hirers that we target are normally those who purchase used motor vehicles for practical and urgent travel needs rather than for discretionary purposes. In addition, our Group also strives to follow through the repossession processes soonest possible once the repossession order is issued.

The Group has shown strength in credit risk management over the years as evidenced by the decreasing NPL ratio over its last four (4) FYE from 31 March 2009 to 31 March 2012 as well as for FPE 31 August 2012. The Group's NPL ratio stood at 4.7% in FYE 31 March 2009, 3.8% in FYE 31 March 2010, 3.4% in FYE 31 March 2011, 3.1% in FYE 31 March 2012 and 2.3% in FPE 31 August 2012. Since FYE 31 March 2011, all NPL had been fully impaired in our financial statements in compliance with FRS139.

Other than our HP disbursement strategy and credit assessment process, our management has placed strong emphasis on close monitoring and efficient collection of accounts as well as follow-up mechanisms, to minimise delinquency. The follow-up mechanisms include payment reminder phone calls and SMS reminders to the hirers before the payment due date. The processes of monitoring of instalment payments on the hirers are briefly stated in **Section 4.5.2** of this Prospectus.

Although we have and will continue to implement our credit assessment and credit risk management program to minimise the risk of credit default, however, there can be no guarantee that these policies will continue to be successful nor can there be any assurance that these policies will be adequate to address and mitigate this credit risk.

3. RISK FACTORS

(g) Failure of or deficiency in our Group's Internal Control System to detect procedural errors, frauds and misconduct will affect our operations

Our Group, being in the HP business, involves a high degree of direct handling of cash by the employees, thus it is important to have in place a good internal control system to detect any procedural errors, frauds or misconduct. Our Group has established and implemented an internal control system in order to prevent and detect procedural errors, frauds (particularly syndicate fraud) and misconduct of our employees, and external parties engaged as well as to ensure strict compliance with all relevant regulations applicable to our business. Our Group has not experienced any fraud cases in the past.

Under this internal control system, credit risk policies and operation guidelines are put in place while the management is tasked with reviewing all relevant financial, operational and compliance controls and risk management functions.

Nevertheless, this internal control system may not be capable of identifying or capturing all procedural errors, suspicious transactions and our employees may fail to carry out proper reporting procedures. The HP Act states that any person guilty of an offence for which no penalty is expressly provided shall be liable for a penalty under Section 46 upon conviction.

There is also no assurance that this internal control system will be adequate at all times given the growth of our business and the possible changes in the financial and regulatory environment. The operations, reputation and prospects of the Group may be adversely affected in any failure of or deficiency in our internal control system. The Group has purchased a fidelity guarantee policy to protect ourselves against any pecuniary loss sustained through acts of fraud, dishonesty, forgery or larceny committed by our employees in relation to their occupational duties.

In addition, we will set up a whistleblowing programme, within six (6) months from the date of listing, with the aim of reducing the possibility of internal control weakness.

The whistleblowing programme would enable all stakeholders such as the shareholders, used car dealers, lenders, suppliers, business associates and employees to raise issues of concern, wrongdoings or improper conducts within the Group to the Board, in a safe, confidential and unthreatening environment through four (4) whistleblowing channels (i.e. online reporting, phone hotline, e-mail reporting and written letter).

The Group intends to outsource this programme to an independent professional firm who will report directly to the whistleblowing committee that will be chaired by an independent director to ensure its independence.

Our Group has currently outsourced (via our holding company, Unico-Desa) the internal auditing function to an external party to provide an independent supervision and oversight of our internal control system. Upon our Group's successful listing, we intend to continue engaging an external party to take charge of the internal auditing function. An audit committee will also be formed to assist the Board of Directors in overseeing financial reporting, monitor the work of the internal control function and ensure that an objective and professional relationship is maintained with the external and internal auditors.

3. RISK FACTORS

(h) Our Group's reputation may be affected by the conduct of external parties engaged to repossess used motor vehicles and recover debts

Our Group engages the services of vehicle repossessors with a valid permit issued by the Domestic Trade, Cooperatives and Consumerism Ministry to repossess the affected used motor vehicles. We do not have any formal agreement with these vehicle repossessors. They will only be paid a fee for their services upon successful repossession of the required used motor vehicles. A police report will be made by the repossessors engaged for every repossession. Our Group has not experienced any problems in relation to the conduct of such repossessors for the repossession of the affected used motor vehicles.

Our Group engages the services of legal firms and debt collection agencies for recovery of debts. Our Group has not experienced any problems in relation to the conduct of such parties. The agreements with these parties were entered into in the ordinary course of the business of the Group.

Although emphasis has always been placed by our Group to remind these parties not to resort to any illegal methods against the hirers and not to employ harassment or improper tactics, there is always a possibility that the actions of these external parties may result in incidents that may taint the Group's reputation.

3.2.3 Risks relating to investment in our Shares**(a) No prior market for our Shares**

There has been no prior market for the Shares. There can be no assurance as to the liquidity of any market that may develop for the Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares. Although application will be made to Bursa Securities for our Listing, there can be no assurance that the Shares will be accepted for trading on Bursa Securities.

The Shares could trade at prices that may be lower than the IPO Price depending on many factors, including prevailing economic and financial conditions in Malaysia, ELK-Desa Resources' operating results and the markets for similar securities. The Promoters have no obligation to create a market in the Shares or to maintain the Listing.

(b) Capital market risks and share price volatility

The performance of Bursa Securities is highly dependent on external uncontrollable factors such as the performance of regional and world bourses and flows of foreign funds. Internal factors such as the economic and political conditions in Malaysia as well as the growth potential of the various sectors of the economy drive market sentiments. These factors invariably contribute to the volatility of trading volumes on Bursa Securities and add risk to the market price of the listed securities.

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3. RISK FACTORS

The market price of our Shares may also fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

- (i) variations in our results of operations;
- (ii) success or failure of our management team in implementing business and growth strategies;
- (iii) gain or loss of important business relationships;
- (iv) securities analysts' recommendations, perceptions or estimates of our financial performance;
- (v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed on Bursa Securities;
- (vii) additions or departures of key personnel;
- (viii) fluctuations in stock market prices and volume; and/or
- (ix) involvement in litigation.

Although we are committed to the sound management of our business, there is no assurance that our Share price will not be subject to volatility due to market sentiments. In addition, the market for securities in emerging markets has been subject to disruptions that have caused intense volatility in the prices of securities similar to the Shares. There can be no assurance that the market for the Shares, if any, will not be subject to similar disruptions. Any disruption in such market may have a material adverse effect on the holders of the Shares.

Nevertheless, our profitability is not dependent on the performance of Bursa Securities, as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

(c) Possible influence by Promoters

Upon Listing, our Promoters as set out in **Section 5.1** will hold (directly and indirectly) approximately 24.26% of our entire enlarged issued and paid-up share capital. As a result, they will still be able to, in the foreseeable future, have significant influence over our business direction and management as well as influence the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or by the relevant guidelines or regulations.

Upon Listing, Teoh Hock Chai @ Tew Hock Chai and through his family controlled companies, namely ELK Group, Eng Lee Kredit and Eng Lee Capital, will hold approximately 24.26% of our enlarged issued and paid-up share capital.

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3. RISK FACTORS

As a result, the strategies and activities of ELK-Desa Resources may be influenced by the overall interests of Teoh Hock Chai @ Tew Hock Chai. Teoh Hock Chai @ Tew Hock Chai is the Non-Independent Non-Executive Chairman and his sons, Teoh Seng Hui and Teoh Seng Kar, are our Non-Independent Non-Executive Directors and Teoh Seng Hee is the Executive Director of ELK-Desa Capital. There can be no assurance that conflicts of interest will not arise between ELK-Desa Resources and Teoh Hock Chai @ Tew Hock Chai in the future.

Nevertheless, as our commitment towards good corporate governance, we have appointed five (5) Independent Non-Executive Directors and set up an Audit Committee to ensure that, *inter alia*, any future transactions involving related parties are entered into on an arm's-length basis, and on normal commercial terms that are not more favourable to the related parties than those generally available to third parties and that such transactions are not detrimental to our minority shareholders.

(d) Achievement of business targets and payment of dividends

Our ability to pay dividends or make other distributions to our shareholders is dependent on several factors such as the future financial performance and cashflow position of our business. Although we are optimistic of our business targets and projections, we can give no assurance that such targets or projections will be achieved thus allowing for payment of dividends or other distributions. Any failures in achieving these business targets or in paying dividends may result in fluctuations on our Share price.

(e) Future fund raisings dilute shareholders' equity and restrict our operations or dividend payments

We may require additional funding for our future growth which may result in dilution of our shareholders' equity, or restrictions imposed by additional debt funding.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base. We may also require additional capital expenditure for mergers and acquisitions or investments. Any issue of Shares or other equity-linked securities to raise funds will dilute shareholders' equity interests. In the case of a rights issue, additional investment may also be required by shareholders.

Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. Dilution in shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. Additional debt funding may also increase our debt to equity or gearing ratio and restrict our freedom to operate our business as such debt funding may have conditions that:

- (i) limit our ability to pay dividends or require us to obtain consent before paying dividends;
- (ii) increase our vulnerability to general adverse economic and industry conditions;
- (iii) require us to dedicate a portion of our cash flow for repayment of our debt, thereby reducing the availability of our cash flow for capital expenditures, working capital and other general purposes; and/or

3. RISK FACTORS

- (iv) limit our flexibility in planning for, or reacting to, changes in our businesses and our industry.

If we fail in obtaining more funds to meet the requirements for our business, merger and acquisition plans or investments, we may not be able to implement future plans that are essential to our growth.

(f) Failure or delay in Listing

Any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing on Bursa Securities:

- (i) we are unable to meet the public spread requirement as determined by Bursa Securities, i.e. at least 25% of our entire enlarged issued and paid-up share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; and/or
- (ii) the approvals of Bursa Securities, SC or any other relevant authorities for our Listing are revoked, withdrawn or cancelled.

In such event, we and Unico-Desa will return in full without interest, all monies received from the Public Issue and Restricted Offer for Sale, in compliance with the provisions of sub-section 243(2) of the CMSA.

Nevertheless, our Directors will endeavor to ensure our compliance with the various requirements for our successful Listing.

(g) Delay between Admission and trading of our Shares

Delays in the Admission and commencement of trading in shares on Bursa Securities have occurred in the past. In respect of the Public Issue Shares already allotted, a return of monies to investors may be made either by repurchase by us of the Shares at the Public Issue Price, or by way of a reduction in our share capital. A capital reduction would require a special resolution of our shareholders and approval of the courts.

Further, capital reduction shall not be effected if on the date the reduction is to be effected, there are reasonable grounds for believing that we are, or after the reduction would be, unable to pay our liabilities as they become due.

If Bursa Securities does not admit our Shares for Listing, the market for our Shares will be illiquid and it may not be possible to trade our Shares. This may have a material adverse effect on the value of our Shares and there is no assurance that monies paid for the Shares can be recovered within an identifiable period of time.

(h) Disclosure regarding forward-looking statements

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by our Board, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

3. RISK FACTORS

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting our Group and the industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that the plans and objectives of our Group will be achieved.

Given the risks and uncertainties that may cause our Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue over-reliance on those statements. We are not warranting nor representing to you that our Group's actual future results, performance or achievements will approximate those as discussed in those statements.

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4. INFORMATION ON OUR GROUP

4.1 GROUP OVERVIEW

Our History

ELK-Desa Resources initially started its business operations in the year 1994 by cultivating oil palm and became a wholly-owned subsidiary of ELK-Desa Capital (then known as Unico Corporation Sdn Bhd). ELK-Desa Resources became a dormant company in the year 2003 after it ceased all its oil palm cultivation operations and transferred all its assets to Unico-Desa after Unico-Desa decided to streamline the cultivation of oil palm business within the group. On 30 November 2004, ELK-Desa Resources became a wholly-owned subsidiary held directly by Unico-Desa.

Teoh Hock Chai @ Tew Hock Chai is the founder and had incorporated Eng Lee Finance Sdn Bhd in 1971. Eng Lee Finance Sdn Bhd subsequently changed its name to Eng Lee Kredit and was primarily involved in HP financing for used motor vehicles. Teoh Hock Chai @ Tew Hock Chai had gained extensive and in-depth experience in HP financing for used motor vehicles during his involvement in Eng Lee Kredit. Through his experience in the HP industry, he realised that the growth prospect of the HP financing business will be better if it is operated under a public listed entity with the ability to raise funds through the capital market.

Therefore, he had proposed HP business to Unico-Desa which had plans to create additional income to supplement its core plantations business. The Unico-Desa Board had accepted the proposal and diversified into the HP financing business for used motor vehicles in 2004 via ELK-Desa Capital.

Leveraging from the experience gained during his tenure in Eng Lee Kredit, Teoh Hock Chai @ Tew Hock Chai spearheaded ELK-Desa Capital with a group of experience employees (who were formerly employed by Eng Lee Kredit) to venture into the HP financing business. However, the HP business of Eng Lee Kredit was not transferred nor sold to ELK-Desa Capital of which the latter had started its HP financing business from zero-base. In order to leverage on Eng Lee Kredit's established presence in the HP industry within Klang Valley, ELK-Desa Capital carries an abbreviation of Eng Lee Kredit (i.e. "ELK") in its company's name. As a result, ELK-Desa Capital managed to tap on Eng Lee Kredit's branding and expertise in building its HP business and continued to grow until its current size today.

In the same year when Unico-Desa diversified into the HP financing business for used motor vehicle in 2004, Eng Lee Kredit had ceased its HP financing business. The decision of Eng Lee Kredit to cease the operation of HP financing business was to avoid any possibility of conflict of interest with Unico-Desa as the latter entered into the same nature of business and they are also aware that the business will have better prospect under a public listed company.

During an internal restructuring exercise on 16 February 2005, ELK-Desa Resources ventured into the HP financing and insurance agency businesses via the acquisition of ELK-Desa Capital and its subsidiaries from our holding company, Unico-Desa. ELK-Desa Capital started its HP financing with initial shareholders' fund of approximate RM57.0 million.

At that time, ELK-Desa Capital had already begun our HP financing business in Kuala Lumpur since September 2004. It subsequently opened a second branch in Klang, Selangor in September 2005.

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4. INFORMATION ON OUR GROUP

Since ELK-Desa Resources acquired ELK-Desa Capital and its subsidiaries in 2005, it has embarked on a niche business strategy to boost the growth in its HP financing business segment. As the ELK-Desa Resources Group was considered a new market player at that time, the management of the Group had devised a strategy for the HP business to avoid direct competition with larger financial institutions by identifying the niche target market of HP financing for used motor vehicles only. It had also opted to concentrate its business activities in the Klang Valley region only to avoid over-stretching its resources. At the same time, ELK-Desa Resources Group started to enlarge its network of motor vehicle dealers in Kuala Lumpur and Klang, Selangor to widen its market reach and improve its visibility. Upon venturing into the HP financing business in 2004, ELK-Desa Capital has over 100 motor vehicle dealers in 2005 and it has grown its motor vehicle dealers network to over 500 in 2008. Its motor vehicle dealers network eventually grew to 711 dealers as at the end of FYE 31 March 2011.

From FYE 31 March 2006 to FYE 31 March 2010, the Group managed to achieve significant milestones in its Gross HP Receivables every other financial year. The Group's total Gross HP Receivables breached the 'RM50 million mark', 'RM100 million mark' and 'RM150 million mark' for the first time in its FYE 31 March 2006, FYE 31 March 2008 and FYE 31 March 2010 respectively.

Meanwhile, the ELK-Desa Resources Group had also managed to grow our insurance agency business through our wholly-owned subsidiary, ELK-Desa Risk Agency. In FYE 31 March 2007, the Group collected over RM5 million in insurance premiums. Three (3) years later in FYE 31 March 2010, the Group doubled our insurance premiums collection to RM10.3 million, surpassing the 'RM10 million mark'.

As part of the Group's strategy to be closer to the used motor vehicle industry, ELK-Desa Marketing was established in March 2006. The Group's motor vehicle trading business not only refers new hirers to the Group's HP business, but also helps in disposing a portion of the repossessed vehicles from the HP operations. Although the income contribution is not substantial, it complements the HP activities of the entire Group.

Today, the principal activity of ELK-Desa Resources is that of an investment holding company. The principal activities of ELK-Desa Resources Group are the provision of HP financing for used motor vehicles and as an insurance agency.

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4. INFORMATION ON OUR GROUP

The chronology event from the incorporation of ELK-Desa Resources and its subsidiaries until to date are as follows:

Year	Company	Event
1991	ELK-Desa Development	Commenced the business operation in palm oil cultivation
1994	ELK-Desa Resources	Commenced the business operation in palm oil cultivation
1996	ELK-Desa Capital / ELK-Desa Risk Agency	Commenced the business operation in palm oil cultivation
2000	ELK-Desa Marketing	Commenced the business operation in palm oil cultivation
2003	ELK-Desa Resources	Ceased palm oil business and transferred all its assets to Unico-Desa after the Unico-Desa decided to streamline the cultivation of oil palm business within the Group, and became a dormant company
	ELK-Desa Risk Agency	Ceased palm oil business
2004	ELK-Desa Capital	Ceased palm oil business and ventured into the provision of HP financing for used motor vehicles
	ELK-Desa Marketing / ELK-Desa Development	Ceased palm oil business
	ELK-Desa Risk Agency	Ventured into insurance agency businesses
2005	ELK-Desa Resources	Ventured into HP financing and insurance agency businesses via the acquisition of ELK-Desa Capital and its subsidiaries from Unico-Desa
2006	ELK-Desa Marketing	Commenced trading of used motor vehicles

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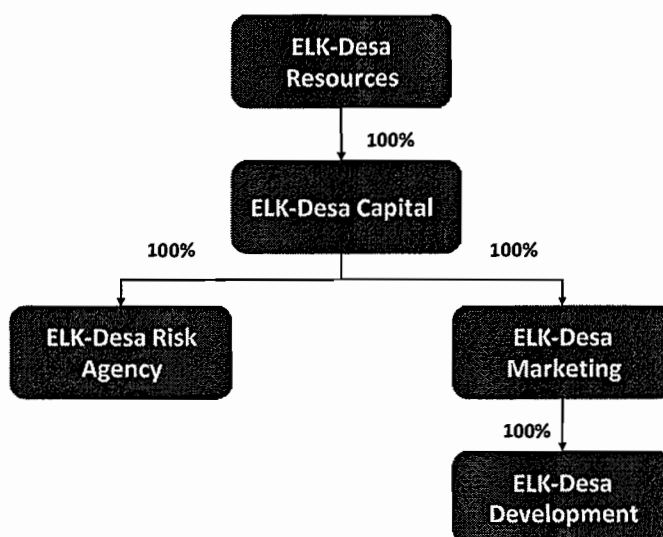
4. INFORMATION ON OUR GROUP

ELK-DESA RESOURCES

Our Company was incorporated under the Act in Malaysia as a private company limited by shares on 24 March 1989 under the name of Tekad Murni Sdn Bhd. Subsequently on 13 October 2004, it changed its name to ELK-Desa Resources Sdn Bhd. ELK-Desa Resources was converted into a public company limited by shares on 16 March 2012. Our Company's authorised share capital is RM300,000,000 comprising 300,000,000 ordinary shares of RM1.00 each.

The principal activity of ELK-Desa Resources is investment holding.

Our current Group structure is as follow:



The details of our subsidiaries are as follows:

Name of company	Date and place of incorporation	Principal Activities	Equity/effective equity held by our Company/Group
ELK-Desa Capital	19 October 1981 / Malaysia	Provision of HP financing which commenced in 2004	100%
ELK-Desa Risk Agency (subsidiary of ELK-Desa Capital)	31 March 1981 / Malaysia	Insurance agent business which commenced in 2004	100%
ELK-Desa Marketing (subsidiary of ELK-Desa Capital)	22 May 1997 / Malaysia	Trading of used motor vehicles which commenced in 2006	100%
ELK-Desa Development (subsidiary of ELK-Desa Marketing)	18 August 1982 / Malaysia	Investment holding company from 2005 and became dormant since 2006	100%

4. INFORMATION ON OUR GROUP

Restructuring exercise

The series of internal restructurings that resulted in the present Group structure is illustrated in the following diagrams.

(i) Unico-Desa Group before restructuring in 2004

On 23 February 1994, Unico Corporation Sdn Bhd acquired 100% of the equity interest in Puuvun Sdn Bhd from two (2) individual shareholders for a cash consideration of RM521,895.

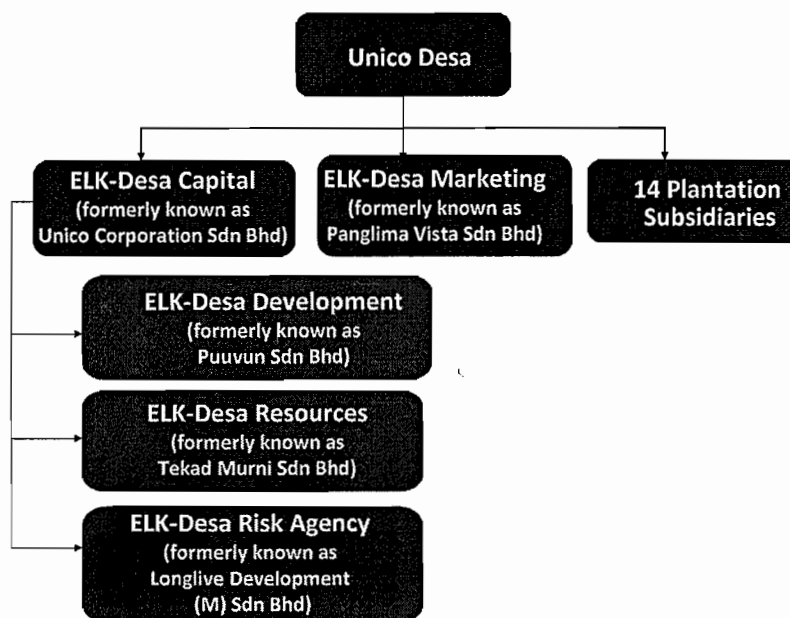
On 14 October 1994, Unico Corporation Sdn Bhd acquired 100% of the equity interest in Tekad Murni Sdn Bhd from two (2) individual shareholders for a cash consideration of RM2,554,002.

On 30 October 1996, Unico Corporation Sdn Bhd acquired 100% of the equity interest in Longlive Development (M) Sdn Bhd from two (2) individual shareholders for a cash consideration of RM1,064,696.

On 18 February 2000, Unico-Desa acquired 100% of the equity interest in Unico Corporation Sdn Bhd from Unico Holdings Berhad by the issuance of 1,236,236 shares amounting to a total consideration of RM33,341,292.

On 8 November 2001, Unico-Desa acquired 100% of the equity interest in Panglima Vista Sdn Bhd from Unico Plantations Sdn Bhd for a cash consideration of RM2.00.

Subsequent to the internal restructuring of Unico-Desa Group, the Group structure was as follow:



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4. INFORMATION ON OUR GROUP

(ii) Restructuring in November 2004

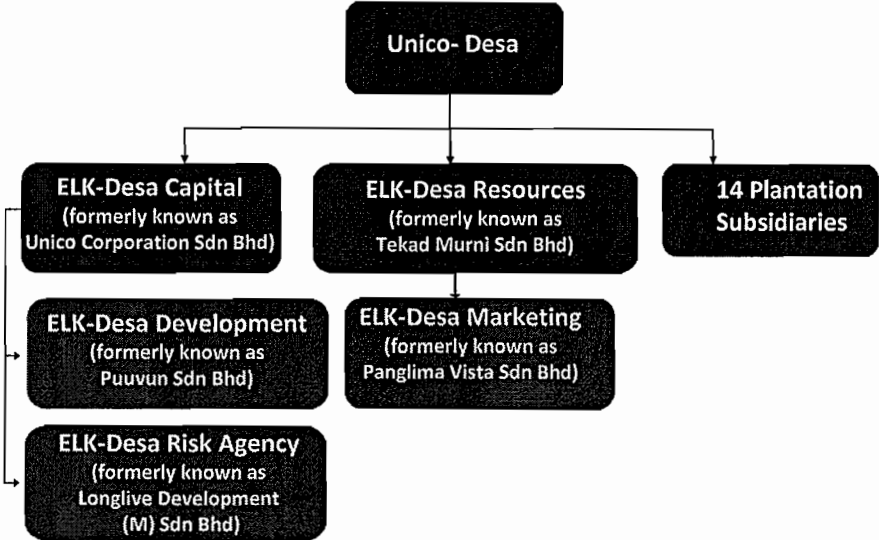
On 24 July 2004, Unico Corporation Sdn Bhd changed its name to ELK-Desa Capital.

On 28 August 2004, Panglima Vista Sdn Bhd was acquired by ELK-Desa Resources for a total consideration of RM1,500,000 satisfied via cash and became a wholly-owned subsidiary of ELK-Desa Resources.

On 6 September 2004 and 13 October 2004, Longlive Development (M) Sdn Bhd and Puuvun Sdn Bhd changed their names to ELK-Desa Risk Agency and ELK-Desa Development respectively.

On 30 November 2004, Unico-Desa acquired a 100% equity interest in ELK-Desa Resources (formerly known as Tekad Murni Sdn Bhd) from ELK-Desa Capital for a total consideration of RM10,000,000 satisfied via cash.

Subsequent to the internal restructuring of Unico-Desa Group, the Group structure was as follow:



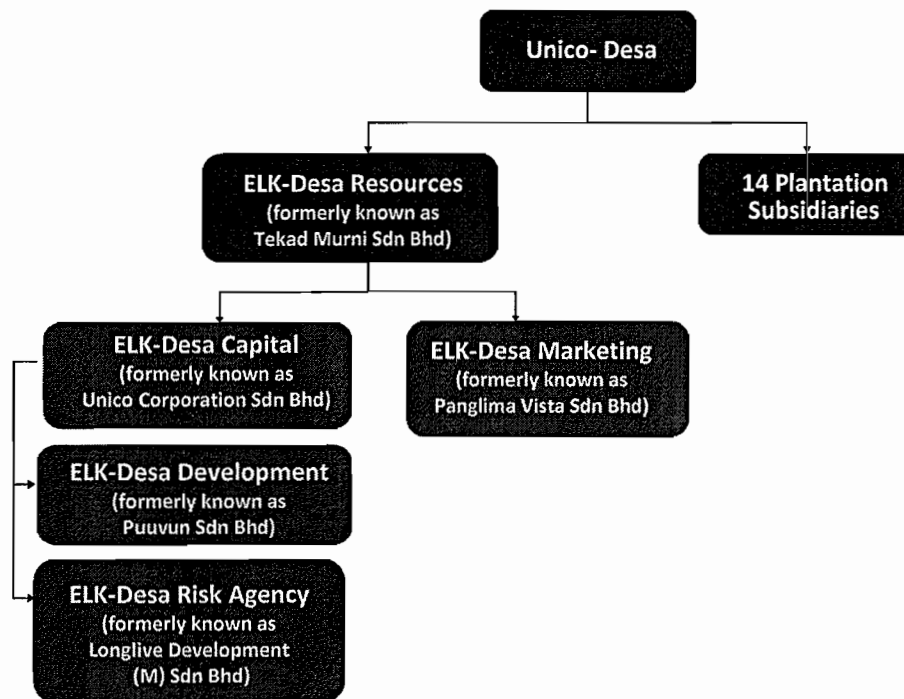
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4. INFORMATION ON OUR GROUP

(iii) Restructuring in February 2005

On 16 February 2005, ELK-Desa Capital was acquired by ELK-Desa Resources for a total consideration of RM60,000,000 satisfied via cash and became a wholly-owned subsidiary of ELK-Desa Resources.

Subsequent to the internal restructuring of ELK-Desa Resources, the Group structure was as follow:



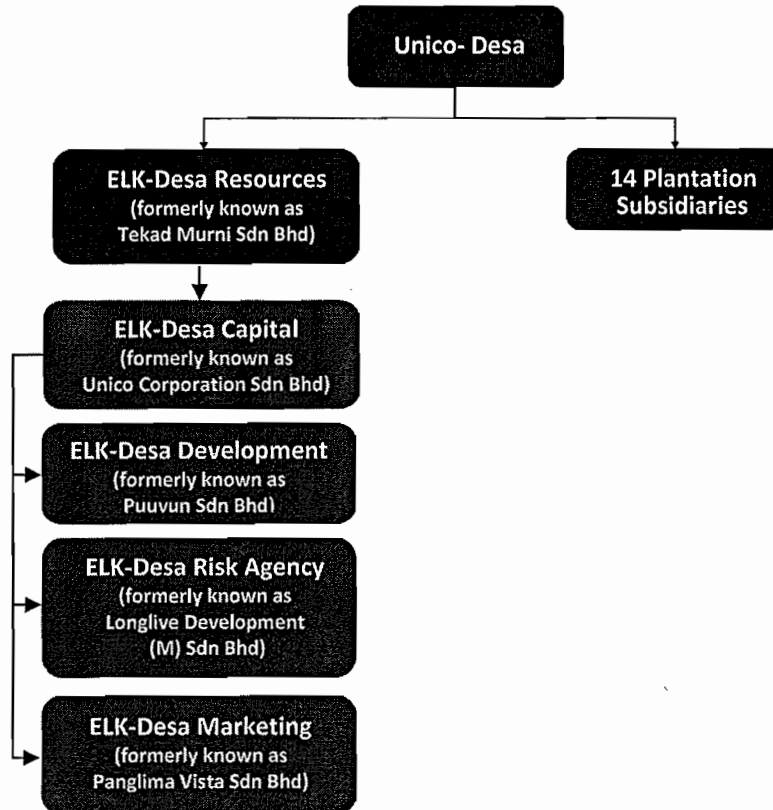
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4. INFORMATION ON OUR GROUP

(iv) Restructuring in August 2006

On 25 January 2006, Panglima Vista Sdn Bhd changed its name to ELK-Desa Marketing. On 1 August 2006, Panglima Vista Sdn Bhd was acquired by ELK-Desa Capital for a total consideration of RM1.00 satisfied via cash and became a wholly-owned subsidiary company of ELK-Desa Capital.

Subsequent to the internal restructuring, the Group structure was as follow:



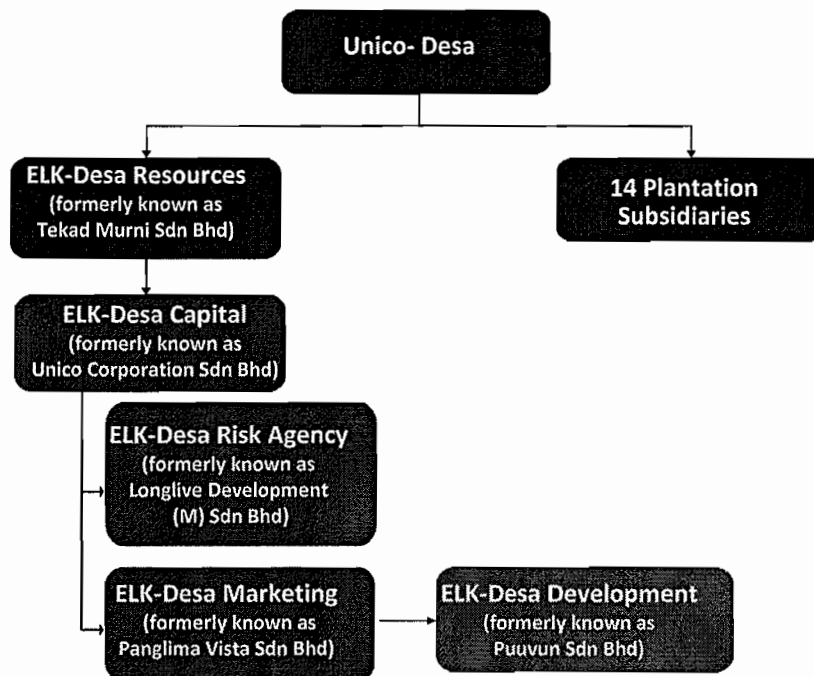
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4. INFORMATION ON OUR GROUP

(v) Restructuring in April 2007

On 25 April 2007, ELK-Desa Development was acquired by ELK-Desa Marketing from ELK-Desa Capital for a total consideration of RM4,500,000 satisfied via cash and became a wholly-owned subsidiary company of ELK-Desa Marketing.

The reorganisation was completed on 25 April 2007, the Group structure was as follow:



The restructuring exercises as described above were undertaken to reorganise the Unico-Desa Group involving certain wholly-owned subsidiaries of Unico-Desa, in order to form a distinct group for HP business. As they were internal restructuring within the subsidiaries of Unico-Desa Group, there was no due diligence exercise performed for these series of restructuring exercise nor did it required the approval of the shareholders of Unico-Desa.

Prior to 30 November 2004, ELK-Desa Resources was wholly-owned by ELK-Desa Capital, which was then known as Unico Corporation. Since 30 November 2004 till-to-date, ELK-Desa Resources is a wholly-owned subsidiary of Unico-Desa.

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4. INFORMATION ON OUR GROUP

4.1.1 Our share capital and changes in share capital

As at LPD, the authorised share capital of our Company is RM300,000,000 comprising 300,000,000 Shares and our issued and paid-up share capital is RM100,000,000 comprising 100,000,000 Shares.

Details of the changes in our Company's issued and paid-up share capital since incorporation are as follows:

Date of Allotment	No. of ELK-Desa Resources' Shares allotted	Par Value (RM)	Description / Consideration	Cumulative Issued and Fully Paid-Up Ordinary Share Capital (RM)
24 March 1989	2	1.00	Cash	2
16 September 1994	2,554,000	1.00	Bonus Issue & Cash	2,554,002
19 November 2004	7,445,998	1.00	Bonus Issue	10,000,000
16 February 2005	40,000,000	1.00	Cash	50,000,000
3 October 2012	50,000,000	1.00	Bonus Issue	100,000,000

There are no warrants, options and convertible securities in issue or any uncalled capital in respect of the shares of ELK-Desa Resources.

4.1.2 Information on our subsidiary companies

ELK-DESA CAPITAL

Background and history

ELK-Desa Capital was incorporated in Malaysia under the Act as a private limited company on 19 October 1981 under the name Unico Corporation Sdn Bhd. It assumed its current name on 24 July 2004.

In 1996, ELK-Desa Capital commenced the cultivation of oil palm business and subsequently in 2004, ELK-Desa Capital discontinued its cultivation of oil palm business and ventured into the provision of HP financing for used motor vehicles.

On 16 February 2005, ELK-Desa Capital became a direct subsidiary of ELK-Desa Resources following an internal restructuring exercise.

Principal activities

The current principal activities of ELK-Desa Capital are the provision of HP financing for used motor vehicles.

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4. INFORMATION ON OUR GROUP

Share capital

As at LPD, the authorised share capital of ELK-Desa Capital is 100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each, of which 60,000,000 ordinary shares of RM1.00 each have been credited as fully paid-up. The table below details all changes to the issued and paid-up capital in ELK-Desa Capital since incorporation:

Date of Allotment	No. of ELK-Desa Capital's shares allotted	Par Value (RM)	Description / Consideration	Cumulative Issued and Fully Paid-Up Ordinary Share Capital (RM)
19 October 1981	2	1.00	Cash	2
10 August 1994	1,999,998	1.00	Cash	2,000,000
8 July 2005	23,000,000	1.00	Bonus Issue	25,000,000
16 January 2012	35,000,000	1.00	Cash	60,000,000

There are no warrants, options and convertible securities in issue or any uncalled capital in respect of the shares of ELK-Desa Capital.

Substantial shareholders

ELK-Desa Capital is a wholly-owned subsidiary of our Company.

Subsidiary or associated Company

As at LPD, the direct subsidiaries of ELK-Desa Capital are ELK-Desa Risk Agency and ELK-Desa Marketing. As at LPD, ELK-Desa Capital does not have any associated companies.

Board of Directors

As at LPD, the Board of Directors of ELK-Desa Capital consists of Teoh Hock Chai @ Tew Hock Chai, Lim Keng Chin, Teoh Seng Hee, Loke Weng Fook and Teoh Seng Hui.

ELK-DESA RISK AGENCY

Background and history

ELK-Desa Risk Agency was incorporated in Malaysia under the Act as a private limited company on 31 March 1981 under the name of Multi Development (M) Sdn Bhd. Subsequently on 3 July 1981, it changed its name to Longlive Development (M) Sdn Bhd. It assumed its current name on 6 September 2004. It is currently a wholly-owned subsidiary of ELK-Desa Capital.

In 1996, ELK-Desa Risk Agency commenced business in the cultivation of oil palm business and subsequently in 2003, it discontinued its cultivation of oil palm business and ventured into the insurance business.

4. INFORMATION ON OUR GROUP

Principal activities

The current principal activity of ELK-Desa Risk Agency is acting as an insurance agent.

Share capital

As at LPD, its authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 1,064,696 ordinary shares of RM1.00 each have been issued and fully paid-up. Details of changes in ELK-Desa Risk Agency's issued and paid-up share capital since its incorporation up to LPD are as follows:

Date of Allotment	No. of ELK-Desa Risk Agency's shares allotted	Par Value (RM)	Description / Consideration	Cumulative Issued and Fully Paid-Up Ordinary Share Capital (RM)
31 March 1981	2	1.00	Cash	2
24 December 1981	6,000	1.00	Cash	6,002
18 October 1984	4,000	1.00	Cash	10,002
7 January 1985	2,000	1.00	Cash	12,002
24 April 1986	4,500	1.00	Cash	16,502
14 September 1996	575,407	1.00	Cash	591,909
14 September 1996	472,787	1.00	Bonus Issue	1,064,696

There are no warrants, options and convertible securities in issue or any uncalled capital in respect of the shares of ELK-Desa Risk Agency.

Substantial shareholders

ELK-Desa Risk Agency is a wholly-owned subsidiary of ELK-Desa Capital, which in turn is a wholly-owned subsidiary of our Company.

Subsidiary or associated Company

As at LPD, ELK-Desa Risk Agency does not have any subsidiary or associated companies.

Board of Directors

As at LPD, the Board of Directors of ELK-Desa Risk Agency consists of Lim Keng Chin, Teoh Seng Hee, Loke Weng Fook and Teoh Seng Hui.

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4. INFORMATION ON OUR GROUP

ELK-DESA MARKETING

Background and history

ELK-Desa Marketing was incorporated in Malaysia under the Act as a private limited company on 22 May 1997, under the name Panglima Vista Sdn Bhd. It assumed its current name on 25 January 2006. It is currently a wholly-owned direct subsidiary of ELK-Desa Capital.

In 2000, ELK-Desa Marketing commenced business in the cultivation of oil palm business and subsequently in 2004, it discontinued its cultivation of oil palm business.

Principal activities

The current principal activity of ELK-Desa Marketing is trading of used motor vehicles.

Share capital

As at LPD, its authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 25,000 ordinary shares of RM1.00 each have been issued and fully paid-up. Details of changes in ELK-Desa Marketing's issued and paid-up share capital since its incorporation up to LPD are as follows:

Date of Allotment	No. of ELK-Desa Marketing's shares allotted	Par Value (RM)	Description / Consideration	Cumulative Issued and Fully Paid-Up Ordinary Share Capital (RM)
22 May 1997	2	1.00	Cash	2
20 December 2001	24,998	1.00	Cash	25,000

There are no warrants, options and convertible securities in issue or any uncalled capital in respect of the shares of ELK-Desa Marketing.

Substantial shareholders

ELK-Desa Marketing is a wholly-owned subsidiary of ELK-Desa Capital, which in turn is a wholly-owned subsidiary of our Company.

Subsidiary or associated Company

As at LPD, the subsidiary company of ELK-Desa Marketing is ELK-Desa Development. As at LPD, ELK-Desa Marketing does not have any associated companies.

Board of Directors

As at LPD, the Board of Directors of ELK-Desa Marketing consists of Teoh Hock Chai @ Tew Hock Chai, Lim Keng Chin, Teoh Seng Hee and Teoh Seng Hui.

4. INFORMATION ON OUR GROUP

ELK-DESA DEVELOPMENT

Background and history

ELK-Desa Development was incorporated in Malaysia under the Act as a private limited company on the 18 August 1982, under the name Puuvun Sdn Bhd. It changed to its current name on 13 October 2004. It is currently a wholly-owned direct subsidiary of ELK-Desa Marketing.

In 1991, ELK-Desa Development commenced business in the cultivation of oil palm business. In 2003, ELK-Desa Development discontinued its cultivation of oil palm business.

Principal activities

Currently, ELK-Desa Development is a dormant company.

Share capital

At present, its authorised share capital is RM25,000 of which 25,000 ordinary shares of RM1.00 each have been issued and fully paid-up. Details of changes in ELK-Desa Development's issued and paid-up share capital since its incorporation up to LPD are as follows:

Date of Allotment	No. of ELK-Desa Development's shares allotted	Par Value (RM)	Description / Consideration	Cumulative Issued and Fully Paid-Up Ordinary Share Capital (RM)
18 August 1982	2	1.00	Cash	2
13 July 1984	1	1.00	Cash	3
20 December 2001	24,997	1.00	Cash	25,000

There are no warrants, options and convertible securities in issue or any uncalled capital in respect of the shares of ELK-Desa Development.

Substantial shareholders

ELK-Desa Development is a wholly-owned subsidiary of ELK-Desa Marketing which in turn is a wholly-owned subsidiary of ELK-Desa Capital which in turn is a wholly-owned subsidiary of our Company.

Subsidiary or associated Company

As at LPD, ELK-Desa Development does not have any subsidiary or associated companies.

Board of Directors

As at LPD, the Board of Directors of ELK-Desa Development consists of Teoh Hock Chai @ Tew Hock Chai, Lim Keng Chin, Teoh Seng Hui and Teoh Seng Kar.

4. INFORMATION ON OUR GROUP

4.2 LISTING SCHEME

As at LPD, the issued and paid-up share capital of ELK-Desa Resources is RM100,000,000 comprising 100,000,000 ELK-Desa Resources Shares.

In conjunction with the Listing Scheme (upon the requisite approvals from the SC, Bursa Securities and all other relevant authorities, if any, duly obtained for the Listing Scheme), ELK-Desa Resources undertook a bonus issue of RM50,000,000 comprising 50,000,000 new ELK-Desa Resources Shares to our sole shareholder, Unico-Desa, to facilitate the Distribution. Pursuant to the Bonus Issue, the issued and paid-up share capital of ELK-Desa Resources had increased from 50,000,000 ELK-Desa Resources Shares to 100,000,000 ELK-Desa Resources Shares.

Unico-Desa will undertake the Distribution on the basis of entitlement of one (1) ELK-Desa Resources Share for every ten (10) Unico-Desa Shares held based on the total issued and paid-up share capital of Unico-Desa of 865,065,461 ordinary shares of RM0.25 each as at the Entitlement Date. Fractional entitlements will be disregarded and the aggregate of such fractions will be included and form part of the Restricted Offer for Sale to all shareholders of Unico-Desa.

In conjunction with, and as an integral part of the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, our Listing Scheme will involve the following exercises:

(a) Public Issue

We are undertaking the Public Issue of 25,000,000 Public Issue Shares at a Public Issue Price of RM1.16 per Share payable in full on application upon such terms and conditions as set out in this Prospectus of which the details of the allocation and allotment are set out in **Section 2.5** of this Prospectus.

(b) Restricted Offer for Sale

Our Offeror is undertaking the Restricted Offer for Sale of 13,493,454 Restricted Offer Shares at an Offer Price of RM1.16 per Share payable in full on application upon such terms and conditions as set out in this Prospectus of which the details of the allocation and allotment are set out in **Section 2.5** of this Prospectus.

(c) Listing

Upon completion of the Distribution and IPO, we will seek a listing of and quotation for our entire enlarged issued and paid-up share capital of RM125,000,000 comprising 125,000,000 ELK-Desa Resources Shares on the Main Market of Bursa Securities.

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4. INFORMATION ON OUR GROUP

4.3 OVERVIEW OF OUR BUSINESS ACTIVITIES

4.3.1 Our business model

(a) Business focus and core revenue streams

The principal activities of ELK-Desa Resources Group are the provision of HP financing for used motor vehicles and as an insurance agency.

For the past four (4) financial years, from FYE 31 March 2009 to FYE 31 March 2012, the HP financing business contributed over 90 percent to the Group's overall revenue. The revenue from this business comprises HP interest income, handling and processing fees and overdue and service charges. Hence, the Group's HP financing business is regarded as our main source of income and is our principal product offering. For the five (5) months FPE 31 August 2012, the Group has 20,477 hirers with Gross HP receivables totaling RM261.3 million.

The Group's HP financing business is supplemented by our insurance business. The Group acts as an insurance agent to sell general insurance policies to our hirers.

For our five (5) months FPE 31 August 2012, the total insurance premiums collected were approximately RM6.4 million. The Group's insurance business contributes less than ten (10) percent to our PAT and is considered an ancillary product offering.

Additionally, the Group also has a used motor vehicles trading business. The income contribution to the Group from this business activity is insignificant.

(b) Target markets

The entire Group's revenue is derived from within Malaysia. The Group does not have any presence abroad and does not export any services outside of Malaysia. Our target markets are localised within the Kuala Lumpur and Selangor.

The target markets for independent HP financiers are generally highly localised to states within the country. This is mainly due to their relatively smaller working capital and manpower as compared to the banking and financial institutions. As such, they are likely to be mindful of overstretching their resources and believe that they stand a better chance of growing their business by embarking on a niche business strategy by operating and marketing across a narrower geographical area to leverage on their deep local knowledge. Besides that, it may not be easy for the independent HP financiers to venture outside the country due to different regulatory environment as well as competitive landscape.

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4. INFORMATION ON OUR GROUP

(c) Competitive advantages and key strengths**(i) Strength in Credit Risk Management**

Our Group has put in place a tight risk management framework as it understands that risk is part and parcel of its business and activities. The risk management framework provides general principles to the management for the operation of the HP business in order to manage the principal risks that the Group is exposed to. Under its risk management framework, our Group identifies, evaluates and manages the principal risks that it is exposed to. The risk management framework is designed to provide general principles to mitigate the credit risks in relation to the HP financing business that the Group is exposed to. It would identify how the HP financing business operates in respect of certain processes and dealings to address amongst others the type and age of the vehicle to be chosen for financing, stresses the importance in operating the HP business through registered motor vehicles dealers as well as the monitoring of the performance of the motor vehicles dealers and ensures that our Group does not over-stretch its resources by focusing in Kuala Lumpur and Selangor region. This is regarded as a competitive strength, as our Group is able to manage its credit risk effectively based on our improving financial results over the past four (4) financial years. Further elaborations on the credit risk management framework are provided in the operating process as detailed in **Section 4.5.2** of this Prospectus.

Our Executive Directors have established a strategy that will help to shape our Group's HP financing and credit risk management. Operational guidelines and procedures are established while infrastructure such as our management information system is developed to facilitate the risk management process. In this respect, our Group is managed by an experienced and competent management team some of whom have more than 20 years related working experience in HP financing.

Our Group also constantly reviews our risk management process. Since we commenced the HP financing business in the year 2004, we have continuously explored options to minimise our exposure to potential default risk. One of the options taken by our Group includes broadening our hirer base and not relying on any single large hirer.

As at 31 August 2012, there is no single hirer that has accounted for more than 0.03% of our total HP receivables. Our Group also has a close collaboration with a relatively large pool of motor vehicle dealers that enables us to tighten the control of the authenticity of the used motor vehicles and the integrity of the hirers involved in a HP agreement.

The Group has shown strength in credit risk management over the years as evidenced by the decreasing NPL ratio over its last four (4) FYE from 31 March 2009 to 31 March 2012 as well as for FPE 31 August 2012. The Group's NPL ratio stood at 4.7% in FYE 31 March 2009, 3.8% in FYE 31 March 2010, 3.4% in FYE 31 March 2011 and 3.1% in FYE 31 March 2012 and 2.3% in FPE 31 August 2012. Since FYE 31 March 2011, all NPL had been fully impaired in our financial statements in compliance with FRS139.

4. INFORMATION ON OUR GROUP

The Group places much emphasis on our HP disbursement policies and ensures that each intending hirer has been evaluated before his HP application is approved. We also strive to provide HP financing for selected models of used motor vehicles that, from our past experience, can offer relatively good resale value, incur relatively minimal or slower depreciation in value over the remaining useful life as well as can be disposed at a faster rate if necessary. Moreover, the hirers that we target are those who purchase used motor vehicles for practical and urgent travel needs rather than for discretionary purposes.

At the same time, the Group accentuates discipline in carrying out repossession obligations on default hirers soonest possible when the repossession order is issued which is critical towards ensuring that all its hirers abide by their HP payment schedules. Besides that, the Group only accepts applications from intending hirers that are referred by our used motor vehicles trading arm or network of motor vehicle dealers.

(ii) Relatively Higher Degree of Bargaining Power vis-à-vis Hirers

As financial institutions generally focus on hirers of new motor vehicles, the Group is often considered as a good alternative to potential hirers in the HP financing market for used motor vehicles particularly for those with relatively older age profiles of above six (6) years.

The potential buyers of such used motor vehicles are generally those who purchase vehicles for their practical transportation needs but with low to medium income. As such, the Group has a relatively higher degree of bargaining power vis-à-vis hirers who come to the Group for HP financing and thus are able to charge higher rates as compared to financial institutions.

(iii) Synergy within Operations

The Group's principal product and main revenue generator is HP financing business, which contributes 90 percent to the overall Group revenue. However, the Group has been able to diversify its portfolio of product offerings by selling general insurance policies to its hirers as it also acts as an insurance agent via ELK-Desa Risk Agency.

By selling motor insurance policies, the Group is able to act as a one-stop centre that can meet the financing and insurance needs of its hirers under one roof.

Besides standing to gain additional supplementary income from selling insurance policies, the Group minimises the default risk as a result of accidental death or permanent disability if the hirers opt to purchase loan protection insurance policies from the Group as well. The hirers can also have peace of mind knowing that their next-in-kin would not be burdened by the HP financing taken up by them in such event.

Finally, intending hirers can also approach the Group's motor vehicle trading arm, ELK-Desa Marketing, if they wish to sell or trade-in their used motor vehicles. This trading arm also attracts intending hirers to its HP financing business, leading to a synergistic integration of all the operations within the Group.

4. INFORMATION ON OUR GROUP

(iv) Large Motor Vehicle Dealers Network across Kuala Lumpur and Klang, Selangor

The Group's HP financing operations is well supported by a network of more than 700 registered motor vehicle dealers located in Kuala Lumpur and Klang, Selangor. Over 90 percent of the Group's monthly HP disbursements originate from referrals by this large network. Our Group has always strived to provide reliable services to these motor vehicle dealers. Our Group's senior management team is also directly involved in building up a long lasting relationship with these motor vehicle dealers.

In addition, our Group is also a registered member of the AHPCM and the KLSCDCCA which enables us to receive all relevant and updated information on the latest market environment, and understand and fulfill the needs of the motor vehicle dealers.

Although the Group currently operates out of only two (2) financing centres in Kuala Lumpur and Klang, Selangor, it is able to reach out to the market and referral points via the large dealer network in these two Malaysian states with relatively high concentration of motor vehicles compared to other states in Malaysia. Through these motor vehicle dealers, the Group has been able to be closer to potential hirers at the point of the used motor vehicles purchase.

(v) An Experienced Board and Management Team

Our Group is managed by an experienced and competent management team some of whom have more than 20 years related working experience in HP financing. The Board consists of a diverse team of individuals with knowledge and experience in the fields of accounting, law, banking and finance.

The team is spearheaded by our Non-Independent Non-Executive Chairman, Teoh Hock Chai @ Tew Hock Chai, who is considered an industry veteran and has participated in the industry for over 40 years. Throughout his many years in the industry, Teoh Hock Chai @ Tew Hock Chai has gained extensive and in-depth knowledge of the HP financing industry and understands the demands of the niche market involving used motor vehicles. Teoh Hock Chai @ Tew Hock Chai is currently the Advisor and Trustee of KLSCDCCA.

Lim Keng Chin, our Executive Director, has extensive knowledge and experience in the finance industry. His 20 years of experience gained in several financial institutions prior to joining the HP industry has proved relevant in helping him formulate effective strategies for the Group's HP financing business and drive its success over the years. Lim Keng Chin is currently the Vice Chairman of AHPCM.

Teoh Hock Su, the Senior Manager for business operations in ELK-Desa Capital, has over 30 years of experience in the HP financing and used cars business. Being one of the pioneer staff to build the Group's HP division, he has in-depth knowledge of the HP business operations. Moreover, he currently serves as the Vice President of KLSCDCCA, where he keeps abreast with developments in the automotive industry and maintains relationships with a wide network of used car dealers registered with the association.

4. INFORMATION ON OUR GROUP

Hence, the knowledge, expertise and competencies of the Group's highly experienced management team can provide a strong leadership in charting the growth path of the Group leading to sustained competitiveness.

The Company believes that the business-know-how and the capability of the management to formulate business strategies would sustain the profitability of the Company.

4.3.2 Overview of Business Activities and Revenue Segmentation

(a) Business activities

The Group, through our subsidiary ELK-Desa Capital, is primarily involved in the business of HP financing for used motor vehicles, and selling general insurance policies and trading of used motor vehicles.

(i) HP Financing for Used Motor Vehicles

The Group's HP financing business segment is our major source of revenue. The Group's HP financing business focuses on the niche market for used motor vehicles, primarily small and medium-sized passenger cars with an engine displacement of 2,200 cubic centimetres ("cc") and below. Currently, the Group, through ELK-Desa Capital, operates out of two (2) financing centres in Kuala Lumpur and Klang, Selangor.

(ii) Insurance Agency

The Group supplements our HP financing business by selling general insurance policies. The Group, through ELK-Desa Risk Agency, acts as an insurance agent for two (2) insurance companies.

(iii) Trading of Used Motor Vehicles

The Group, through ELK-Desa Marketing, is involved in the trading of used motor vehicles. It not only refers new hirers to the Group's HP business, but also helps in disposing a portion of the repossessed used motor vehicles from the HP operations. Although the income contribution is not substantial, it complements the HP activities of the entire Group.

(b) Revenue segmentation and business activities

For the past four (4) financial years, from FYE 31 March 2009 to FYE 31 March 2012 and five (5) months FPE 31 August 2012, the HP financing business has contributed over 90 percent to the Group's overall revenue. Hence, the Group's HP financing business is regarded as our main source of income and is our principal product offering. As at FPE 31 August 2012, our hirer portfolio stood at 20,477 with Gross HP Receivables of RM261.3 million.

The Group's HP financing business is supplemented by our insurance business. The Group acts as an insurance agent to sell general insurance policies to our hirers.

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4. INFORMATION ON OUR GROUP

For five (5) months FPE 31 August 2012, total insurance premium collected were approximately RM6.4 million. The Group's insurance business contributes less than ten (10) percent to our net profit and is considered an ancillary product offering.

Additionally, the Group also has a used motor vehicles trading business. The income contribution to the Group from this business activity is insignificant.

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4. INFORMATION ON OUR GROUP

(c) Revenue contribution by subsidiaries

Revenue contribution by our subsidiaries for the past four (4) financial years from FYE 31 March 2009 to FYE 31 March 2012 and FPE 31 August 2012 are as follows:

Subsidiaries	FYE 31 March 2009		FYE 31 March 2010		FYE 31 March 2011		FYE 31 March 2012		FPE 31 August 2012	
	RM	%	RM	%	RM	%	RM	%	RM	%
ELK-Desa Capital	27,810,343	95	29,483,394	95	33,757,191	95	36,835,766	95	16,249,449	95
ELK-Desa Risk Agency	1,230,786	4	1,393,086	4	1,543,779	4	1,768,400	5	862,125	5
ELK-Desa Marketing	186,100	1	18,000	*	105,300	*	-	-	14,600	0
ELK-Desa Development	-	-	-	-	-	-	-	-	-	-
TOTAL	29,227,229	100	30,894,480	100[^]	35,406,270	100[^]	38,604,166	100	17,126,174	100

Notes:

* Less than 1%

^ Does not add up due to rounding error

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4. INFORMATION ON OUR GROUP

4.4 DEVELOPMENT AND ACHIEVEMENT MILESTONES AND RECOGNITION

Key development and achievement milestones

The table below sets out our Group's key development and achievement milestones:

Year	Achievements / Milestones / Awards
2004	<ul style="list-style-type: none"> Commenced HP financing and insurance agency businesses.
2005	<ul style="list-style-type: none"> Enlarged its network of motor vehicle dealers to over 100.
2006	<ul style="list-style-type: none"> Breached 'RM50 million mark' in Net HP Receivables. ELK-Desa Marketing was established as a used motor vehicles trader.
2007	<ul style="list-style-type: none"> ELK-Desa Risk Agency became an insurance agent for Berjaya Sampo Insurance Berhad. Collected over RM5 million in insurance premiums.
2008	<ul style="list-style-type: none"> Breached 'RM100 million mark' in Net HP Receivables. Expanded its network of motor vehicle dealers to over 500.
2009	<ul style="list-style-type: none"> ELK-Desa Risk Agency became an insurance agent for Tokio Marine Insurans (Malaysia) Berhad. Received 2009 Top Producer Award from Tokio Marine Insurans (Malaysia) Berhad for achieving the overall top gross premiums. Achieved Star Club Gold status from Tokio Marine Insurans (Malaysia) Berhad for achieving non-motor premium of RM1 million per annum. Achieved Gold Club status from Berjaya Sampo Insurance Berhad for achieving gross premiums above RM0.5 million.
2010	<ul style="list-style-type: none"> Breached 'RM150 million mark' in Net HP Receivables. Breached 'RM10 million mark' in the collection of insurance premiums. Received 2010 Top Producer Award from Tokio Marine Insurans (Malaysia) Berhad for achieving the overall top gross premiums. Achieved Star Club Gold status from Tokio Marine Insurans (Malaysia) Berhad for achieving non-motor premium of RM1 million per annum. Achieved Gold Club status from Berjaya Sampo Insurance Berhad for achieving gross premiums above RM0.5 million.

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4. INFORMATION ON OUR GROUP

Year	Achievements / Milestones / Awards
2011	<ul style="list-style-type: none"> Expanded its network of motor vehicle dealers to over 700. Received 2011 Top Producer Award from Tokio Marine Insurans (Malaysia) Berhad for achieving the overall top gross premiums. Achieved Star Club Platinum status from Tokio Marine Insurans (Malaysia) Berhad for achieving non-motor premium of RM2 million per annum. Achieved Platinum Club status from Berjaya Sampo Insurance Berhad for achieving gross premiums above RM1 million.

4.5 OUR PRODUCTS, SERVICES AND OPERATIONS

4.5.1 Products and services

Analysis of revenue – by company

Company	FYE 31 March								FPE 31 August	
	2009		2010		2011		2012		2012	
	RM	%	RM	%	RM	%	RM	%	RM	%
ELK-Desa Resources	-	-	-	-	-	-	-	-	-	-
ELK-Desa Capital	27,810,343	95	29,483,394	95	33,757,191	95	36,835,766	95	16,249,449	95
ELK-Desa Risk Agency	1,230,786	4	1,393,086	4	1,543,779	4	1,768,400	5	862,125	5
ELK-Desa Marketing	186,100	1	18,000	*	105,300	*	-	-	14,600	0
ELK-Desa Development	-	-	-	-	-	-	-	-	-	-
Total	29,227,229	100	30,894,480	100[^]	35,406,270	100[^]	38,604,166	100	17,126,174	100

Notes:

* Less than 1%

[^] Does not add up due to rounding error

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4. INFORMATION ON OUR GROUP**Analysis of revenue – by type**

Revenue type	<-----FYE 31 March----->								FPE 31 August	
	2009		2010		2011		2012		2012	
	RM	%	RM	%	RM	%	RM	%	RM	%
HP interest	23,848,682	82	24,869,212	80	27,691,080	78	30,764,492	80	13,522,021	79
Handling and processing fees	2,552,970	9	3,251,838	11	4,002,632	11	4,224,600	11	1,995,100	12
Overdue and service charges	1,408,691	4	1,362,344	4	2,063,479	6	1,846,674	5	732,328	4
Insurance commission	1,230,786	4	1,393,086	4	1,543,779	4	1,768,400	4	862,125	5
Sale of cars	186,100	1	18,000	*	105,300	*	-	-	14,600	*
Total	29,227,229	100	30,894,480	100[^]	35,406,270	100[^]	38,604,166	100	17,126,174	100

*Notes:** *Less than 1%*[^] *Does not add up due to rounding error***[The rest of this page is intentionally left blank]**

4. INFORMATION ON OUR GROUP

(a) HP financing for used motor vehicles

The HP financing business segment contributed over 90% of our Group's total revenue. Our Group's HP financing business focuses on the niche market for used motor vehicles, primarily small and medium-sized passenger cars. Our Group classifies small and medium-sized passenger cars as passenger cars with an engine displacement of 2,200 cc and below.

Currently, our Group, through ELK-Desa Capital, operates out of two (2) financing centres in Kuala Lumpur and Klang, Selangor.

Our Group's target market is the buyers of used small and medium-sized vehicles with 2,200 cc and below between six (6) to fifteen (15) years. These buyers mainly blue-collar workers and self-employed such as contractors, food stall owners and factory workers are typically purchasing cars for their practical transportation needs and are generally looking for small HP disbursements to finance the used motor vehicles that they wish to purchase.

Our Group has identified this niche market as a potentially sizeable and profitable untapped market which we believed is usually not the priority market of the financial institutions, thus, these buyers will seek financing from our Group, despite the higher interest rates.

We believe that in terms of credit requirements for hirers, the banking and financial institutions typically target hirers with good income credit profile. This group of hirers (with good income credit profile) are generally in a better financial position and can afford to buy costlier new motor vehicles or used motor vehicles with a relatively newer age profile that can offer them relatively better and comfortable driving experience, less frequent repair works, lower financing cost and better status symbol. As such, our Group are of the opinion that the banking and financial institutions are more inclined towards providing hire purchase financings for new motor vehicles and used motor vehicles with a relatively newer age profile rather than used motor vehicles with a relatively older age profile targeted by our Group. In this way, our Group has effectively avoided direct competition with financial institutions.

The approval rate for our Group's target market is approximately 60% of the total financing applications received and the maximum tenure allowed for the HP financing to the hirers is seven (7) years. Our Group has repeat customers, however the numbers are minimal.

Our Group's hirers are derived from two (2) main streams; through its motor vehicle trading arm, ELK-Desa Marketing, and through referrals from its motor vehicle dealer network. The HP financing operations are effectively supported by our Group's network of motor vehicle dealers located in Kuala Lumpur and Klang, Selangor. Overall, referrals from this network of external motor vehicle dealers have led to more than 90 percent of the Group's monthly HP disbursements.

There is no single hirer in the Group's HP financing portfolio that has accounted for more than 0.03% of our total HP receivables and the average HP disbursement per hirer is approximately RM13,500. Our typical margin of financing ranges from 75% to 90% of the vehicle price. The Group's HP financing hirer base as at FPE 31 August 2012 was 20,477 with Gross HP Receivables of RM261.3 million.

4. INFORMATION ON OUR GROUP

The vehicle age profile for the Group's hirers as at FPE 31 August 2012 is as follows:-

Vehicle Age	Used Motor Vehicle Model Year	Units	Percentage (%)
0-5 years	2007-2012	148	0.72
6-10 years	2002-2006	5,985	29.23
11-15 years	1997-2001	11,581	56.56
16-20 years	1992-1996	2,761	13.48
Above 20 years	Before 1992	2	0.01
Total		20,477	100.00

For the FPE 31 August 2012, the average HP interest rate charged by the Group is approximately 9.8% flat rate per annum with an average HP tenure of approximately 5 years. This translates to an effective interest rate of approximately 17.0%. Based on the Group's average cost of borrowing of approximately 5.5% for the FPE 31 August 2012, the difference between the effective interest rate charged to the hirers and the Group's cost of borrowings would explain the high profit margins of the Group.

(b) Insurance Agency

Our Group supplements the HP financing business by selling general insurance policies through ELK-Desa Risk Agency.

As motor insurance is required under the Road Transport Act 1987, our Group provides ease of convenience to our hirers as we also sell motor insurance policies. Hence, these hirers are able to get their HP financing as well as the necessary motor insurance coverage under one roof.

Additionally, we are also selling non-motor insurance coverage in the form of loan protection policies attached with personal accident insurance benefits. The loan protection policies offer coverage for accidental death, temporary or permanent disability and medical expenses. The policies also provide other benefits such as hospital income and 24-hour breakdown assistance. As such, hirers also have the option to obtain additional protection by purchasing these loan protection policies from our Group.

For FPE 31 August 2012, the total insurance premiums collected by ELK-Desa Risk Agency stood at approximately RM6.4 million.

(c) Trading of motor vehicles

Our Group, through ELK-Desa Marketing is involved in the trading of used motor vehicles.

It not only refers new hirers to our Group's HP business, but also helps in disposing a portion of the repossessed used motor vehicles from the HP operations. Although the income contribution is not substantial, it complements the HP activities of the entire Group.

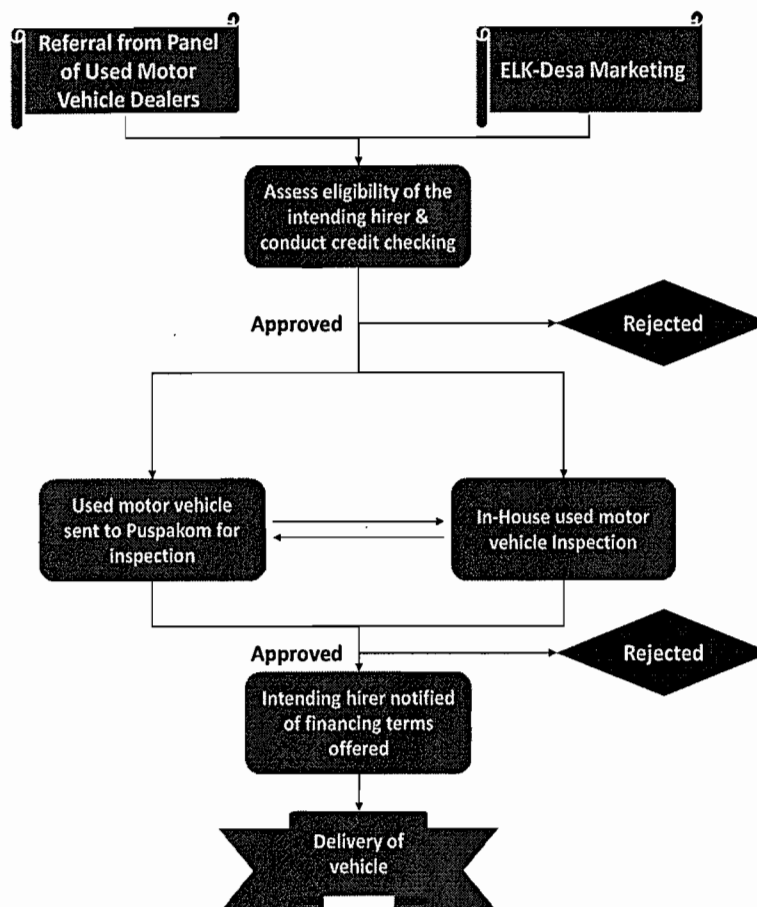
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4. INFORMATION ON OUR GROUP

The other portion of repossessed used motor vehicles is disposed by ELK-Desa Capital through third party auction centres. Our Group does not enter into any agreement with third party auction centres. We engage the services of third party auction centres only on an ad hoc basis.

4.5.2 Operating Process

Evaluation & Delivery of Vehicle Phase



The Group's customers are derived from two (2) main streams namely, referrals from its panel of used motor vehicle dealers, or through its motor vehicle trading arm, ELK-Desa Marketing:-

Assess Eligibility of Intending Hirer & Conduct Credit Checking

All our operational guidelines and procedures on HP disbursement and internal credit control are designed and developed in accordance with the HP disbursement strategy set out by our Executive Directors. Our HP business department headed by a Senior Manager is empowered by our Executive Directors to approve any HP applications involving amounts up to a pre-determined limit that meet all the existing approval guidelines in accordance with the HP disbursement strategy. The approval guidelines involve a set of pre-determined HP disbursement criteria such as type of motor vehicle model, value, engine displacement, vehicle age profile, HP tenure, term charges and guarantor requirement. Any HP applications that are not within approval guidelines can be referred to our Executive Directors for special approval. These terms (e.g. request for lower HP interest rates, request for longer HP tenure) approved through special approval are based on individual merits on a case to case basis.

4. INFORMATION ON OUR GROUP

A customer who wants to apply for a HP financing will be interviewed at the respective financing centres. During the interview, the personal details of the intending hirers as well as information of the used motor vehicle involved will be recorded. The original identification card and relevant utility bill also need to be presented for verification purpose. These documents are sighted and later photocopied for safe-keeping.

The Group also checks the credit profile of the intending hirer as well as the existence of any outstanding financing for the used motor vehicle involved. These checks are conducted through FIS, CTOS and the Group's in-house database which contains historical information on past and existing hirers of the Group. Calls will also be made by the Group to verify the information provided in the application form.

Used Motor Vehicle Sent to Puspakom for Inspection

Upon obtaining satisfactory results from the credit checking conducted, the used motor vehicle involved is later sent to Puspakom for the required inspection, which includes 18 inspection check points, consisting of identification check, above carriage inspection, side-slip test, smoke emission test, suspension test, brake test, speedometer test, tinted glass inspection and undercarriage inspection.

In-House Used Motor Vehicle Inspection

In addition, the Group conducts its own physical inspection at either one of its financing centres to ensure the road-worthiness and authenticity of the used motor vehicle involved particularly with regards to the engine and chassis numbers to ensure that these numbers match with the information in the used motor vehicle registration card.

Intending Hirer Notified of Financing Terms Offered

Once the application has been processed and all prior approvals have been attained, the Notice under Part 1 of the Second Schedule will be sent to the intending hirer to notify him/her of the financing terms offered. The Notice under Part 1 of the Second Schedule acts as a letter of offer, and is valid for seven (7) days. If the intending hirer agrees to the terms imposed, the intending hirer will then proceed to pay the agreed down-payment amount and sign the HP agreement within the specified seven (7)-day period.

Delivery of Vehicle

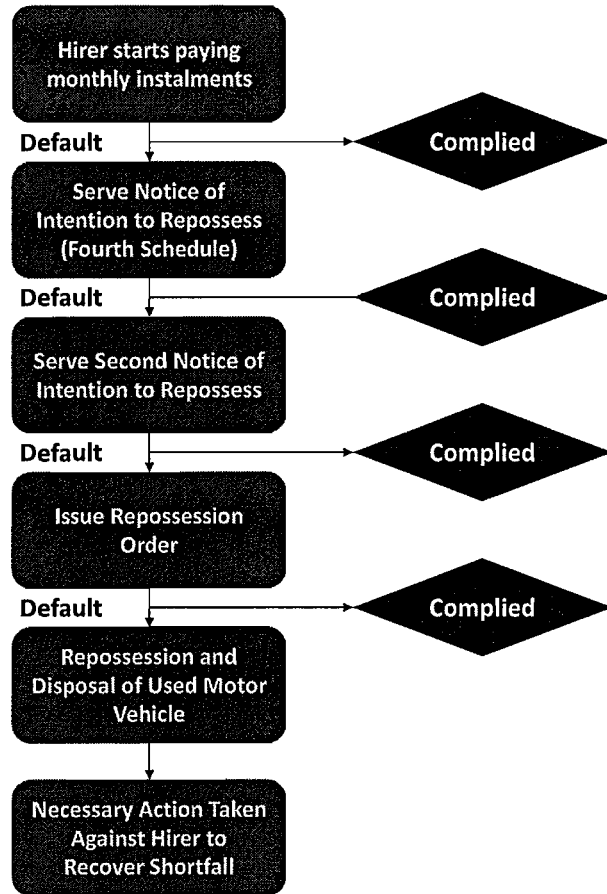
Upon the completion of the HP agreement, the relevant motor vehicle dealer may release the used motor vehicle to the new hirer. The HP disbursement will only be made to the motor vehicle dealer upon receipt of the complete documentation for transfer of vehicle ownership. The HP agreement will then be served to the hirer within twenty-one (21) days from the date of agreement.

ELK-Desa Resources Group will also offer the options for its new hirer to purchase motor insurance and loan protection policies here instead of spending the time and the hassle of approaching other third-party insurance agents.

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4. INFORMATION ON OUR GROUP

Instalment Phase



Hirer Starts Paying Monthly Instalments

The hirer will start paying monthly instalments a month after the commencement of the HP agreement. For the first (1st) instalment, ELK-Desa Capital places a payment reminder phone call to the hirer before the payment due date. Thereafter, ELK-Desa Capital will send out monthly SMS reminders to the hirers on the payment due date itself to ensure timely payments.

Service of Notice of Intention to Repossess in the form set out in the Fourth Schedule Notice

If there have been two (2) successive defaults of payments, our credit control department under the supervision of our Senior Manager will step in to initiate, monitor and follow through the debt recovery as well as the used motor vehicle repossession and disposal processes. Our credit control department will receive a monthly report detailing such default records through our management information system.

Thereafter, such hirer will be served with a Fourth Schedule Notice, which notifies the hirer of ELK-Desa Capital's intention to repossess the financed used motor vehicle after the expiry of a minimum of twenty-one (21) days. The Fourth Schedule Notice details the total arrears of instalments and arrears of interests due on overdue instalments payable to ELK-Desa Capital. ELK-Desa Capital will contact the hirer by phone after issuing the Fourth Schedule Notice.

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4. INFORMATION ON OUR GROUP

However, ELK-Desa Capital shall not exercise any power to take possession of a motor vehicle without an Order of the Court if the hirer has paid instalment amounts totalling more than 75% of the cash price of the motor vehicle.

In the case where the hirer is deceased, ELK-Desa Capital shall only issue the Fourth Schedule Notice after there are defaults in four successive monthly instalments.

Should there exist reasonable grounds for ELK-Desa Capital to believe that the motor vehicle will be concealed by the hirer, ELK-Desa Capital can immediately initiate a repossession of the motor vehicle. However, ELK-Desa Capital has to provide sustainable grounds for such allegation.

Service of Second Notice of Intention to Repossess

If the hirer continues to default on payments, he/she will be served the Second Notice of Intention to Repossess. The Second Notice of Intention to Repossess shall be sent (by registered post) at least fourteen (14) days after the service of the Fourth Schedule Notice. With the issuance of this Second Notice of Intention to Repossess, the hirer is given seven (7) days to pay his/her total arrears.

Issue Repossession Order

If the hirer fails to pay his/her instalments within the seven (7)-day period, ELK-Desa Capital will issue a Repossession Order to repossess the motor vehicle. Once a Repossession Order is issued, ELK-Desa Capital will proceed with the repossession and disposal of the repossessed used motor vehicle soonest possible.

Repossession and Disposal of Repossessed Used Motor Vehicle

ELK-Desa Capital engages the services of vehicle repossessioners with a valid permit issued by the Domestic Trade, Cooperatives and Consumerism Ministry to repossess the affected used motor vehicles. It does not have any formal agreement with these vehicle repossessioners. The vehicle repossessioners engaged will only be paid a fee for their services upon successful repossession of the required used motor vehicles.

At the time the motor vehicle is repossessed, ELK-Desa Capital will deliver or cause to be delivered to the hirer personally a document acknowledging receipt of the motor vehicle or, if the hirer is not present at that time, send to the hirer immediately after taking possession of the motor vehicle a document acknowledging such receipt. A police report will be made by the repossessioners engaged for every repossession.

When the vehicle is repossessed, ELK-Desa Capital will serve the Fifth Schedule Notice.

The hirer is given twenty-one (21) days from the date of the Fifth Schedule Notice to redeem the motor vehicle.

If the hirer reinstates the HP agreement within the specified twenty-one (21) days by paying the total arrears owed to ELK-Desa Capital, along with the cost of repossession, storage, repair, maintenance and delivery, the repossessed motor vehicle will be released to the hirer.

After the expiration of twenty-one (21) days of the date of the service of the Fifth Schedule Notice on the hirer, if the hirer does not reinstate the HP agreement, the repossessed used motor vehicle will be disposed via third party auction centres in accordance with the provision of the HP Act or disposed to ELK-Desa Marketing which will in turn dispose the used motor vehicle to the public.

4. INFORMATION ON OUR GROUP

Necessary Action Taken Against Hirer to Recover Shortfall

The hirer will be liable for any of ELK-Desa Capital's losses arising from the breach of the HP agreement. The amount recovered from the disposal of the repossessed motor vehicle will be used to offset the outstanding amount due by the hirer (including all incidental costs).

ELK-Desa Capital reserves the right to pursue any legal action in order to recover any shortfall amount from the hirer. The hirer will also be blacklisted by ELK-Desa Capital. ELK-Desa Capital engages the services of legal firms and debt collection agencies for recovery of debts. It has entered into formal agreements with these parties.

Business Continuity Plan

Our Group has already put in place various disaster recovery plans to protect all hirers' information and ensuring business continuity. Firstly, our Group has implemented a redundancy backup system via one on-site independent back-up component. Secondly, crucial data is saved in an external back-up component and safely kept in a separate office used by our Group. Finally, our Group can opt to continue its HP operations under an offline mode by utilising its manual records that are kept within the branch.

4.5.3 Quality Management

As at FPE 31 August 2012, HP receivables represent 97% of our Group's total asset. The Group manages quality on its critical asset by emphasising on good credit risk management practices as explained in **Section 4.3.1 (c)(i)**.

4.5.4 Research and Development

Our Group currently has no research and development policy and does not allocate any expenditure for research and development purpose.

4.5.5 Technology used or to be used

Other than technology used in connection with our Group's management information system and computer application software, our Group does not rely on other technology to operate and sustain our business. However, from time to time, our Group will explore the feasibility of utilising technology to enhance our operational efficiency and strengthen our internal control systems.

4.6 LOCATION OF OPERATIONS

The locations of our Group's operational and administrative premises are as follows:

Company	Address	Ownership (Rented/owned)	Purpose	Built-up Area (Square feet)
ELK-Desa Capital	13 (Ground Floor), 15-17 (Ground & 1 st Floor), Jalan Brunei Utara, Off Jalan Pudu, 55100 Kuala Lumpur	Rented	Head office, HP and insurance business	7,287
ELK-Desa Capital	56-58, Lorong Tapah, Off Jalan Goh Hock Huat, 41400 Klang Selangor Darul Ehsan.	Rented	HP and insurance business	17,760

4. INFORMATION ON OUR GROUP

Company	Address	Ownership (Rented/owned)	Purpose	Built-up Area (Square feet)
ELK-Desa Capital	Lot 169-H, Jalan Kapar, 41400 Klang Selangor Darul Ehsan.	Rented	Trading of motor vehicles ^(a)	36,000
ELK-Desa Capital	Lot 755, Jalan Haji Sirat, 42100 Klang, Selangor.	Rented	Storage of repossessed vehicles ^(b)	8,000

Notes:

- (a) Pursuant to a Letter of Consent dated 8 January 2010 from ELK-Desa Capital to ELK-Desa Marketing, ELK-Desa Capital has allowed ELK-Desa Marketing to continue using the showroom (i.e. the bungalow and the vacant land) to operate its car trading business free of rental until further notice.
- (b) Pursuant to Letters dated 16 March 2012, 21 March 2012 and 8 October 2012 from ELK Furniture Sdn Bhd (i.e. the landlord) to ELK-Desa Capital, ELK Furniture Sdn Bhd has granted ELK-Desa Capital and its subsidiaries permission to store its repossessed used motor vehicles and operation of used cars trading business currently free of rental for one (1) year, from 21 March 2012 to 20 March 2013 and thereafter subject to termination by ELK Furniture Sdn Bhd upon giving two (2) months notice to ELK-Desa Capital. ELK Furniture Sdn Bhd is a company controlled by Teoh Hock Chai @ Tew Hock Chai who is also the Non-Independent Non-Executive Chairman of ELK-Desa Resources. ELK-Desa Resources is of the view that the cost of hiring similar space would be in the range of RM4,000 – RM5,000 per month depending on amongst others, the location, floor space required and duration of tenancy.

4.7 SALES AND MARKETING STRATEGIES

The Group focuses on an underserved used motor vehicles market, typically involving motor vehicles aged six (6) to fifteen (15) years. Over the years, the Group has successfully captured and carved out a slice of market share in the HP financing market for itself by providing HP financing for a targeted group of hirers who are generally the lower and medium income group looking for small HP amount to finance the used motor vehicles that they wish to purchase.

As this group of hirers carries a higher risk of default, the Group is duly rewarded with potential higher returns in terms of higher profit margins by charging a higher HP rate as permitted under the HP Act.

The Group's success also lies partially in its ability to provide integrated services within the motor vehicle industry. In addition to its HP business, the Group also trades motor vehicles and sells general insurance policies through its subsidiaries.

With the synergistic integration of the HP financing, insurance agency and used motor trading business segments within the Group, there are huge potential cross-selling opportunities between these business segments. The Group is able to intensify sales and marketing drive through cross-selling without incurring substantial increase in cost of capital. All the business segments within the Group are able to share resources and tap into the same hirers' database for cross-selling opportunities.

While the Group has no business strategies dedicated to end-user sales and marketing efforts, its main strategy is to increase its sales and brand awareness through its motor vehicles dealer network, and the growth of its network of motor vehicles dealers.

4. INFORMATION ON OUR GROUP

4.7.1 Maintaining Longstanding Relationships with Panel of Dealers

Our Group's HP operations are supported by a network of over 700 motor vehicle dealers, located across Kuala Lumpur and Klang, Selangor. Since we began our HP operations in 2004, ELK-Desa Capital's dealer network has grown from 116 dealers to the more than 700 dealers we currently have.

As with other HP financiers in Malaysia, our Group also plays an important role in facilitating motor vehicle dealers in selling their motor vehicles by providing their customers with access to financing. Our Group has always strived to provide reliable services to these motor vehicle dealers. Our Group's senior management team is also directly involved in building up a long lasting relationship with these motor vehicle dealers. Over the years, we have built relationships with motor vehicle dealers, with some relationships spanning over five (5) years. Through longstanding relationships and various business transactions, mutual trust has been cultivated on both ends. In addition, our Group is also a registered member of the Association of HP Companies Malaysia and the KLSCDCCA which enables us to receive all relevant and updated information on the latest market environment, and understand and fulfill the needs of the motor vehicle dealers.

The Group has gained wide customer reach across Kuala Lumpur and Klang, Selangor via this panel of motor vehicle dealers. Overall, references from this network of motor vehicle dealers contribute over 90 percent of the Group's monthly HP disbursements.

Our Group believe that the motor vehicle dealers would continue to refer future customers to ELK-Desa Resources due to the following reasons:

- (i) ELK-Desa Resources Group is one of the largest Independent HP financiers who provide HP financing for small and medium used passenger cars between six (6) to fifteen (15) years; and
- (ii) ELK-Desa Resources Group facilitates them in disposing-off their old motor vehicles stock.

4.7.2 Increasing Corporate Visibility**Membership in the AHPCM**

In an effort to bolster its corporate standing and to be more synonymous with the HP industry in Malaysia, the Group is an active participant of the AHPCM. ELK-Desa Capital has participated in seminars organised by AHPCM.

AHPCM is a widely recognised industry association that promotes, enhances, protects and safeguards the interests of its members with particular reference to the HP industry. Membership for AHPCM is opened to those conducting hire purchase business as principle activity and those who conduct credit related business as principle activity (with minimum paid up capital of RM1 million).

(Source: www.ahpcm.com.my as at LPD)

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4. INFORMATION ON OUR GROUP

ELK-Desa Capital is a member of the AHPCM while ELK-Desa Resources' Executive Director, Lim Keng Chin, is the association's Vice Chairman. Besides allowing our Group to keep abreast with the latest developments in the local HP industry, the Group's HP financing arm namely ELK-Desa Capital will also be included in AHPCM's memberships list on its website. This helps lend further credibility to the Group as a viable and legitimate HP financing business entity and further enhance its visibility as any motor vehicle dealer that visits AHPCM's website can be made aware of the Group from the membership list. These motor vehicle dealers are then able to approach the Group for consideration to be part of its network of motor vehicle dealer. In addition, the Group will be in a good position to appear in any of AHPCM's publications or participate in any trade fairs or talks by AHPCM.

Council Member in the KLSCDCCA

KLSCDCCA was set up in 1967 to take care of the interest of car dealers and credit providers. It also helped to promote motor trader and its related credit and insurance businesses. Its membership has expanded to the current size of more than 300 companies. Over the years, it has established a strong linkage with the finance and insurance institutions. The linkage also covers the government ministries and agencies like the MITI, the ministry of home affairs, ministry of transport, Puspakom and the JPJ in particular.

Membership for KLSCDCCA is open to firms or persons engaged in the business of purchasing, selling, or financing of motorcars, and to employees of firms or persons engaged in the aforesaid business.

(Source: www.fmckl.com.my as at LPD)

ELK-Desa Capital is a council member of the KLSCDCCA. Our Non-Independent Non-Executive Chairman, Teoh Hock Chai @ Tew Hock Chai, is the Advisor and Trustee of the association. ELK-Desa Capital's Senior Manager, Teoh Hock Su, is the association's Vice President. By being a member KLSCDCCA, ELK-Desa Capital has been able to effectively promote its name in the broad automotive industry, from the trading of motor vehicles to HP disbursement provision and motor vehicle insurance.

The association also holds press conferences to keep its members informed regarding the latest news and trends in the automotive industry.

Additionally, the Group is able to build relationships with other motor vehicle traders which could lead to referrals to ELK-Desa Capital and ELK-Desa Risk Agency for HP financing and insurance provision services when their customers purchase used motor vehicles from them.

4.8 INTELLECTUAL PROPERTY

Our Group currently does not have any registered trademarks, patents, brand names, technical assistance agreements, franchises or other intellectual property rights.

4.9 PRINCIPAL MARKETS AND MAJOR CUSTOMER

The entire Group's revenue is derived from within Malaysia. The Group does not have presence abroad and does not export any services out of Malaysia.

The Group's average HP disbursement is RM13,500 per customer. The Group generally caps the HP disbursement at not more than RM20,000 per disbursement.

4. INFORMATION ON OUR GROUP

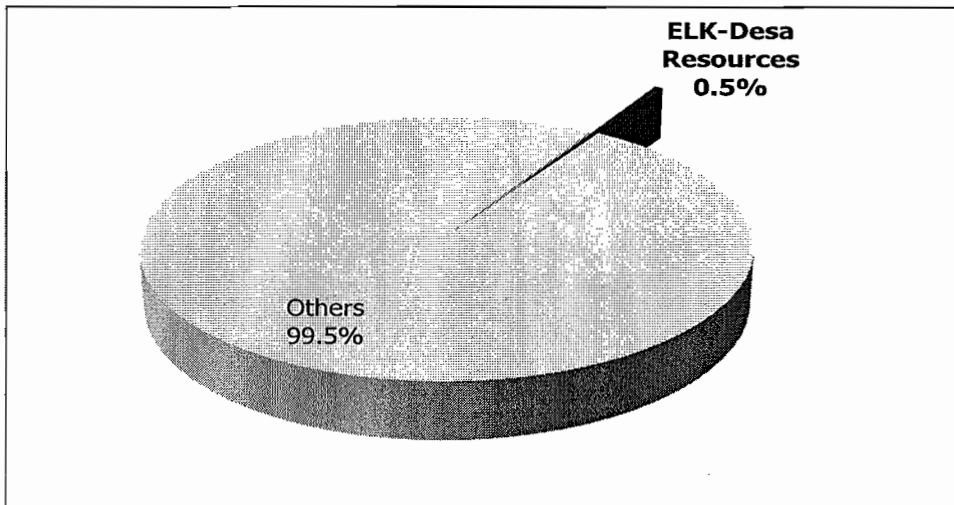
As at 31 August 2012, there is no single hirer that has accounted for more than 0.03% of our total HP receivables.

4.10 MARKET SHARE

ELK-Desa Resources is incorporated in Malaysia as a private limited company under the Company Act 1965 on 24 March 1989. Through its subsidiary, ELK-Desa Capital, it is involved in the provision of HP financing for used motor vehicles, primarily small to medium passenger vehicles. Additionally, ELK-Desa Capital's HP business is supported by its network of more than 700 motor vehicle dealers located in Kuala Lumpur and Klang, Selangor as at its FPE 31 August 2012. In 2011, new HP disbursements by ELK-Desa Resources Group (through ELK-Desa Capital) involving used motor vehicles totalled RM87.6 million.

As such, ELK-Desa Resources' market share of the Malaysian HP market for used motor vehicles in 2011 is estimated to be 0.5 percent as depicted in the figure below. (Source: IMR Report)

Estimated ELK-Desa Resources' Market Share of the Malaysian HP Market for Used Motor Vehicles, 2011



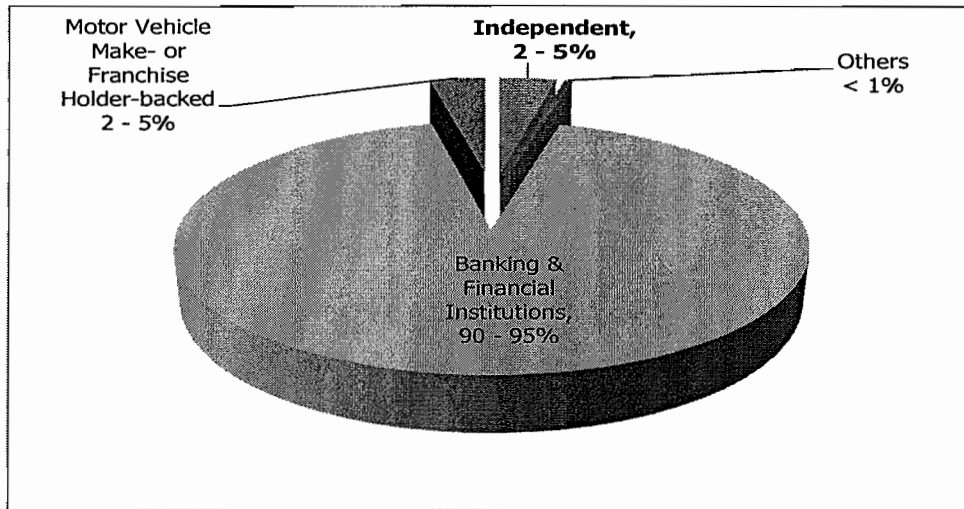
(Source: IMR Report)

On a closer look at the Malaysian HP market for used motor vehicles in 2011, the banking and financial institutions are considered as the market leader with estimated market share of between 90 to 95 percent. This is mainly due to their considerable available working capital or access to the necessary funding to support large scale HP operations. On the other hand, independent HP financiers accounted for only an estimated of between 2 to 5 percent. The figure below depicts the estimated breakdown of the market share of the Malaysian HP market for used motor vehicles by types of HP financiers in 2011.

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4. INFORMATION ON OUR GROUP

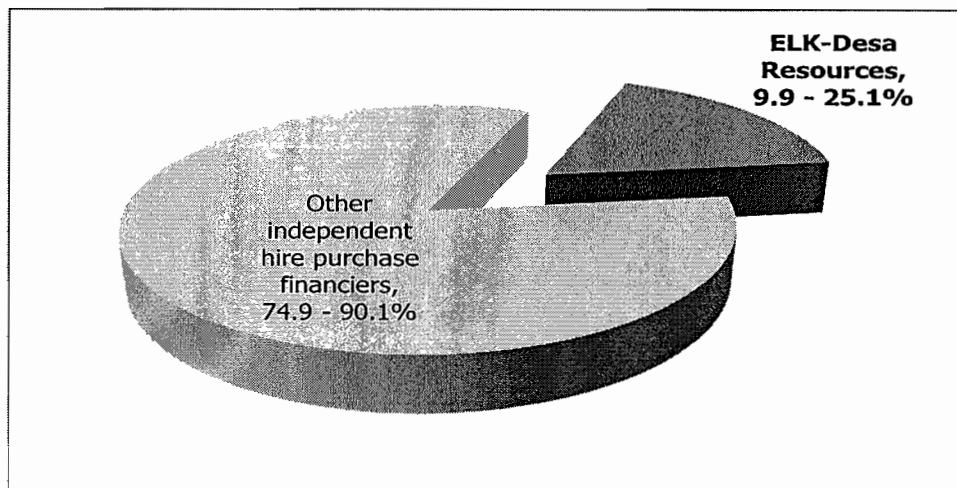
Estimated Breakdown of the Market Share of the Malaysian HP Market for Used Motor Vehicles by Types of HP Financiers, 2011



(Source: IMR Report)

Based on the breakdown in the figure above, independent HP financiers' portion of the Malaysian HP market for used motor vehicles in 2011 is estimated to be between RM0.35 billion to RM0.89 billion of the estimated total RM17.71 billion. Hence, ELK-Desa Resources' market share of this total independent HP financiers' portion for 2011 is estimated to be between 9.9 to 25.1 percent as depicted in the figure below – making it one of the major independent HP financiers for used motor vehicles in Malaysia.

Estimated ELK-Desa Resources' Market Share of the Total Independent HP Financiers' Portion, 2011



(Source: IMR Report)

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4. INFORMATION ON OUR GROUP

4.11 SEASONALITY OR CYCLICAL EFFECT

The Group's HP operations has not been materially impacted by any seasonal or cyclical effect in the past due to the fact that ELK-Desa Resources Group's HP business is relatively small compared to the size of the market as a whole. For its past four (4) financial years up to FYE 31 March 2012 as well as for FPE 31 August 2012, the Group has not experienced extreme monthly fluctuations in its HP disbursement i.e. more than 50% monthly deviation from its monthly average HP disbursement.

4.12 MAJOR SOURCE OF FUNDS

Our Group relies on cash generated from operating activities and external sources of funds namely bank borrowings in the forms of block discounting facilities, term loans and bank overdrafts to provide the necessary working capital to finance all our operations and grow our HP portfolio. Our bank borrowings are secured against the HP agreements. As at FPE 31 August 2012, our total debt stood at RM58.6 million while our shareholders' equity stood at RM125.0 million. Hence, our total debt to shareholders' equity ratio was 0.47 times as at FYE 31 August 2012.

4.13 MATERIAL PLANT AND EQUIPMENT

Save as disclosed in **Section 4.14.1**, we do not own any individual equipment which is material. As at FPE 31 August 2012, the net book value of our total property, plant and equipment comprising office equipment, furniture and fittings, signboard, motor vehicles and office renovation amounted to approximately RM1.3 million which represents only 0.7% of our total assets of the Group.

4.14 CAPITAL EXPENDITURE AND DIVESTITURES

4.14.1 Capital expenditure

Save as disclosed below, we did not incur any other capital expenditure for the past four (4) financial years FYE 31 March 2009 to FYE 31 March 2012, FPE 31 August 2012 and up to LPD:

	Transaction value (RM)				
	FYE 31 March 2009	FYE 31 March 2010	FYE 31 March 2011	FYE 31 March 2012	1 April 2012 to LPD
Computer equipment	64,834	31,628	18,559	103,419	34,127
Office equipment	15,856	40,348	117,870	47,000	24,530
Furniture	39,979	8,750	11,591	2,078	500
Signboard	-	-	3,300	7,500	-
Motor vehicles	113,758	-	-	-	-
Office renovation	91,333	68,000	481,780	274,706	4,055
TOTAL	325,760	148,726	633,100	434,703	63,212

4. INFORMATION ON OUR GROUP**4.14.2 Divestitures**

Save as disclosed below, we did not carry out any divestitures for the past four (4) FYE 31 March 2009 to FYE 31 March 2012, FPE 31 August 2012 and up to LPD:

	Transaction value (RM)				
	FYE 31 March 2009	FYE 31 March 2010	FYE 31 March 2011	FYE 31 March 2012	1 April 2012 to LPD
Computer equipment	-	2,559	-	-	-
Office equipment	-	-	1,076	-	-
Motor Vehicles	-	-	-	-	71,574
Office renovation	-	-	-	53,267	-
TOTAL	-	2,559	1,076	53,267	71,574

4.15 MATERIAL PLANS TO CONSTRUCT, EXPAND OR IMPROVE FACILITIES

As at LPD, our Group has no immediate plans to construct, expand or improve our existing facilities.

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4. INFORMATION ON OUR GROUP

4.16 PROPERTIES

As at LPD, our Group does not own any properties. As at LPD, our Group occupy the following premises:

Tenant	Landlord	Description of property	Purpose	Location	Built-up area/ Land area (sq ft)	Tenancy Period	Rental & service charge (RM per month)
ELK Desa- Capital	Eng Lee Kredit	Ground and 1st Floor unit of a 4 storey Shop Office	Head office, HP and insurance business	15-17 (Ground & 1 st Floor), Jalan Brunei Utara, off Jalan Pudu, 55100 Kuala Lumpur	5,692 (Built-up)	1 September 2012 – 31 August 2013 (With option to renew)	18,000
ELK Desa- Capital	Eng Lee Kredit	4 storey Shop Office	HP and insurance business	56-58, Lorong Tapah, Off Jalan Goh Hock Huat, 41400 Klang Selangor Darul Ehsan	17,760 (Built-up)	1 September 2012 – 31 August 2013 (With option to renew)	12,000
ELK Desa- Capital	Chang Yuet Wah @ Tsen Nget Fah	Ground Floor unit of a 3 storey Shop Office	HP and insurance business	Ground Floor No. 13, Jalan Brunei Utara Off Jalan Pudu 55100 Kuala Lumpur	1,595 (Built-up)	1 August 2011 - 31 July 2014 (With options to renew as follows: First option: 1 August 2014 – 31 July 2016 Second option: 1 August 2016 – 31 July 2019 Third option: 1 August 2019 – 31 July 2021)	(¹)4,500

4. INFORMATION ON OUR GROUP

Tenant	Landlord	Description of property	Purpose	Location	Built-up area/ Land area (sq ft)	Tenancy Period	Rental & service charge (RM per month)
ELK Desa-Capital	Fung Keong Rubber Manufactory (M) Sdn Bhd ⁽²⁾	Single storey bungalow with a portion of vacant land	Office of ELK-Desa Marketing ⁽³⁾	No. 169-H, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan	36,000 (Land) 1,558 (Building)	1 January 2012 until 31 December 2012 (No option to renew)	4,000
ELK-Desa Capital	ELK Furniture Sdn Bhd	Vacant industrial land	For storage of repossessed vehicles ⁽⁴⁾	Lot 755, Jalan Haji Sirat, 42100 Klang, Selangor	8,000 (Land)	21 March 2012- 20 March 2013 ⁽⁵⁾	0

Notes:

- (1) Based on the initial term of the tenancy agreement. For the first option, there shall be no change in the rental. For the second option, the rental shall be increase by a maximum of 10%. For the third option, the rental shall remain at such increased amount.
- (2) The property is registered in the name of Berkeley Sdn Bhd ("BSB"). ELK-Desa Capital has received the deed of assignment between Fung Keong Rubber Manufactory (M) Sdn Bhd ("Fung Keong") and BSB whereunder Fung Keong has assigned its rights under the tenancy agreement to BSB and ELK-Desa Capital has acknowledged the notice thereof.
- (3) Pursuant to a Letter of Consent dated 8 January 2010 from ELK-Desa Capital to ELK-Desa Marketing, ELK-Desa Capital has allowed ELK-Desa Marketing to continue using the showroom (i.e. the bungalow and the vacant land) to operate its car trading business free of rental until further notice.
- (4) Pursuant to Letters dated 16 March 2012, 21 March 2012 and 8 October 2012 from ELK Furniture Sdn Bhd (i.e. the landlord) to ELK-Desa Capital, ELK Furniture Sdn Bhd has granted ELK-Desa Capital and its subsidiaries permission to store its repossessed used motor vehicles and operation of used cars trading business currently free of rental for one (1) year and thereafter subject to termination by ELK Furniture Sdn Bhd upon giving two (2) months notice to ELK-Desa Capital. ELK Furniture Sdn Bhd is a company controlled by Teoh Hock Chai @ Tew Hock Chai who is also the Non-Independent Non-Executive Chairman of ELK-Desa Resources.
- (5) Thereafter, the landlord may terminate the agreement anytime with two (2) months notice.

As at LPD, there is no breach of any land use conditions and/or non-compliance with any current regulatory requirements, land rules or building regulations which may materially affect our Group's operations in respect of the properties occupied by our Group.

4. INFORMATION ON OUR GROUP

4.17 APPROVALS, MAJOR LICENCES AND PERMITS OBTAINED

The following are the approvals, major licences and permits issued to companies in our Group in order for us to carry out our operations, other than those pertaining to general business registration requirements:

Issuing Authority	Licence Holder	Issuing Date	Description	Validity Period	Equity/Material Terms or Conditions Imposed	Status of Compliance
Majlis Perbandaran Klang	ELK-Desa Marketing	23 December 2011	Business Licence (Used Cars Trading) and sign board licence	1 year and 8 days 23 December 2011 – 31 December 2012	<ul style="list-style-type: none"> ▪ This licence is granted subject to the conditions imposed by the Majlis Perbandaran Klang. ▪ This licence will be revoked if there is non-compliance with the terms and/or conditions of the licensing laws including the bylaws or any orders published by the Majlis Perbandaran Klang. ▪ This licence shall be displayed at a conspicuous area in the licensed premises at all times. 	Complied
Majlis Perbandaran Klang	ELK-Desa Capital	24 November 2011	Signboard licence	1 year and 7 days 24 November 2011 – 31 December 2012	<ul style="list-style-type: none"> ▪ This licence is granted subject to the conditions imposed by the Majlis Perbandaran Klang. ▪ This licence will be revoked if there is non-compliance with the terms and/or conditions of the licensing laws including the bylaws or any orders published by the Majlis Perbandaran Klang. ▪ This licence shall be displayed at a conspicuous area in the licensed premises at all times. 	Complied

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4. INFORMATION ON OUR GROUP

Issuing Authority	Licence Holder	Issuing Date	Description	Validity Period	Equity/Material Terms or Conditions Imposed	Status of Compliance
Polis Diraja Malaysia	ELK-Desa Marketing	19 December 2011	Licence to deal in second hand goods	1 year and 13 days 19 December 2011 – 31 December 2012	<ul style="list-style-type: none"> Permission is hereby granted to Teoh Seng Hui (711003-10-6005) to deal in second-hand goods at ELK-Desa Marketing, 169-H Jalan Kapar, 41400 Klang, subject to the provisions of the Second-hand Dealers Act 1946 and of any rules and order for the time being in force thereunder and to the following conditions: "For purchase and sale of used motor vehicles only." 	Complied
Dewan Bandaraya Kuala Lumpur	ELK-Desa Capital	01 May 2012	Signboard licence	1 year 1 May 2012 – 30 April 2013	<ul style="list-style-type: none"> This licence is subject to the provisions of the licensing Acts/rules/bylaws and regulations and licensing terms and conditions which are enforced by Datuk Bandar Kuala Lumpur. This licence shall be displayed at a conspicuous area in the licensed premises at all times. This licence may be revoked by Datuk Bandar Kuala Lumpur at any time without any notice if the licence holder does not comply with the provisions of the licensing laws/restrictions/conditions. 	Complied
Jabatan Pengangkutan Jalan	ELK-Desa Capital	11 January 2012	Trade Plate Licence: Trade Plate (B2495A)	11 months and 19 days 11 January 2012 – 29 December 2012	<ul style="list-style-type: none"> Subject to the Road Traffic Ordinance 1958 – Motor Vehicles (Registration and Licensing) Rules 1959. 	Complied

4. INFORMATION ON OUR GROUP

Issuing Authority	Licence Holder	Issuing Date	Description	Validity Period	Equity/Material Terms or Conditions Imposed	Status of Compliance
Jabatan Pengangkutan Jalan	ELK-Desa Capital	1 July 2012	Trade Plate Licence: Trade Plate (B2554A)	1 year 1 July 2012 – 30 June 2013	<ul style="list-style-type: none"> Subject to the Road Traffic Ordinance 1958 – Motor Vehicles (Registration and Licensing) Rules 1959. 	Complied
Jabatan Pengangkutan Jalan	ELK-Desa Capital	6 June 2012	Trade Plate Licence: Trade Plate (B2555A)	1 year 6 June 2012 – 5 June 2013	<ul style="list-style-type: none"> Subject to the Road Traffic Ordinance 1958 – Motor Vehicles (Registration and Licensing) Rules 1959. 	Complied
Jabatan Pengangkutan Jalan	ELK-Desa Marketing	14 October 2012	Trade Plate Licence: Trade Plate (B2584A)	1 year 14 October 2012 – 13 October 2013	<ul style="list-style-type: none"> Subject to the Road Traffic Ordinance 1958 – Motor Vehicles (Registration and Licensing) Rules 1959. 	Complied
Jabatan Pengangkutan Jalan	ELK-Desa Marketing	14 October 2012	Trade Plate Licence: Trade Plate (B2585A)	1 year 14 October 2012 – 13 October 2013	<ul style="list-style-type: none"> Subject to the Road Traffic Ordinance 1958 – Motor Vehicles (Registration and Licensing) Rules 1959. 	Complied
Persatuan Insurans Am Malaysia	ELK-Desa Risk Agency	1 October 2012	Registered General Insurance Agent of Berjaya Sompo Insurance Berhad	2 years 1 October 2012 – 30 September 2014	<ul style="list-style-type: none"> The use of this card is governed by the terms and conditions of the Agency contract between the Agent and the Principal, the Inter-Company Agreement on General Insurance Business and the Insurance Act 1996. 	Complied
Persatuan Insurans Am Malaysia	ELK-Desa Risk Agency	1 October 2010	Registered General Insurance Agent of Tokio Marine Insurance (Malaysia) Berhad	2 years 1 October 2012 – 30 September 2014	<ul style="list-style-type: none"> The use of this card is governed by the terms and conditions of the Agency contract between the Agent and the Principal, the Inter-Company Agreement on General Insurance Business and the Insurance Act 1996. 	Complied

Note:

Our Group does not require any special license from Ministry of Domestic Trade, Cooperative and Consumerism and any approval/license/permit from BNM to operate our business.

4. INFORMATION ON OUR GROUP

4.18 DEPENDENCY ON CONTRACTS/ARRANGEMENTS/LICENCES

Our Board is of the opinion that, save for our licences disclosed in **Section 4.17** and the borrowings as highlighted in **Section 8.4.3**, we are not highly dependent on any single contract/arrangement/licences.

Please refer to **Section 3.2.2(d)** of this Prospectus in relation to the borrowings for further information.

4.19 NON-INTERRUPTION IN BUSINESS OPERATIONS

We have not experienced any interruption in our business which had a significant effect on our operations during the past twelve (12) months prior to the date of this Prospectus.

4.20 FUTURE PLANS AND PROSPECTS**4.20.1 Future plans**

Our future plans are focused in three key areas as depicted in the figure below:

(i) Augmenting capital base and additional working capital to expand our HP portfolio and broaden our customer base

Our Group intends to deploy the net proceeds raised from the IPO exercise for financing the growth of our HP portfolio and customer base.

With additional working capital, our Group can grant more HP financings to a higher number of intending hirers. Our Group believes that the expansion of our HP portfolio and the broadening of our customer base within a reasonable risk and return framework are keys to generate more HP income which can help to propel our long term growth to a higher level.

Our Group will continue to focus in Kuala Lumpur and Selangor and does not intend to expand its registered motor vehicle dealers outside these regions as it believes that the market in these two (2) regions is huge enough for its expansion within the next few years. Furthermore, the Group does not wish to over-stretch its resources and take the risk to venture into locations that it does not have any present knowledge and experience.

The market in the Kuala Lumpur and Selangor is regarded as huge as there are currently approximately 4.1 million motorcars registered in these two (2) regions (based on the statistics on the total registered motorcars by state in Malaysia in 2011, sourced from the Road Transport Department, Malaysia). This would account to approximately 42.3% of the total registered motorcars in Malaysia. Furthermore, a 1% of these markets will translate into 41,000 cars which is more than double of the current size of ELK-Desa Resources Group's HP portfolio. If the Group disburses RM10,000 per car, we would require RM410 million of capital to finance the 41,000 cars. In view of the above, we believe the two (2) regions will provide our Group more than enough room for business expansion in the near future.

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4. INFORMATION ON OUR GROUP

(ii) Enhance operating efficiency

Our Group will continue to review and upgrade our management information system used to support and streamline our operations across our two (2) financing centres in Kuala Lumpur and Klang, Selangor. This will help to improve the overall efficiency in the day-to-day operations of our Group.

In addition, generally all repayments by our hirers are made over-the-counter at our financing centres. Our Group will explore the possibility of broadening collection channels such as installing cash deposit machines for convenience of our hirers.

Also, training programmes will be enhanced and provided for new and existing staff members to be in line with good management practices of operating the HP business and to keep the staff abreast with the latest industry developments such as those pertaining to customer service, credit assessment and debt recovery.

(iii) On-going strengthening of internal control and risk management capabilities

Our Group will continue to strengthen our internal control and risk management capability. We shall continue to upgrade our management information system to enhance data security and to facilitate decision-making functions.

Upon our Group's successful listing, we intend to continue engaging an external party to take charge of the internal audit function while an audit committee will also be formed to assist the Board of Directors in overseeing financial reporting, monitor the work of the internal audit function and ensure that an objective and professional relationship is maintained with the external and internal auditors.

Milestones

The following table indicates the timing for implementation of our future plans:

	Time frame
(i) Utilisation of IPO proceeds for expansion of business	Within 6 months from date of Listing
(ii) Enhance operating efficiency	On-going
(iii) Strengthening internal control and risk management capabilities	On-going

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4. INFORMATION ON OUR GROUP

4.20.2 Prospects of our Group

According to the IMR Report, the Malaysian HP market for used motor vehicles is projected to continue growing during the forecast period from 2012 to 2016 albeit at a more moderate pace. The size of the Malaysian HP market for used motor vehicles is expected to reach RM20.43 billion in 2016. The Compound Annual Growth Rate ("CAGR") of the market for the 2011-2016 period is projected to be 2.9 percent.

We shall strive to put our Group in a position to take advantage of any favourable conditions in the market and ride on the projected overall market growth. As highlighted in our future plan, our Group intends to deploy the net proceeds raised from the IPO exercise for financing the growth of our HP portfolio and customer base. We believe the utilisation of net proceeds raised from the IPO exercise as well as cash generated from our existing HP operations can help our Group to further grow our HP business.

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Shareholdings of our Promoters and Substantial Shareholders

As at LPD, the particulars of our Promoters and substantial shareholders and their respective shareholdings before and after the IPO are as follows:

Name	Nationality/ Country of incorporation	As at LPD						After the Distribution						After the IPO and upon Listing					
		Direct		Indirect		Total direct and indirect		Direct		Indirect		Total direct and indirect		Direct		Indirect		Total direct and indirect	
		No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%
Promoters																			
Unico-Desa	Malaysia	100,000	100.00	-	-	100,000	100.00	13,493	10.79	-	-	13,493	10.79	-	-	-	-	-	-
Teoh Hock Chai @ Tew Hock Chai	Malaysian	-	-	(1)100,000	100.00	(1)100,000	100.00	333	0.27	(6)25,900	20.72	26,233	20.99	(6)29,940	23.95	30,325	24.26		
ELK Group	Malaysia	-	-	(2)100,000	100.00	(2)100,000	100.00	6,350	5.08	(7)19,550	15.64	25,900	20.72	(7)22,599	18.08	29,939	23.95		
Eng Lee Kredit	Malaysia	-	-	(3)100,000	100.00	(3)100,000	100.00	11,280	9.02	(6)8,270	6.62	19,550	15.64	(6)9,560	7.65	22,599	18.08		
Eng Lee Capital	Malaysia	-	-	(4)100,000	100.00	(4)100,000	100.00	8,270	6.62	(6)11,280	9.02	19,550	15.64	(6)13,039	10.43	22,599	18.08		

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

Name	Nationality/ Country of incorporation	As at LPD						After the Distribution						After the IPO and upon Listing					
		Direct		Indirect		Total direct and indirect		Direct		Indirect		Total direct and indirect		Direct		Indirect		Total direct and indirect	
		No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%	No of Shares ('000)	%
Substantial shareholders																			
Unico-Desa	Malaysia	100,000	100.00	-	-	100,000	100.00	13,493	10.79	-	-	13,493	10.79	-	-	-	-	-	-
Teoh Hock Chai @ Tew Hock Chai	Malaysian	-	-	⁽¹⁾ 100,000	100.00	⁽¹⁾ 100,000	100.00	333	0.27	⁽⁶⁾ 25,900	20.72	26,233	20.99	⁽⁶⁾ 29,940	23.95	385	0.31	30,325	24.26
ELK Group	Malaysia	-	-	⁽²⁾ 100,000	100.00	⁽²⁾ 100,000	100.00	6,350	5.08	⁽⁷⁾ 19,550	15.64	25,900	20.72	⁽⁷⁾ 22,599	18.08	7,340	5.87	29,939	23.95
Eng Lee Kredit	Malaysia	-	-	⁽³⁾ 100,000	100.00	⁽³⁾ 100,000	100.00	11,280	9.02	⁽⁸⁾ 8,270	6.62	19,550	15.64	⁽⁸⁾ 9,560	7.65	13,039	10.43	22,599	18.08
Eng Lee Capital	Malaysia	-	-	⁽⁴⁾ 100,000	100.00	⁽⁴⁾ 100,000	100.00	8,270	6.62	⁽⁹⁾ 11,280	9.02	19,550	15.64	⁽⁹⁾ 13,039	10.43	9,560	7.65	22,599	18.08
Unico Holdings Berhad	Malaysia	-	-	⁽⁵⁾ 100,000	100.00	⁽⁵⁾ 100,000	100.00	25,600	20.48	-	-	25,600	20.48	-	-	29,593	23.67	29,593	23.67
Dr. Yeong Cheong Thye @ Yeong Yue Chai	Malaysian	-	-	-	-	-	-	-	-	⁽¹⁰⁾ 8,000	6.40	8,000	6.40	⁽¹⁰⁾ 9,248	7.40	-	-	9,248	7.40
Amity Corp	Malaysia	-	-	-	-	-	-	8,000	6.40	-	-	8,000	6.40	-	-	9,248	7.40	9,248	7.40

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT*Notes:*

- (1) *Deemed interested by virtue of the interest held by Teoh Hock Chai @ Tew Hock Chai and his associates (namely ELK Group, Eng Lee Kredit and Eng Lee Capital) in Unico-Desa pursuant to Section 6A of the Act.*
- (2) *Deemed interested by virtue of the interest held by ELK Group and its associates (namely Eng Lee Kredit and Eng Lee Capital) in Unico-Desa pursuant to Section 6A of the Act.*
- (3) *Deemed interested by virtue of the interest held by Eng Lee Kredit and its associates (namely ELK Group and Eng Lee Capital) in Unico-Desa pursuant to Section 6A of the Act.*
- (4) *Deemed interested by virtue of the interest held by Eng Lee Kredit and its associates (namely ELK Group and Eng Lee Kredit) in Unico-Desa pursuant to Section 6A of the Act.*
- (5) *Deemed interested by virtue of the interest held by Eng Lee Kredit and its associates (namely ELK Group and Eng Lee Kredit) in Unico-Desa pursuant to Section 6A of the Act.*
- (6) *Deemed interested by virtue of its interest in Unico-Desa pursuant to Section 6A of the Act.*
- (7) *Deemed interested by virtue of his interest in ELK Group, Eng Lee Kredit and Eng Lee Capital pursuant to Section 6A of the Act.*
- (8) *Deemed interested by virtue of its interest in Eng Lee Kredit and Eng Lee Capital pursuant to Section 6A of the Act.*
- (9) *Deemed interested by virtue of the interest held by its associate (namely Eng Lee Kredit) pursuant to Section 6A of the Act.*
- (10) *Deemed interested by virtue of his interest in Amity Corp pursuant to Section 6A of the Act.*

Our holding company and promoter, Unico-Desa, which currently holds the entire Shares in our Company, will cease to be our holding company and shareholder upon completion of the Distribution and the Restricted Offer for Sale (assuming full subscription by Unico-Desa's shareholders).

In the event any Excess Restricted Offer Shares are not fully subscribed, these Shares shall be retained by Unico-Desa and in such an event, Unico-Desa shall remain a shareholder.

In the event that the Restricted Offer Shares are not fully applied for, these Excess Restricted Offer Shares will be made available for application by the Unico-Desa shareholders who apply for the Excess Restricted Offer Shares. If the substantial shareholders apply for the Excess Restricted Offer Shares, then their shareholding will increase accordingly.

With the exception of our Promoters and substantial shareholders named above, our Directors are not aware of any persons who, directly or indirectly, exercise control over our Company.

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