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

5.1.2 Profiles of our Promoters and Substantial Shareholders

Promoters

The profiles of our Promoters are as follows:

(a) **Unico-Desa**, a public limited liability company, incorporated in Malaysia on 11 December 1981, and listed on the Main Market of Bursa Securities on 25 May 2000 is a Promoter and our holding company before our Listing on the Main Market of Bursa Securities. We will cease to be a subsidiary of Unico-Desa upon the Listing. The principal activities of Unico-Desa entail the cultivation oil palm, palm oil milling, as well as distribution of palm oil and palm kernel.

It has an authorised share capital of RM500,000,000 comprising 2,000,000,000 ordinary shares of RM0.25 each with an issued and paid up capital of RM216,266,365 comprising 865,065,461 shares of RM0.25 each as at LPD.

The particulars of the substantial shareholders and directors of Unico-Desa as at LPD are set out below:

Substantial shareholders	Nationality / Country of Incorporation	<------ Shareholdings ------> Direct No of shares ('000)	%	Indirect[1] No of shares ('000)	%	Total direct and indirect No of shares ('000)	%
Teoh Hock Chai @ Tew Hock Chai	Malaysian	3,328	0.38	(1)259,000	29.94	262,328	30.32
ELK Group	Malaysia	63,500	7.34	(2)195,500	22.60	259,000	29.94
Eng Lee Kredit	Malaysia	112,800	13.04	(3)82,700	9.56	195,500	22.60
Eng Lee Capital	Malaysia	82,700	9.56	(4)112,800	13.04	195,500	22.60
Unico Holdings Berhad	Malaysia	256,000	29.59	-	-	256,000	29.59
Dr. Yeong Cheong Thye @ Yeong Yue Chai	Malaysian	-	-	(5)80,000	9.25	80,000	9.25
Amity Corp	Malaysia	80,000	9.25	-	-	80,000	9.25

Notes:

(1) *Deemed interested by virtue of his interest in ELK Group, Eng Lee Kredit and Eng Lee Capital pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of its interest in Eng Lee Kredit and Eng Lee Capital pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of the interest held by its associate (namely Eng Lee Capital) pursuant to Section 6A of the Act.*

(4) *Deemed interested by virtue of the interest held by its associate (namely Eng Lee Kredit) pursuant to Section 6A of the Act.*

(5) *Deemed interested by virtue of his interest in Amity Corp pursuant to Section 6A of the Act.*

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

Directors	Designation	Nationality	<------Shareholdings------> Direct: No of shares ('000)	Direct: %	Indirect: No of shares ('000)	Indirect: %	Total direct and indirect: No of shares ('000)	Total direct and indirect: %
Mew Jin Seng	Non-Independent Non-Executive Chairman	Malaysian	132	0.02	811	0.09	943	0.11
Teoh Hock Chai @ Tew Hock Chai	Managing Director	Malaysian	3,328	0.38	(1)259,000	29.94	262,328	30.32
Dr. Yeong Cheong Thye @ Yeong Yue Chai	Deputy Managing Director	Malaysian	-	-	(2)80,000	9.25	80,000	9.25
Teoh Seng Hui	Group Executive Director	Malaysian	-	-	-	-	-	-
Lim Keng Chin	Non-Independent Non-Executive Director	Malaysian	3,000	0.35	-	-	3,000	0.35
Ng Soon Lai @ Ng Siek Chuan	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-
Tee Thiam Kim	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-
Leow Yan Seong @ Liew Pin	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-

Notes:

(1) *Deemed interested by virtue of his interest in ELK Group, Eng Lee Kredit and Eng Lee Capital pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his interest in Amity Corp pursuant to Section 6A of the Act.*

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(b) **Teoh Hock Chai @ Tew Hock Chai**, a Malaysian aged 67, is a Promoter, substantial shareholder and the Non-Independent Non-Executive Chairman of ELK-Desa Resources. His profile is disclosed in **Section 5.2.2**.

(c) **ELK Group**, a private limited company, incorporated in Malaysia, on 22 August 1983, is a Promoter and our substantial shareholder. The principal activity of ELK Group is investment holding.

It has an authorised share capital of RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each with an issued and paid up capital of RM22,000,000 comprising 22,000,000 shares of RM1.00 each as at LPD.

The particulars of the substantial shareholders and directors of ELK Group as at LPD are set out below:

Substantial shareholders	Nationality/ Country of incorporation	<-----Shareholdings					---->
		Direct		Indirect		Total direct and indirect	
		No of shares ('000)	%	No of shares ('000)	%	No of shares ('000)	%
Teoh Hock Chai @ Tew Hock Chai[1]	Malaysian	5,452	24.78	-	-	5,452	24.78
Teoh Seng Giap[1]	Malaysian	1,200	5.45	-	-	1,200	5.45
Teoh Seng Lee[1]	Malaysian	1,200	5.45	-	-	1,200	5.45
Teoh Seng Hui[1]	Malaysian	1,200	5.45	-	-	1,200	5.45
Teoh Seng Kar[1]	Malaysian	1,200	5.45	-	-	1,200	5.45
Teoh Seng Hee[1]	Malaysian	1,200	5.45	-	-	1,200	5.45
Teoh Hong Kin[1]	Malaysian	1,200	5.45	-	-	1,200	5.45
Teoh Hong Kei[1]	Malaysian	1,200	5.45	-	-	1,200	5.45

Note:

(1) *Teoh Hock Chai @ Tew Hock Chai is the father of Teoh Seng Giap, Teoh Seng Lee, Teoh Seng Hui, Teoh Seng Kar, Teoh Seng Hee, Teoh Hong Kin and Teoh Hong Kei.*

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

			<------------------------Shareholdings----------------->					
			Direct		Indirect		Total direct and indirect	
Directors	Designation	Nationality	No of shares ('000)	%	No of shares ('000)	%	No of shares ('000)	%
Teoh Hock Chai @ Tew Hock Chai[1]	Executive Chairman	Malaysian	5,452	24.78	-	-	5,452	24.78
Lim Keng Chin	Director	Malaysian	1,000	4.55	-	-	1,000	4.55
Teoh Seng Hui[1]	Director	Malaysian	1,200	5.45	-	-	1,200	5.45
Teoh Seng Kar[1]	Director	Malaysian	1,200	5.45	-	-	1,200	5.45

Note:

(1) *Teoh Hock Chai @ Tew Hock Chai is the father of Teoh Seng Hui and Teoh Seng Kar.*

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

(d) **Eng Lee Kredit**, a private limited company, incorporated in Malaysia, on 16 March 1971, is a Promoter and our substantial shareholder. The principal activity of Eng Lee Kredit is investment holding.

It has an authorised share capital of RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each with an issued and paid up capital of RM45,000,000 comprising 45,000,000 shares of RM1.00 each as at LPD.

The particulars of the substantial shareholder and directors of Eng Lee Kredit as at LPD are set out below:

Substantial shareholder	Nationality/ Country of Incorporation	<--Shareholdings--> Direct No of shares ('000)	%	Indirect No of shares ('000)	%	Total direct and indirect No of shares ('000)	%
ELK Group	Malaysia	45,000	100.00	-	-	45,000	100.00

Directors	Designation	Nationality	<--Shareholdings--> Direct No of shares ('000)	%	Indirect No of shares ('000)	%	Total direct and indirect No of shares ('000)	%
Teoh Hock Chai @ Tew Hock Chai[(2)]	Executive Chairman	Malaysian	-	-	[(1)]45,000	100.00	[(1)]45,000	100.00
Teoh Seng Hui[(2)]	Director	Malaysian	-	-	-	-	-	-
Teoh Seng Kar[(2)]	Director	Malaysian	-	-	-	-	-	-

Notes:

(1) *Deemed interested by virtue of the interest held by Teoh Hock Chai @ Tew Hock Chai in ELK Group pursuant to Section 6A of the Act.*

(2) *Teoh Hock Chai @ Tew Hock Chai is the father of Teoh Seng Hui and Teoh Seng Kar.*

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

(e) **Eng Lee Capital**, a private limited company, incorporated in Malaysia, on 27 April 2001, is a Promoter and our substantial shareholder. The principal activity of Eng Lee Capital is investment holding.

It has an authorised share capital of RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each with an issued and paid up capital of RM23,000,000 comprising 23,000,000 shares of RM1.00 each as at LPD.

The particulars of the substantial shareholder and directors of Eng Lee Capital as at LPD are set out below:

Substantial shareholder	Country of Incorporation	<--Shareholdings--> Direct No of shares ('000)	%	Indirect No of shares ('000)	%	Total direct and indirect No of shares ('000)	%
ELK Group	Malaysia	23,000	100.00	-	-	23,000	100.00

Directors	Designation	Nationality	<--Shareholdings--> Direct No of shares ('000)	%	Indirect No of shares ('000)	%	Total direct and indirect No of shares ('000)	%
Teoh Hock Chai @ Tew Hock Chai[(2)]	Executive Chairman	Malaysian	-	-	[(1)]23,000	100.00	[(1)] 23,000	100.00
Teoh Seng Hui[(2)]	Director	Malaysian	-	-	-	-	-	-

Notes:

(1) *Deemed interested by virtue of the interest held by Teoh Hock Chai @ Tew Hock Chai in ELK Group pursuant to Section 6A of the Act.*

(2) *Teoh Hock Chai @ Tew Hock Chai is the father of Teoh Seng Hui.*

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Substantial shareholders

Save for Unico-Desa, Teoh Hock Chai @Tew Hock Chai, ELK-Group, Eng Lee Kredit and Eng Lee Capital whose profiles are set out in **Section 5.1.2** of this Prospectus, the profiles of our other substantial shareholders are as follows:

(a) **Unico Holdings Berhad**, a non-listed public limited company, incorporated in Malaysia, on 21 May 1981, is our substantial shareholder. The principal activities of Unico Holdings Berhad are investment holding and the rendering of management services.

It has an authorised share capital of RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each with an issued and paid up capital of RM100,000,000 comprising 100,000,000 shares of RM1.00 each as at LPD.

UHB does not have any substantial shareholder who is holding more than 5% shares in UHB as at LPD.The particulars of the directors of Unico Holdings Berhad as at LPD are set out below:

			<----------Shareholdings				---------->	
			Direct		Indirect		Total direct and indirect	
Name	Designation	Nationality	No of shares ('000)	%	No of shares ('000)	%	No of shares ('000)	%
Teoh Kok Liang	Chairman	Malaysian	18	0.02	40	0.04	58	0.06
Dato' Tan Huat Sheng	Group Managing Director	Malaysian	964	0.96	-	-	964	0.96
Mew Jin Seng	Director	Malaysian	76	0.08	106	0.10	182	0.18
Lee Khim Sin	Director	Malaysian	10	0.01	66	0.06	76	0.07
Chia Keok Keong	Director	Malaysian	5	0.01	-	-	5	0.01
Dato' Chan Woot Khoon	Director	Malaysian	63	0.06	-	-	63	0.06
Lai Swee Sang @ Lai Swee Chin	Director	Malaysian	48	0.05	-	-	48	0.05
Tang Eng Kiang	Director	Malaysian	5	0.01	-	-	5	0.01
Ding Chie Sing @ Ting Chee Seng	Director	Malaysian	5	0.01	-	-	5	0.01

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

(b) **Amity Corp**, a private limited company, incorporated in Malaysia, on 10 August 1981, will be our substantial shareholder. The principal activity of Amity Corporation Sdn Bhd is trading in chemicals and consumer products and investment holding.

It has an authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each with an issued and paid up capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each as at LPD.

The particulars of the substantial shareholder and directors of Amity Corporation Sdn Bhd as at LPD are set out below:

Substantial shareholder	Nationality	<------Shareholdings------> Direct No of shares	%	Indirect No of shares	%	Total direct and indirect No of shares	%
Dr. Yeong Cheong Thye @ Yeong Yue Chai	Malaysian	99,999	99.99	-	-	99,999	99.99

Directors	Designation	Nationality	<------Shareholdings------> Direct No of shares	%	Indirect No of shares	%	Total direct and indirect No of shares	%
Dr. Yeong Cheong Thye @ Yeong Yue Chai	Director	Malaysian	99,999	99.99	-	-	99,999	99.99
Tan Nam Seng	Director	Malaysian	1	*	-	-	1	*

Note:
* *Negligible*

(b) **Dr. Yeong Cheong Thye @ Yeong Yue Chai**, a Malaysian, aged 69 will be our substantial shareholder. He holds a Bachelor of Science degree in Agricultural Chemistry from National Taiwan University and a Doctorate degree in Chemistry from the University of London. Dr. Yeong is an associate member of the Malaysian Institute of Chemistry and a member of the Incorporated Society of Planters. He is currently the Deputy Managing Director of Unico-Desa, Chairman and Managing Director of Amity Corporation Sdn Bhd and a Director of Group 5 International Investment Limited. Dr. Yeong is also the First Deputy Chairman of Pei Yuan High School, Kampar, Perak.

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

5.1.3 Changes in our Promoters' and Substantial Shareholders' Shareholdings in our Company during the Past 4 Years

There were no changes in the shareholdings of our Promoters and substantial shareholders for the past 4 years prior to the LPD save as follow:

Name	As at FYE 31 March 2009				As at FYE 31 March 2010				As at FYE 31 March 2011				As at FYE 31 March 2012				As at LPD			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		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)	%	No. of Shares ('000)	%
Promoters																				
Unico-Desa	50,000	100	-	-	50,000	100	-	-	50,000	100	-	-	50,000	100	-	-	100,000	100	-	-
Teoh Hock Chai @ Tew Hock Chai	-	-	(1)50,000	100	-	-	(1)50,000	100	-	-	(1)50,000	100	-	-	(1)50,000	100	-	-	(1)100,000	100
ELK Group	-	-	(2)50,000	100	-	-	(2)50,000	100	-	-	(2)50,000	100	-	-	(2)50,000	100	-	-	(2)100,000	100
Eng Lee Kredit	-	-	(3)50,000	100	-	-	(3)50,000	100	-	-	(3)50,000	100	-	-	(3)50,000	100	-	-	(3)100,000	100
Eng Lee Capital	-	-	(4)50,000	100	-	-	(4)50,000	100	-	-	(4)50,000	100	-	-	(4)50,000	100	-	-	(4)100,000	100
Substantial Shareholders																				
Unico-Desa	50,000	100	-	-	50,000	100	-	-	50,000	100	-	-	50,000	100	-	-	100,000	100	-	-
Teoh Hock Chai @ Tew Hock Chai	-	-	(1)50,000	100	-	-	(1)50,000	100	-	-	(1)50,000	100	-	-	(1)50,000	100	-	-	(1)100,000	100

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

Name	As at FYE 31 March 2009				As at FYE 31 March 2010				As at FYE 31 March 2011				As at FYE 31 March 2012				As at LPD			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		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)	%	No. of Shares ('000)	%
ELK Group	-	-	(2)50,000	100	-	-	(2)50,000	100	-	-	(2)50,000	100	-	-	(2)50,000	100	-	-	(2)100,000	100
Eng Lee Kredit	-	-	(3)50,000	100	-	-	(3)50,000	100	-	-	(3)50,000	100	-	-	(3)50,000	100	-	-	(3)100,000	100
Eng Lee Capital	-	-	(4)50,000	100	-	-	(4)50,000	100	-	-	(4)50,000	100	-	-	(4)50,000	100	-	-	(4)100,000	100
Unico Holdings Berhad	-	-	(5)50,000	100	-	-	(5)50,000	100	-	-	(5)50,000	100	-	-	(5)50,000	100	-	-	(5)100,000	100

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 Capital 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 its interest in Unico-Desa pursuant to Section 6A of the Act.*

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5.2 DIRECTORS

5.2.1 Particulars and Shareholdings of our Directors

Based on the Register of Directors and the Register of Directors' Shareholdings of ELK-Desa Resources as at LPD, none of our Directors have direct or indirect interests in our Shares before and after the IPO and during their years in office save and except for those disclosed below:

Name	Designation	As at LPD						After the IPO and upon Listing					
		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)	%
Teoh Hock Chai @ Tew Hock Chai[(3)]	Non-Independent Non-Executive Chairman	-	-	[(1)]100,000	100.00	[(1)]100,000	100.00	385	0.31	[(2)]29,940	23.95	30,325	24.26
Lim Keng Chin	Executive Director	-	-	-	-	-	-	347	0.28	-	-	347	0.28
Teoh Seng Hui[(3)]	Non-Independent Non-Executive Director	-	-	-	-	-	-	-	-	-	-	-	-
Teoh Seng Kar[(3)]	Non-Independent Non-Executive Director	-	-	-	-	-	-	-	-	-	-	-	-
Ng Soon Lai @ Ng Siek Chuan	Independent Non-Executive Director	-	-	-	-	-	-	-	-	-	-	-	-
Loong Foo Ching	Independent Non-Executive Director	-	-	-	-	-	-	-	-	-	-	-	-

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

Name	Designation	As at LPD						After the IPO and upon Listing					
		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)	%
Yee Kin Lan	Independent Non-Executive Director	-	-	-	-	-	-	-	-	-	-	-	-
Tham Wai Hoong	Independent Non-Executive Director	-	-	-	-	-	-	-	-	-	-	-	-
Toh Jyh Wei	Independent Non-Executive Director	-	-	-	-	-	-	-	-	-	-	-	-

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 his interest in ELK Group, Eng Lee Kredit and Eng Lee Capital pursuant to Section 6A of the Act.*

(3) *Teoh Hock Chai @ Tew Hock Chai is the father of Teoh Seng Hui and Teoh Seng Kar.*

Teoh Hock Chai @ Tew Hock Chai was re-elected as a Director on 1 August 2012. Lim Keng Chin, Teoh Seng Kar and Teoh Seng Hui who were all re-elected in the Annual General Meeting held on 2 September 2011 and had agreed among themselves that Teoh Seng Hui will be subject to retirement by rotation in the forthcoming annual general meeting in 2013. The five (5) newly appointed independent directors shall hold office until the forthcoming annual general meeting in 2013.

In accordance with Article 112 of the Company's Articles of Association, after the first Annual General Meeting, one-third of the Directors for the time being, shall retire from office at the Annual General Meeting in every year provided always that all Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election.

5.2.2 Profiles of Directors

Teoh Hock Chai @ Tew Hock Chai, a Malaysian, aged 67, is the Non-Independent Non-Executive Chairman of ELK-Desa Resources. He is responsible for charting the Group's strategic direction and overseeing the Board of Directors.

After his primary education, Teoh Hock Chai @ Tew Hock Chai worked in various jobs. In 1971, he founded Eng Lee Finance Sdn Bhd which was primarily involved in HP financing for used motor vehicles. Eng Lee Finance Sdn Bhd was subsequently changed its name to Eng Lee Kredit.

Subsequently, he formed Eng Lee Motor Sdn Bhd (currently known as ELK Group) which later became the holding company of Eng Lee Kredit. ELK Group is currently an investment holding company with interest in the furniture business. In 2004, Eng Lee Kredit ceased its HP business and became an investment holding company when ELK-Desa Capital commenced its HP business on 1 September 2004.

He has over 40 years of experience in the HP and trading of used passenger cars business. In addition, he has over 10 years' experience in the furniture as well as the palm oil business. He has been on the Board of Unico-Desa since year 2000, and was appointed as Managing Director of Unico-Desa in 2004.

He is currently the Managing Director of Unico-Desa and Executive Chairman of ELK Group.

ELK Group, which is controlled by Teoh Hock Chai and his family members, will be a substantial shareholder of ELK-Desa Resources upon the listing of ELK-Desa Resources.

Teoh Hock Chai @ Tew Hock Chai also serves as the Advisor and Trustee to the KLSCDCCA and the Honorary Treasurer of Tung Shin Hospital.

Lim Keng Chin, a Malaysian, aged 68, is the Executive Director of ELK-Desa Resources. He will be responsible for formulating the Group's overall business strategies, corporate planning, business development and operations.

After his secondary education, Lim Keng Chin joined the finance industry and gained extensive experience from his employment in financial institutions including Arab-Malaysian Finance Berhad.

After leaving Arab-Malaysian Finance Berhad while holding the last position of General Manager in 1983, he joined Eng Lee Kredit as a Director and General Manager. Since then, Lim Keng Chin has accumulated over 25 years of experience in the HP business and is currently a Director of ELK Group.

He was appointed as an Executive Director of Unico-Desa on 28 November 2005. Since his appointment as an Executive Director of Unico-Desa in year 2005, he is mainly responsible for formulating the ELK-Desa Resources Group's overall strategies, corporate planning, business development and operations, where he spent most of his time on the Unico- Desa Group's HP business.

Pursuant to the IPO of ELK-Desa Resources, he has been re-designated as Non-Independent Non-Executive Director of Unico-Desa and designated as the Executive Director of ELK-Desa Resources on 1 April 2012.

He also serves as the Vice Chairman of AHPCM.

Teoh Seng Hui, a Malaysian, aged 41, is a Non-Independent Non-Executive Director of ELK-Desa Resources. He graduated from the University of Kent at Canterbury, United Kingdom with a Bachelor's degree in Accounting and Law in 1993.

He joined Eng Lee Kredit in 1995 as a Finance Manager and subsequently joined ELK-Desa Resources as a General Manager in 2006.

In 2011, Teoh Seng Hui was appointed as the Group Executive Director of Unico-Desa. As the Group Executive Director of Unico-Desa and is tasked with assisting the Managing Directors in overseeing the Unico-Desa Group oil palm plantation and HP business. He has over 15 years of experience in the HP and trading of used cars business, 10 years of experience in the furniture business and over 5 years of experience in the palm oil business. He is also a Director of ELK Group.

Pursuant to the IPO of ELK-Desa Resources, his task portfolio has been re-assigned to focus on the plantation business of Unico-Desa and thus re-designated as Non-Executive Director of ELK-Desa Resources.

Teoh Seng Kar, a Malaysian, aged 34, is a Non-Independent Non-Executive Director of ELK-Desa Resources. In 2002, he graduated from Nanyang Technological University, Singapore with a Bachelor's degree in Engineering (Mechanical and Production).

Upon graduation, he joined a procurement consulting company prior to joining Unico-Desa in 2005 as a Personal Assistant to the Managing Director. He is currently the Special Assistant to the Managing Director and Head of Corporate Affairs and Finance Division for Unico-Desa. He has over five (5) years of experience in the HP and palm oil business through his involvement as a Personal Assistant to the Managing Director. He is also a Director of ELK Group.

Ng Soon Lai @ Ng Siek Chuan, a Malaysian, aged 58, is appointed as an Independent Non-Executive Director of ELK-Desa Resources. He has been a fellow member of the Institute of Chartered Accountants in England and Wales ("ICAEW") since 1977.

Ng Soon Lai had gained audit and accounting experience with Coopers & Lybrand in London and Kuala Lumpur before embarking on his career path in the financial sector in 1980. He then served in various positions in a leading local merchant bank and a finance company. Subsequently, he joined Alliance Bank Malaysia Berhad in 1991 as its General Manager of Credit. He was appointed as the Chief Executive Director of Alliance Bank Malaysia Berhad in 1994 and to the Board of Alliance Merchant Bank Berhad in 2002. He then resigned from his position of Chief Executive Director of Alliance Bank Malaysia Berhad in 2005. Since then, he has held the post of Independent Executive Director in several public listed companies.

Ng Soon Lai also sits on the Board of SP Setia Berhad, Deutsche Bank (M) Berhad, Hiap Teck Venture Berhad, Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad), Tune Ins Holdings Berhad and Unico-Desa Plantations Berhad.

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Loong Foo Ching, a Malaysian, aged 62, is appointed as an Independent Non-Executive Director of ELK-Desa Resources.

Loong Foo Ching is an advocate & solicitor and holds a Bachelor of Laws (LLB) – honours degree from University of London and a Master of Laws (LLM) degree from University of Malaya. He is also an associate member of the Chartered Institute of Bankers, London (now under the official brand name of Institute of Financial Services) and a member of Institut Bank – Bank Malaysia.

Prior to legal practice, Loong Foo Ching has served a total of 25 years in the banking and finance industry initially with HSBC Group and later with Sabah Development Bank Group where his principal areas of responsibilities included hire-purchase facility, leasing, real-estate financing, corporate loans and asset/liability management.

He is currently the Honorary Legal Advisor to the AHPCM.

He is also an Independent Non-Executive Director of Bertam Alliance Berhad and Integrax Berhad.

Yee Kin Lan, a Malaysian, aged 61, is appointed as an Independent Non-Executive Director of ELK-Desa Resources. He holds a Master of Business Administration from the University of Hull, United Kingdom. Yee Kin Lan is a member of the Malaysian Institute of Management since 1989, a member of the Institute of Bankers Malaysia since 1999 and also a registered financial planner with the Malaysian Financial Planning Council since 2006.

He has extensive exposure and knowledge on the local banking and financial industry having spent his entire career working at three (3) different Malaysian banks before retiring in 2011. He started his career with Public Bank Berhad in 1983, and held various managerial positions including Branch Manager before leaving to join Pacific Bank Berhad, also as a Branch Manager in 1997. In 2001, Yee Kin Lan, along with other employees of Pacific Bank Berhad, was absorbed by Malayan Banking Berhad after a merger exercise. He was promoted to the position of Head of Business Development (Zone Manager) in 2002 and to Head of Regional Business in 2009 where he managed the operation control and business performance of all the branches within the Federal Territory Kuala Lumpur region.

Tham Wai Hoong, a Malaysian, aged 38, is appointed as an Independent Non-Executive Director of ELK-Desa Resources. He graduated from Sheffield Hallam University, United Kingdom with a Bachelor's of Science (Honours) in Quantity Surveying in 1998. Tham Wai Hoong is also a member of the Royal Institute of Chartered Surveyor of United Kingdom since 2007.

He has over 15 years of work experience in cost and project management, overseeing high cost commercial projects. Upon graduation, Tham Wai Hoong joined Davis Langdon and Seah International, a quantity surveying practice in Kuala Lumpur as a Senior Project Surveyor before leaving in 2002. Thereafter, he gained significant work exposure on international grounds with stints at Sir Robert McAlpine, KHK Group and Davis Langdon LLP in London, United Kingdom and at WT Partnership in China before returning to Malaysia in 2009 to join Plenitude Berhad as the Group Project Auditor for its contract division. He left Plenitude Berhad in 2011 to rejoin Davis Langdon LLP in London, United Kingdom as a Senior Cost Consultant as well as a Hotel and Resort Specialist. He was subsequently posted to Nassau, Bahamas to work on the USD3.5 billion Baha Mar Development project. He left Davis Langdon LLP to return to Malaysia in 2012.

Toh Jyh Wei, a Malaysian, aged 28, is appointed as an Independent Non-Executive Director of ELK-Desa Resources. She holds a Bachelor of Laws (Honours) degree from the University of Sheffield, United Kingdom.

Toh Jyh Wei began her career at Patrick Mirandah Co. (M) Sdn Bhd, an intellectual property boutique practice as a Trademark Executive. Thereafter, she spent four (4) years in Singapore and worked as a Corporate Secretarial Associate at Tricor Singapore Pte Ltd and a Corporate Secretarial Associate at Keppel Corporation Ltd respectively. During her stint in Singapore, she has gained valuable exposure and experience by handling a portfolio of listed and non-listed companies across various industries, providing corporate secretarial advisory services to ensure that all listing and statutory requirements are complied with.

Currently, Toh Jyh Wei is managing an online retailing business that provides women's apparel which she co-founded.

5.2.3 Directors' Remuneration and Benefits

The aggregate remuneration and/or material benefits-in-kind paid in FYE 31 March 2011, FYE 31 March 2012 and proposed to be paid in FYE 31 March 2013 to the Directors of our Company are as follows:

Directors	Remuneration Band for		
	FYE 31 March 2011 (RM)	FYE 31 March 2012 (RM)	Proposed FYE 31 March 2013 (RM)
Teoh Hock Chai @ Tew Hock Chai	-	-	50,001 to 100,000
Lim Keng Chin	-	-	300,001 to 350,000
Teoh Seng Hui	350,001 to 400,000	450,001 to 500,000	Up to 50,000
Teoh Seng Kar	-	-	Up to 50,000
Ng Soon Lai @ Ng Siek Chuan	-	-	50,001 to 100,000
Loong Foo Ching	-	-	Up to 50,000
Yee Kin Lan	-	-	Up to 50,000
Tham Wai Hoong	-	-	Up to 50,000
Toh Jyh Wei	-	-	Up to 50,000

5.2.4 Principal directorships in other corporations for the past 5 years and principal business activities performed outside our Group

Our Directors were not directors in other corporations for the past 5 years prior to the LPD and did not carry out any principal business activities performed outside our Group as at LPD except as listed below:

Teoh Hock Chai @ Tew Hock Chai

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
ELK Group	Malaysia	Executive Chairman	22/08/1983	Investment holding (Quoted and unquoted shares, property and furniture business)
Eng Lee Kredit[(1)]	Malaysia	Executive Chairman	16/03/1971	Investment holding (Quoted and unquoted shares, property and furniture business)
ELK Amity Capital Sdn Bhd[(1)]	Malaysia	Executive Chairman	21/04/1994	Investment holding (currently inactive)
Eng Lee Capital[(1)]	Malaysia	Executive Chairman	31/05/2001	Investment holding (Quoted and unquoted shares)
Hock Chai Realty Sdn Bhd[(1)]	Malaysia	Chairman	20/12/1975	Investment holding (Property investment)
ELK Furniture Sdn Bhd[(1)]	Malaysia	Executive Chairman	23/07/2006	Furniture trader
ELK Furniture Industries Sdn Bhd[(1)]	Malaysia	Executive Chairman	23/06/2006	Furniture manufacturer
Kar Hee Sdn Bhd	Malaysia	Governing Director & Executive Chairman	21/02/1984	Investment holding (Property investment)
Teoh Hock Chai Sdn Bhd	Malaysia	Governing Director & Executive Chairman	21/09/2007	Investment holding (Unquoted shares and property)
Xinglin Resources Sdn Bhd	Malaysia	Director	15/08/2011	Investment holding (On 30 August 2012, the company was placed under members voluntary liquidation)

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
Unico-Desa	Malaysia	Managing Director	07/01/2000	Cultivation of oil palm, palm oil milling and distribution of crude palm oil and palm kernel. Investment holding
Basic Plantation (S) Sdn Bhd(2)	Malaysia	Director	23/08/2001	Cultivation of oil palm
Korop Holdings Sdn Bhd(2)	Malaysia	Director	15/12/2003	Cultivation of oil palm
Unico Plantations Sdn Bhd(2)	Malaysia	Director	20/12/2001	Cultivation of oil palm
Unico Oil Mill Sdn Bhd(2)	Malaysia	Director	20/12/2001	Palm oil milling and distribution of palm oil and palm kernels
Syarikat Zuba Sdn Bhd(2)	Malaysia	Director	20/12/2001	Cultivation of oil palm
Unico Holdings Berhad	Malaysia	Director	01/10/2003/ (13/08/2008)	Investment holding

Notes:

(1) *It is a wholly-owned subsidiary of ELK Group.*

(2) *It is a wholly-owned subsidiary company of Unico-Desa.*

Lim Keng Chin

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
ELK Group	Malaysia	Director	22/08/1983	Investment holding (Quoted and unquoted shares, property and furniture business)
ELK Amity Capital Sdn Bhd(1)	Malaysia	Director	01/10/2002	Investment holding (currently inactive)

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

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
Eng Lee Capital[(1)]	Malaysia	Director	28/10/2008/ (01/11/2011)	Investment holding (Quoted and unquoted shares)
Unico-Desa	Malaysia	Executive Director Non-Independent Non-Executive Director	28/11/2005 01/04/2012	Cultivation of oil palm, palm oil milling and distribution of crude palm oil and palm kernel. Investment holding
Fasgro Plantation Sdn Bhd[(2)]	Malaysia	Director	31/05/2004/ (01/03/2012)	Cultivation of palm oil
Segaco Plantation Sdn Bhd[(2)]	Malaysia	Director	31/05/2004/ (01/03/2012)	Cultivation of palm oil
Supercrop Plantation Sdn Bhd[(2)]	Malaysia	Director	31/05/2004/ (01/03/2012)	Cultivation of palm oil
Topcrop Plantation Sdn Bhd[(2)]	Malaysia	Director	31/05/2004/ (01/03/2012)	Cultivation of palm oil
Tutico Plantation Sdn Bhd[(2)]	Malaysia	Director	31/05/2004/ (01/03/2012)	Cultivation of palm oil
Financial Information Services Sdn Bhd	Malaysia	Director	20/01/1994	Credit Bureau
FIS Data Link Sdn Bhd	Malaysia	Director	24/03/2005	HP Ownership Claim

Notes:

(1) *It is a wholly-owned subsidiary of ELK Group.*

(2) *It is a wholly-owned subsidiary company of Unico-Desa.*

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Teoh Seng Hui

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
ELK Group	Malaysia	Director	21/05/2004	Investment holding (Quoted and unquoted shares, property and furniture business)
Eng Lee Kredit(1)	Malaysia	Director	30/04/2010	Investment holding (Quoted and unquoted shares, property and furniture business)
ELK Amity Capital Sdn Bhd(1)	Malaysia	Director	01/08/2006	Investment holding (currently inactive)
Eng Lee Capital(1)	Malaysia	Director	01/08/2006	Investment holding (Quoted and unquoted shares)
ELK Furniture Sdn Bhd(1)	Malaysia	Executive Director	13/09/1999	Furniture trader
ELK Furniture Industries Sdn Bhd(1)	Malaysia	Executive Director	02/05/1997	Furniture manufacturer
Unico-Desa	Malaysia	Group Executive Director	30/04/2009	Cultivation of oil palm, palm oil milling and distribution of crude palm oil and palm kernel. Investment holding
Fasgro Plantation Sdn Bhd(2)	Malaysia	Director	06/03/2012	Cultivation of palm oil
Segaco Plantation Sdn Bhd(2)	Malaysia	Director	06/03/2012	Cultivation of palm oil
Supercrop Plantation Sdn Bhd(2)	Malaysia	Director	06/03/2012	Cultivation of palm oil
Topcrop Plantation Sdn Bhd(2)	Malaysia	Director	06/03/2012	Cultivation of palm oil
Tutico Plantation Sdn Bhd(2)	Malaysia	Director	06/03/2012	Cultivation of palm oil

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
Unico Oil Mill Sdn Bhd[(2)]	Malaysia	Director	06/03/2012	Processing and marketing of palm oil products
Unico Plantations Sdn Bhd[(2)]	Malaysia	Director	06/03/2012	Cultivation of palm oil
Syarikat Zuba Sdn Bhd[(2)]	Malaysia	Director	06/03/2012	Cultivation of palm oil
Basic Plantation (S) Sdn Bhd[(2)]	Malaysia	Director	06/03/2012	Cultivation of palm oil
Korop Holdings Sdn Bhd[(2)]	Malaysia	Director	06/03/2012	Cultivation of palm oil

Notes:

(1) *It is a wholly-owned subsidiary of ELK Group.*

(2) *It is a wholly-owned subsidiary company of Unico-Desa.*

Teoh Seng Kar

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
ELK Group	Malaysia	Director	21/05/2004	Investment holding (Quoted and unquoted shares, property and furniture business)
Eng Lee Kredit[(1)]	Malaysia	Director	30/04/2010	Investment holding (Quoted and unquoted shares, property and furniture business)
Builtec Agricultural & Development Sdn Bhd[(2)]	Malaysia	Director	18/11/2008	Cultivation of palm oil
Gelodar Sdn Bhd[(2)]	Malaysia	Director	18/11/2008	Cultivation of palm oil
Golden Focus Sdn Bhd[(2)]	Malaysia	Director	18/11/2008	Cultivation of palm oil

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
Zutaland Development Sdn Bhd[(2)]	Malaysia	Director	18/11/2008	Cultivation of palm oil

Notes:

[(1)] *It is a wholly-owned subsidiary of ELK Group.*

[(2)] *It is a wholly-owned subsidiary company of Unico-Desa.*

Ng Soon Lai @ Ng Siek Chuan

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
SP Setia Berhad	Malaysia	Independent Non-Executive Director	21/09/2005	Property development
Deutsche Bank Berhad	Malaysia	Independent Non-Executive Director	15/02/2006	Banking
Hiap Teck Venture Berhad	Malaysia	Independent Non-Executive Director	18/08/2009	Steel manufacturing
Unico-Desa	Malaysia	Independent Non-Executive Director	30/09/2008	Plantations
Tune Insurance Malaysia Berhad *(formerly known as Oriental Capital Assurance Berhad)*	Malaysia	Non-Independent Non-Executive Chairman	05/04/2011	General insurance
Stellar Crest Sdn Bhd	Malaysia	Director	15/06/2006	Plantations
Pekemojaya Sdn Bhd	Malaysia	Director	26/11/1986	Property investment
Herlitz AG	Germany	Independent Director	10/06/2011	Stationery
Herlitz PBS	Germany	Independent Director	10/06/2011	Stationery
Proton Commerce Sdn Bhd	Malaysia	Independent Director	30/09/2005/ (01/08/2010)	HP
Proton Finance Limited	United Kingdom	Independent Director	20/01/2006/ (01/03/2010)	HP

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
Lotus Finance Limited	United Kingdom	Independent Director	28/02/2006/ (01/03/2010)	HP
Pembinaan Redzai Sdn Bhd	Malaysia	Managing Director	01/01/2006/ (31/12/2006)	Investment holding
Tune Ins Holdings Berhad	Malaysia	Independent Director	05/10/2012	Investment holding

Loong Foo Ching

Company	Country of Incorporation	Position	Date of Appointment/ (Date of Resignation)	Principal Activities
Integrax Berhad	Malaysia	Independent Non-Executive Director	06/05/2011	Investment holding
Bertam Alliance Berhad	Malaysia	Independent Non-Executive Director	31/07/2002	Investment holding

Toh Jyh Wei

Business	Country of Registration	Position	Date of Commencement	Principal Activities
Clover Creations	Malaysia	Sole proprietor	7 December 2011	Online retailing business

Our Directors have declared that their involvement in the abovementioned companies/ businesses will not affect their contribution to our Group or negatively impact their ability to act in their respective capacities.

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5.3 AUDIT, REMUNERATION AND NOMINATION COMMITTEES

5.3.1 Audit Committee

The requirements for an Audit Committee and details on their roles and functions are contained in the Listing Requirements. The Audit Committee must consist of at least three individuals and independent directors must form a majority in the audit committee.

The function of our audit committee is to ensure good corporate governance while its detailed terms of reference shall be set out in writing. It shall prepare an audit committee report at the end of each financial year which will be included in our annual report. It comprises the following members:

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

5.3.2 Remuneration Committee

The terms of reference of our Remuneration Committee involves the review and recommendation of our Directors' remuneration package to our Board. It comprises the following members:

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

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5.3.3 Nomination Committee

The terms of reference of our Nomination Committee are to recommend the appointment of new Directors and committee members of our Company to our Board. It comprises the following members:

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

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5.4 CORPORATE GOVERNANCE AND INTERNAL CONTROL

5.4.1 Statement on corporate governance

The Board acknowledges good corporate governance as a matter of high importance and remains a fundamental part of our Group's culture. The Board is responsible for the corporate governance of the Group, undertaken with due regard to all of the Group's stakeholders and its role within the community.

To this end, the Board is pleased to report of the high standard of corporate governance practised throughout the Group in the best interests of the stakeholders. The Board is fully aware of the principles and best practices under the Malaysian Code of Corporate Governance (Revised 2007) ("the Code") and the Listing Requirements and notes with pride that efforts are in place to ensure compliance with the above.

This disclosure statement below sets out the manner in which the Company has applied the principles of the Code and the extent of compliance with Best Practices advocated therein pursuant to the Listing Requirements.

The Board

The Board is responsible, amongst others, for establishing and communicating the strategic direction and corporate values of the Company, and supervising its affairs to ensure its success within a framework of acceptable risks and effective control and in compliance with the relevant laws, regulations, guidelines and directives in the territories in which it operates. It reviews management performance and ensures that the necessary financial and human resources are available to meet the Company's objectives.

Further to this, the Board has delegated specific responsibilities to Board Committees as well as various sub-committees to assist the Board in the running of the Company. The functions and terms of reference of the Board Committees as well as the authority delegated by the Board have been clearly defined. There are 3 Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. These Committees will deliberate and discuss issues within their terms of reference and report to the Board with their recommendations. However, the ultimate responsibility for decision-making still lies with the Board.

Board balance

The Board currently comprises of 9 members, our Non-Independent Non-Executive Chairman, our Executive Director, our Non-Independent Non-Executive Directors and 5 Independent Non-Executive Directors. Together, the Directors bring wide business, regulatory, industry and financial experience to complement and to lead the Company.

All Board members participate fully in decisions on key issues involving the Company. The Executive Director is responsible for implementing the policies and decisions of the Board and managing the Company's day-to-day operations. Together with the Non-Independent Non-Executive Chairman, Non-Independent Non-Executive Directors and the Independent Non-Executive Directors, the Board ensures that strategies are fully discussed and examined taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Company conducts our business.

There is a clear division of responsibilities between our Non-Independent Non-Executive Chairman and our Executive Director to ensure that there is a balance of power and authority. In ensuring this balance, the positions of Non-Independent Non-Executive Chairman and Executive Director are held by separate members of the Board. The Non-Independent Non-Executive Chairman is responsible for the orderly conduct and working of the Board and for ensuring that members have access to relevant information on a timely manner, whilst our Executive Director is responsible for overseeing the day to day management of the Company's business operations and implementation of Board decisions.

Board meetings

The Board is scheduled to meet at least 4 times a year at quarterly intervals, with additional meetings to be convened when urgent and important decisions are to be made between the scheduled meetings. Agenda and Board papers will be circulated to the Board prior to the Board meetings so as to give the Directors time to consider and deliberate on the issues to be raised at Board meetings.

Board structures and procedures

The Board delegates certain responsibilities to Board Committees, each with defined terms of reference and responsibilities. The Board receives reports of the Board Committees proceedings and deliberations. Where committees have no authority to make decisions on matters reserved for the Board, the Board Committee's recommendations would be highlighted for the Board of Directors' approval.

Supply of information

The agenda and Board papers will be circulated in advance of each Board meeting to enable the Directors to obtain information and further explanations so that proper discussion can be held during Board meetings and an informed decision can be made. The Board papers include amongst others, minutes of previous meetings, Company financial performance, proposal papers from management and etc.

All Directors, whether as a full Board or in their individual capacity, will have access to the advice and services of the Company Secretary. The Directors may also seek independent professional advice in furtherance of their duties, whenever they deem necessary, at the expense of the Company.

Appointment to the Board

The Nomination Committee, which comprises our Non-Independent Non-Executive Chairman and our two (2) Independent Non-Executive Directors, is responsible for making recommendations for any new appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience which the Directors should bring to the Board. Any new nomination received is put to the full Board for assessment and approval.

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Re-elections

In accordance with the Company's Articles of Association, all Board members who are appointed by the Board shall be subject to election by shareholders. The Company's Articles of Association also provide that at least 1/3 of the Directors shall retire by rotation at each Annual General Meeting and that all Directors shall retire once every 3 years. A retiring Director shall be eligible for re-election.

Directors over 70 years of age who wish to be re-elected are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Act.

As at LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors would have served in that office since the date of appointment or re-appointment are as follows:

Name	Date of appointment/ re-appointment	Directorship	Date of expiration of the current term of office	No. of years in office as at LPD
Teoh Hock Chai @ Tew Hock Chai	1 August 2012	Non-Independent Non-Executive Chairman	Not later than 30 September 2015	Less than 1 years
Lim Keng Chin	2 September 2011	Non-Independent Executive Director	Not later than 30 September 2014	More than 1 year
Teoh Seng Hui	2 September 2011	Non-Independent Non-Executive Director	Not later than 30 September 2013	More than 1 year
Teoh Seng Kar	2 September 2011	Non-Independent Non-Executive Director	Not later than 30 September 2014	More than 1 year
Ng Soon Lai @ Ng Siek Chuan	20 September 2012	Independent Non-Executive Director	Not later than 30 September 2013	Less than 1 year
Loong Foo Ching	20 September 2012	Independent Non-Executive Director	Not later than 30 September 2013	Less than 1 year
Yee Kin Lan	12 October 2012	Independent Non-Executive Director	Not later than 30 September 2013	Less than 1 year
Tham Wai Hoong	12 October 2012	Independent Non-Executive Director	Not later than 30 September 2013c	Less than 1 year
Toh Jyh Wei	12 October 2012	Independent Non-Executive Director	Not later than 30 September 2013	Less than 1 year

Board Committees

The Board has established the following committees to assist the Board in the discharge of their duties and responsibilities. The committees are provided with written terms of reference. The Chairman of the various committees reports the decision and outcome of the committee meetings to the Board.

Audit Committee ("AC")

Members of the AC are:

Ng Soon Lai @ Ng Siek Chuan	Chairman
Loong Foo Ching	Member
Teoh Seng Kar	Member

The major terms of reference for our AC include reviewing the financial statements of our Group before submission to our Board, recommendations of the external auditors, reviewing the results and scope of the audit and other services provided by our external auditors. In addition, our AC reviews and evaluates our Group's internal control systems. Our AC is also responsible for the assessment of financial risks and matters relating to related party transactions and conflict of interests. Our AC may obtain advice from independent parties and other professionals in the performance of its duties.

Nomination Committee ("NC")

Members of the NC are:

Teoh Hock Chai @ Tew Hock Chai	Chairman
Ng Soon Lai @ Ng Siek Chuan	Member
Loong Foo Ching	Member

Our NC is responsible for identifying and recommending new nominees to our Board as well as committees of our Board. Our NC will assess the effectiveness of our Board as a whole, our Board Committees and each individual Director on an annual basis. In developing such recommendations, our NC will consult all Directors and reflect that consultation in any recommendation brought forward to our Board. Our Board makes all decisions on appointments after considering the recommendations of our NC.

Remuneration Committee ("RC")

Members of the RC are:

Teoh Hock Chai @ Tew Hock Chai	Chairman
Ng Soon Lai @ Ng Siek Chuan	Member
Loong Foo Ching	Member

Our RC reviews and proposes, subject to the approval of our Board, the remuneration policy and terms of conditions of service of each Director for his services as a member of our Board as well as Committees of our Board. Nevertheless, the remuneration of Non-Executive Directors is a matter for the Board decision as a whole. Relevant directors are required to abstain from deliberation and voting decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group. Decisions and recommendations of our RC shall be reported back to our Board for approval and where required by rules and regulations governing our Company, for approval of shareholders at the annual general meeting.

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SHAREHOLDERS

Dialogue between the Company and investors

The Board recognises the importance of accountability to shareholders on all major developments affecting the Company. Information is disseminated to shareholders and investors through various channels which include annual financial results, annual reports as well as, where appropriate, circulars and press releases. The Board will regularly review the information disseminated to ensure that consistent and accurate information is provided to shareholders of the Company.

Use of Annual General Meeting ("AGM")

The Company will hold an AGM which will provide the opportunity for shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements, corporate developments in the Group and the resolutions proposed. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board as well as Auditors of the Company would be present to answer questions raised at the meeting.

ACCOUNTABILITY AND AUDIT

Financial reporting

In presenting the audited financial statements, the Directors are responsible for presenting a balanced and understandable assessment of the Company's position and prospects. The Audit Committee of the Board will assist in scrutinising the information disclosed so as to ensure its reasonableness and adequacy.

Internal control

The Board acknowledges its responsibility for maintaining a sound system of internal control in the Group. These controls provide reasonable but no absolute assurance against material misstatement, loss or fraud.

Relationship with auditors

The Company maintained a transparent and appropriate relationship with both the external and internal auditors.

CONCLUSION

The Board subscribes to the belief that observance with relevant legal and regulatory requirements are pivotal to sound corporate governance. Hence, the Board is fully dedicated to continuously evaluate the Group's corporate governance practices and procedures with a view to ensure that adequate checks and balances exist and the high standard of corporate governance are being maintained.

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5.4.2 Statement on internal control

Pursuant to our Listing, the Board is pleased to present its Statement on Internal Control as a group, prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies. The statement below outlines the nature and scope of internal controls of the Group during the financial year.

Responsibility

The Board recognises the importance of a sound system of internal controls and risk management framework to good corporate governance. The Board acknowledges its overall responsibility for the Group's systems of internal control and risk management, as well as reviewing the adequacy and integrity of the Group's internal control system. The Board's responsibility in relation to the systems of internal control encompasses all subsidiaries of the Group. However, as there are inherent limitations in any system of internal control, such system of internal control put into effect by management can only manage but not eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, the internal control system can only provide reasonable but not absolute assurance against material misstatement, error or loss.

Risk management framework

The Board has taken necessary measures to ensure the existence of an on-going process to manage and mitigate the significant risks faced by the Group and recognizes the importance of establishing good risk management systems and practices within the Group's operations. In monitoring the significant risks of the Group, the Board relies on the direct participation of our Executive Director and Senior Management in our daily operations. Our Executive Director and Senior Management attend various scheduled and ad-hoc management meetings as well as perform reviews of financial and operational reports in order to monitor the performance of the Group. These meetings and reports present the ideal platform for timely identification of the Group's risks of each business units and implementation of systems to manage these risks. The Executive Director updates the Board of any significant matters which require the latter's attention

Management style and control environment

Enhancing the Group's ability to achieve our business objectives remains as the Board's primary objective and direction in managing ELK-Desa Resources Group. In ensuring that this objective is achieved, the Board will continue to rely on the Senior Management, to ensure that the performances of their businesses are within the agreed business strategies. The Board will in turn monitor the performances and profitability through the reports it received and its involvement in operational and strategic meetings. Matters arising which are significant in nature are brought to the attention of the Executive Director, who in turn, will direct these matters, if necessary, to the Board for its attention.

In monitoring the performance of the Group, an elaborate annual budgetary planning and review process is practiced. This is to ensure that the performance of the various business units can be monitored and benchmarked, and the interests of all our stakeholders are addressed.

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Assurance mechanism

The Board has delegated the responsibility for reviewing the adequacy and integrity of the internal control system to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the systems of internal controls through independent reviews conducted on reports it receives from management, internal audit function and external auditors.

The external auditors provide assurance in the form of their annual statutory audit of the financial statements of the Group. Any areas for improvement identified during the course of the statutory audit are brought to the attention of the Audit Committee through management letters or are articulated at the Audit Committee meetings.

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 has been 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.

Conclusion

In accordance with the assessment of the Group's systems of internal control, the Board is of the view that the risks undertaken by the Group were within tolerable levels in the context of the business environment the Group operates in and the systems of internal control that existed throughout the year – comprising the internal control framework, management processes, monitoring and review process, provided a level of confidence on which the Board relied for assurance. During the year under review, nothing has come to the attention of the Board which would result in any material losses, contingencies or uncertainties that would require separate disclosure in the audited financial statements. Notwithstanding this, the Board will continue to ensure that the Group's systems of internal control can continuously adapt to prevail in its current changing and challenging business environment.

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

5.5 OUR KEY MANAGEMENT AND TECHNICAL PERSONNEL

5.5.1 Shareholdings of our key management and technical personnel

As at LPD, none of our key management and technical personnel has direct or indirect interests in our Shares before and after the IPO save and except for those disclosed below:

Name	Designation	As at LPD						After the IPO and upon Listing					
		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)	%
Lim Keng Chin	Executive Director	-	-	-	-	-	-	347	0.28	-	-	347	0.28
Teoh Seng Hee	Executive Director of ELK-Desa Capital	-	-	-	-	-	-	*50	0.04	-	-	* 50	0.04
Teoh Hock Su	Senior Manager, Business and Operations	-	-	-	-	-	-	*100	0.08	-	-	*100	0.08
Loke Weng Fook	Group Accountant and Company Secretary	-	-	-	-	-	-	*100	0.08	-	-	*100	0.08
Choo Kim Hong	Senior Manager, General Administration and Banking	-	-	-	-	-	-	*50	0.04	-	-	*50	0.04
Teo Yet Lang	Operation Manager	-	-	-	-	-	-	*50	0.04	-	-	*50	0.04
Peh Bee Chin	Assistant Accountant	-	-	-	-	-	-	*15	0.01	-	-	*15	0.01

Note:

* *On the assumption that the respective key management will subscribe in full for his/her pink form allocations.*

5.5.2 Profiles of key management and technical personnel

Teoh Seng Hee, a Malaysian, aged 31, is the Executive Director of ELK-Desa Capital and a Director of ELK-Desa Risk Agency and ELK-Desa Marketing. He is responsible for implementing the Group's business strategies and overseeing the day-to-day operations. He graduated with a first class honours Bachelor of Engineering (Electrical & Electronics Engineering) degree from Nanyang Technological University, Singapore in 2004 and a Master of Science (Management) degree from Nanyang Business School, Singapore in 2008.

He joined ELK-Desa Capital in 2008 as the Manager of Corporate Finance and was primarily responsible for the preparation of management reports and financial analysis. In April 2010, he became the Personal Assistant to Executive Director to assist in managing the day-to-day operations at ELK-Desa Capital. He was appointed to his current position in November 2011.

Teoh Hock Su, a Malaysian, aged 54, is the Senior Manager for business operations in ELK-Desa Capital. He is responsible for overseeing the Group's HP Business and Operations Division.

After his secondary education, he joined Eng Lee Kredit in 1978. He has over 30 years of experience in the HP and trading of used cars business. He joined ELK-Desa Capital on 1 September 2004 as a Manager and was one of the pioneer staff to build the HP division. He was later promoted to his current position of Senior Manager on 1 April 2007. Currently, he is also the Vice President of KLSCDCCA.

Loke Weng Fook, a Malaysian, aged 57, is the Group Accountant and Company Secretary for ELK-Desa Resources Group and a Director of ELK-Desa Capital and ELK-Desa Risk Agency. He also acts as the Corporate Nominee for ELK-Desa Risk Agency. He is responsible for overseeing the accounting, taxation and corporate secretarial duties.

Loke Weng Fook graduated in 1980 and holds a Diploma in Commerce (Cost and Management Accounting) from the Kolej Tunku Abdul Rahman (Kuala Lumpur). He is an Associate Member of the Chartered Institute of Management Accountants ("CIMA") of the United Kingdom, a Chartered Global Management Accountant ("CGMA") by designation and is also a Chartered Accountant of the Malaysian Institute of Accountants.

Upon graduation, he worked as an Accountant and Manager of an insurance agency until 1984. Subsequently, he held several positions including Group Accountant, Company Secretary and Insurance Agency Manager with ELK Group between 1984 and 2004. Loke Weng Fook joined Unico-Desa in 2004 as a Senior Manager of Corporate Finance and among others, was responsible for financial reporting at the ELK-Desa Resources Group from FYE 2005 to FYE 2008. He is appointed to his current position on 1 November 2011.

Loke Weng Fook has over 30 years of experience in accounting, taxation, corporate secretarial work, insurance agency operations and corporate restructuring work.

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Choo Kim Hong, a Malaysian, aged 55, is the Senior Banking and Administration Manager of ELK-Desa Resources Group. She is responsible for liaising with the banks on all daily banking matters including the management of current accounts and the Group's bank borrowings. She also oversees the administration and human resource function of the Group.

While maintaining her position of Personal Assistant to Group Executive Chairman at Eng Lee Kredit, she was appointed as Senior Manager, General Administration and Banking of ELK-Desa Resources Group with effect from 1 October 2011. She subsequently resigned from Eng Lee Kredit on 31 January 2012 and now devotes her full attention to the ELK-Desa Resources Group. She has over 25 years' experience as a Personal Assistant to the Group Executive Chairman of the ELK Group group of companies, mainly dealing with banking and administration matters.

Teo Yet Lang, a Malaysian, aged 42, is the Operations Manager of ELK-Desa Capital. She is responsible for overseeing the day-to-day HP and insurance operations of ELK-Desa Capital. In 1997, she graduated with a LCCI ("London Chamber of Commerce") Private Secretary Certificate.

She has been a certified general agent of the Malaysia Insurance Institute ("MII") since 2001. She joined ELK-Desa Capital in January 2007 as the Operations Manager and has more than 15 years of experience in the automotive industry. Prior to joining ELK-Desa Capital, she had gained vast experience in areas related to HP, general insurance, motor insurance claims and trading of motor vehicles.

Peh Bee Chin, a Malaysian, aged 35, is the Assistant Accountant of ELK-Desa Capital. She is responsible for all accounting and financial reporting functions, ranging from cash flow management and taxation.

She is a member of MIA and ACCA. Prior to joining Unico-Desa in March 2007, she had accumulated over four (4) years of audit experience with an audit firm. She was later transferred to ELK-Desa Capital on 1 June 2008 as a Senior Accounts Executive and was subsequently promoted to her current position on 1 April 2010.

5.5.3 Involvement of executive directors, key management and technical personnel in any other principal business activities

As at LPD, save as disclosed in **Section 5.2.4** of this Prospectus, none of our executive directors, key management or technical personnel is involved in any other principal business activities.

5.6 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT

Our Promoters, Directors, key management and key technical personnel hereby declare that they are not and have never been involved in or been the subject of:

(a) petitions for bankruptcy or for insolvency which was filed (and not struck out) either personally or against any partnership in which he was a partner or against any corporation of which he was a director or key personnel;

(b) disqualifications (for any reason) from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(c) past or pending criminal proceedings, charges or convictions;

(d) adverse court judgments involving any breach of laws or regulatory requirements relating to the securities or futures industry; or

(e) orders, judgments or rulings of any court, government, or regulatory authority or legally constituted body forbidding him from engaging in any type of business practice or activity.

5.7 FAMILY RELATIONSHIPS AND ASSOCIATIONS

As at LPD, there are no family relationships/associations among our Promoters, substantial shareholders, Directors and key management and technical personnel save and except for the relationship below:

(a) Teoh Hock Chai @ Tew Hock Chai is the father of Teoh Seng Hui, Teoh Seng Kar and Teoh Seng Hee;
(b) Teoh Hock Chai @ Tew Hock Chai is the brother of Teoh Hock Su;
(c) Teoh Hock Chai @ Tew Hock Chai and Teoh Hock Su are the uncles of Teo Yet Lang;
(d) Teoh Hock Su is the uncle of Teoh Seng Hui, Teoh Seng Kar and Teoh Seng Hee; and
(e) Teoh Seng Hui, Teoh Seng Kar and Teoh Seng Hee are the cousins of Teo Yet Lang.

5.8 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at LPD, there is no existing or proposed service agreement or contract for service entered into by our Group or any company within our Group, with our Directors or key management and technical personnel.

5.9 EMPLOYEES

As at LPD, we have a total workforce of 96 employees. The Group does not rely on foreign employees to sustain our operations and our employees are all locals. The functional distribution of the Group's workforce along with the total number at the end of each year from 2009 to 2012 is as follows.

Category of employee	Number of employees				
	As at 31.03.2009	As at 31.03.2010	As at 31.03.2011	As at 31.03.2012	As at LPD
Director of subsidiary company	1	1	1	2	3
Senior Managers	1	1	2	2	2
Managers	6	6	5	5	6
Professional/ Executive	4	4	5	5	5
Clerical /Non-Executive	62	65	67	76	76
General workers	2	5	6	5	4
TOTAL	**76**	**82**	**86**	**95**	**96**

None of the Group's employees are members of any union nor have there been any major industrial disputes in the past. In addition, the Group has not experienced any major turnover in our workforce.

The Group views our employees as one of our key assets and places strong emphasis on staff retention by cultivating a safe and conducive work environment within the organisation.

Training and development programmes

We emphasize on training and development as a key continuous improvement process to keep our employees motivated and to increase their skills and knowledge. To further enhance the skill sets of the employees, they are encouraged to attend the internal training programmes which are relevant to their positions. Our Group conduct various in-house training programmes with the aim of increasing overall job proficiency and efficiency of our workforce in the organisation.

This is achieved through developing various training modules and conducting training programmes that are tailored according to the different job scopes of our employees. On-the-job trainings are also provided to employees. Besides that, our Group has also been sending our employees for external trainings.

Management succession plans

We seek to ensure continuity in our management team in order to maintain our competitiveness. It is our policy to groom outstanding junior level employees for more job responsibilities and supervisory roles, and groom exceptional middle-management staff to gradually assume the responsibilities of senior management. Our Executive Director and senior management are involved in the process of selection and identifying key competencies and requirements for managerial and more senior positions. Job candidate profiles are developed for management positions in line with our business goals, strategies and culture.

Our Group takes a continuous and proactive approach towards addressing talent management. This is to ensure our Group has talent readily available from a capability perspective to undertake leadership positions throughout our Group. Our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision making process and are equipped with the knowledge necessary for them to succeed to senior management positions.

5.10 PROMOTERS, DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS' BENEFIT

Save and except for the dividends as detailed in **Sections 1.9 and 8.6** of this Prospectus, and the remuneration and benefits for services rendered in all capacities to our Group as detailed in **Section 5.2.3** of this Prospectus, there are no other amounts or benefits paid or intended to be paid or given to any of our Promoters, substantial shareholders or Directors, within the two (2) years immediately preceding the date of this Prospectus.

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6. APPROVALS AND CONDITIONS

6.1 APPROVALS AND CONDITIONS

The Listing Scheme is subject to the following being obtained:

(a) The approval of the SC, pursuant to subsection 212(5) of the CMSA and the equity requirements for public companies to be listed on the Main Market of Bursa Securities, which was obtained vide its letter dated 14 September 2012;

(b) The approval of the MITI which was obtained vide its letter dated 9 May 2012;

(c) The approval-in-principle of Bursa Securities for admission to the Official List and listing of and quotation for the entire enlarged issued and fully paid-up share capital of ELK-Desa Resources on the Main Market of Bursa Securities, which was obtained vide its letter dated 4 October 2012;

(d) The approval of the shareholders of Unico-Desa at an extraordinary general meeting which was convened and obtained on 18 November 2011;

(e) The approval/ consent of any other relevant authority or party, if required;

(f) Approval of SC for the Distribution obtained by Unico-Desa on 14 September 2012; and

(g) The approval of Bursa Securities for an extension of time from 18 December 2012 (Date of Listing) to the next annual general meeting to obtain shareholders' ratification and shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT") pursuant to paragraph 10.09 of the Listing Requirements, which was obtained vide its letter dated 22 October 2012.

The SC had approved our Listing Scheme, under subsection 212(5) of the CMSA and the equity requirements for public companies, via its letter dated 14 September 2012. The conditions imposed by the SC and the status of compliance are as follows:

<table>
<tr><th colspan="2">Conditions Imposed By SC</th><th>Status of Compliance</th></tr>
<tr><td>(i)</td><td>Public issue of 25,000,000 new ordinary shares of RM1.00 each in ELK-Desa Resources to be allocated as follows:
<table>
<tr><th>Category</th><th>No. of ELK-Desa Resources shares</th><th>% of enlarged share capital</th></tr>
<tr><td>Bumiputera investors approved by the MITI[a]</td><td>15,625,000</td><td>12.50</td></tr>
<tr><td>Malaysian public via balloting ("Public Balloting")[b]</td><td>4,865,000</td><td>3.89</td></tr>
<tr><td>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[c]</td><td>4,510,000</td><td>3.61</td></tr>
<tr><td>Total</td><td>25,000,000</td><td>20.00</td></tr>
</table></td><td>To be complied.</td></tr>
</table>

6. APPROVALS AND CONDITIONS

<table>
<tr><th colspan="2">Conditions Imposed By SC</th><th>Status of Compliance</th></tr>
<tr><td></td><td>Notes:

(a) In the event that ELK-Desa Resources/MITI are unable to allocate the shares to the Bumiputera investors, the unsubscribed shares are to be offered to the Bumiputera retail investors via balloting ("Reallocated MITI Shares").

(b) If there are 7,812,500 or more Reallocated MITI Shares, all the 4,865,000 Public Balloting shares are instead to be made available to identified investors via private placement.

(c) If any of the 4,510,000 public issue shares made available for application by eligible employees are not subscribed, the shares not subscribed are to be made available to the Malaysian public via balloting.</td><td></td></tr>
<tr><td>(ii)</td><td>Non-renounceable restricted offer for sale by Unico-Desa of 13,493,454 existing ordinary shares of RM1.00 each in ELK-Desa Resources to all shareholders of Unico-Desa on a pro rata basis at the entitlement date to be determined;</td><td>To be complied.</td></tr>
<tr><td>(iii)</td><td>Listing of and quotation for ELK-Desa Resources' entire enlarged issued and paid-up share capital of RM125,000,000, comprising 125,000,000 ordinary shares of RM1.00 each, on the Main Market of Bursa Malaysia;</td><td>To be complied.</td></tr>
<tr><td>(iv)</td><td>ELK-Desa Resources to allocate 12.5% of its enlarged issued and paid-up share capital to Bumiputera investors at the point of listing. This includes the shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors. In the event that ELK-Desa Resources/MITI are unable to allocate the shares to the Bumiputera investors, the unsubscribed shares should be offered to the Bumiputera retail investors via balloting; and</td><td>To be complied.</td></tr>
<tr><td>(v)</td><td>The SC (under the Equity Requirements for Public Companies) has noted the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in ELK-Desa Resources would change arising from the implementation of the proposal, as follows:</td><td>-</td></tr>
</table>

Shareholders	Before proposal (% held)	After proposal (% held)
Bumiputera		
- Unico-Desa's Bumiputera shareholders	-	0.50
- Bumiputera to be nominated and approved by MITI	-	12.50
- Bumiputera public (via balloting)		1.95
Total Bumiputera	-	14.95
Non-Bumiputera	100.00	83.85
Foreign	-	1.20
Total	**100.00**	**100.00**

6. APPROVALS AND CONDITIONS

The SC has, via its letter dated 7 March 2012, approved the waivers sought from having to comply with certain requirements under the Equity Guidelines. The details of the waivers sought and the accompanying conditions imposed by the SC are as follows:

Description	Conditions Imposed By SC	Status of Compliance
Equity Guidelines – Appendix I: Content of Application for Equity Offerings and Listing		
Paragraph 3 Waiver from the requirement to submit the registrable listing prospectus, which is complete and fully comply with the disclosure and documentary requirements of the Prospectus Guidelines, in relation to the following paragraphs:	**Approved, subject to** the following conditions: (i) ELK-Desa Resources must be converted into a public company at the point of submission of the proposed listing to the SC;	(i) Complied. ELK-Desa Resources was converted into a public company on 16 March 2012, prior to submission of the listing to the SC.
(a) **Paragraph 4.08(a) & (b), 9.04 and 9.06(b) of the Prospectus Guidelines – Equity and Debt** Waiver from the requirement to appoint independent directors and members to the Audit, Remuneration and Nomination Committees.	(ii) A draft M&A complying with the Listing Requirements should be submitted at the point of submission; and	(ii) Complied. A draft M&A complying with the Listing Requirements were submitted to the SC attached to the applications to the SC on 27 April 2012.
(b) **Paragraph 4.08(d) of the Prospectus Guidelines – Equity and Debt** Waiver from disclosing the e-mail and website address.		
(c) **Paragraph 1.10(k) of the Prospectus – Procedures for Registration** Waiver from the requirement to submit the experts' report in Bahasa Malaysia.	(iii) MIDF Investment/ELK-Desa Resources must ensure full compliance with all the requirements prior to the registration of the prospectus.	(iii) Complied
(d) **Paragraph 1.10(g) of the Prospectus Guidelines – Procedure for Registration** Waiver from the requirement to submit the original or certified copy of Memorandum and Articles of Association ("**M&A**") of ELK-Desa Resources that is in compliance with the Listing Requirements.		

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6. APPROVALS AND CONDITIONS

Bursa Securities had via its letter dated 4 October 2012, given its approval-in-principle for admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of ELK-Desa Resources comprising 125,000,000 Shares on the Main Market of Bursa Securities. The conditions imposed by Bursa Securities and the status of the compliance with the conditions are as follows:

No	Conditions Imposed By Bursa Securities	Status of Compliance
(a)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Main Market Listing Requirements;	Announcement pursuant to paragraph 8.1 of Practice Note 21 of the Listing Requirements had been made on date of this Prospectus. Relevant announcement pursuant to paragraph 8.2 of Practice Note 21 of the Listing Requirements will be made before the listing date.
(b)	Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid-up share capital of ELK-Desa Resources on the first day of listing;	To be complied. A copy of the schedule of distribution will be submitted to Bursa Securities on the first day of listing.
(c)	Furnish Bursa Securities a specimen copy of each denomination of certificates of the class to be listed which is printed on securities paper; and	Complied.
(d)	Furnish Bursa Securities a copy of ELK-Desa Resources' final articles of association and all amendments to-date together with a letter of compliance pursuant to Paragraph 2.12 of the Main Market Listing Requirements and a checklist showing compliance with the relevant provisions of Chapter 7 of the Main Market Listing Requirements; and	Complied.
(e)	Submission prior to the listing, the following information in respect of the moratorium on the shareholdings of promoters to the Bursa Securities and Bursa Malaysia Depository Sdn Bhd: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	Complied.

MITI has via its letter dated 9 May 2012, taken note of and has no objection to the Listing of ELK-Desa Resources on the Main Market of Bursa Securities. There were no conditions imposed by MITI.

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6.2 MORATORIUM ON OUR SHARES

In accordance with the Equity Guidelines issued by the SC, the Promoters will not be allowed to sell, transfer or assign their entire shareholdings in the Company for six (6) months from the date of Listing. Upon completion of the Listing Scheme, the entire shareholdings held by the Promoters of ELK-Desa Resources comprising 30,324,642 Shares representing approximately 24.26% of the enlarged issued and paid-up capital of ELK-Desa Resources will be subject to the moratorium.

The Promoters as disclosed in **Section 5.1** have furnished a letter of undertaking to the SC that it will not sell, transfer or assign its shareholdings in ELK-Desa Resources as at the date of Listing, for six (6) months from the date of Listing.

Where the Promoters are corporations, the moratorium condition is also applicable to all direct and indirect shareholders of the Promoters up to the ultimate individual shareholders or up to the ultimate listed corporation shareholder. Every such shareholder has given an undertaking that he/she/it will not sell, transfer or assign his/her/its securities in the relevant corporations, during the moratorium period stipulated above.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of the Promoters to ensure the Registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on the Company's Registrars' instruction in the prescribed forms, ensure that trading of these Shares is not permitted during the moratorium period.

The Promoters and their respective Shares which are subject to moratorium are as follows:

Promoters	Shares held under moratorium for a period of six (6) months upon Listing	
	No of Shares	% of enlarged share capital
Teoh Hock Chai @ Tew Hock Chai	384,711	0.31
ELK Group	7,340,485	5.87
Eng Lee Kredit	13,039,476	10.43
Eng Lee Capital	9,559,970	7.65
	30,324,642	24.26

Pursuant to the Restricted Offer for Sale, in the event the Restricted Offer Shares are not fully applied for, these Restricted Offer Shares will be made available for application by the Unico-Desa shareholders who apply for excess Restricted Offer Shares. Any Excess Restricted Offer Shares not fully subscribed for shall be retained by Unico-Desa. As Unico-Desa is a promoter, these Shares retained shall be subject to moratorium.

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6. APPROVALS AND CONDITIONS

Lim Keng Chin, an Executive Director and shareholder of ELK-Desa Resources has agreed that a moratorium will be imposed on the sale, transfer or assignment on his entire Shares for a period of six (6) months commencing from the date of our admission to the Main Market of Bursa Securities as follows:

Director and shareholder	Shares held under moratorium for a period of six (6) months upon Listing	
	No of Shares	% of enlarged share capital
Lim Keng Chin	346,795	0.28

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7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

7.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

7.1.1 Recurrent related party transactions

Save as disclosed below, there is no existing or presently proposed material recurrent related party transactions or other contracts of arrangement entered which involve the direct or indirect interests of our Directors, major shareholders and/or persons connected with them as defined under the Listing Requirements.

Transacting parties	Business activities of the companies	Nature of transactions	Interested party	Transaction value (RM)				
				FYE 31.03.2009	FYE 31.03.2010	FYE 31.03.2011	FYE 31.03.2012	FPE 31.08.2012
ELK-Desa Capital Eng Lee Kredit	Provision of HP financing Investment holding (Quoted and unquoted shares, property and furniture business)	Rental of Nos, 56-58, Lorong Tapah, Off Jalan Goh Hock Huat, 41400 Klang, Selangor Darul Ehsan by ELK-Desa Capital from Eng Lee Kredit.	Eng Lee Kredit is a substantial shareholder of ELK-Desa Resources.	144,000	144,000	144,000	144,000	60,000
ELK-Desa Capital Eng Lee Kredit	Provision of HP financing Investment holding (Quoted and unquoted shares, property and furniture business)	Rental of Ground Floor & 1st Floor, Nos. 15-17, Jalan Brunei Utara, Off Jalan Pudu, 55100 Kuala Lumpur by ELK-Desa Capital from Eng Lee Kredit.	Eng Lee Kredit is a substantial shareholder of ELK-Desa Resources.	216,000	216,000	216,000	216,000	90,000

The above material recurrent related party transactions were entered into at terms mutually agreed between the parties and not unfavourable to the Group.

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7.1.2 Non-Recurrent Related Party Transactions

There is no existing and/or presently proposed material non-recurrent related party transactions or other contracts of arrangement entered into which involve the direct or indirect interests of our Directors, major shareholders and/or persons connected to them as defined under the Listing Requirements.

7.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

Save as disclosed below, our Directors have confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, which our Group was involved in for the past four (4) years up to the FYE 31 March 2012 and the subsequent financial period up to LPD.

(a) 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. 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; and

(b) On 1 October 2011, Choo Kim Hong was appointed as Senior Manager, General Administration and Banking of ELK-Desa Resources Group. Choo Kim Hong was, prior to the date of such appointment, already employed by Eng Lee Kredit as Personal Assistant to the Group Executive Chairman of ELK Group group of companies. Eng Lee Kredit continued to pay Choo Kim Hong's remuneration after her appointment by ELK-Desa Capital. Eng Lee Kredit and ELK-Desa Capital have consented to Choo Kim Hong holding both positions and the terms of this arrangement. On 31 January 2012, Choo Kim Hong resigned from Eng Lee Kredit and remained employed only by ELK-Desa Capital. From 1 February 2012 to the LPD, Choo Kim Hong's remuneration was paid by ELK-Desa Capital.

7.3 OUTSTANDING LOANS MADE TO/FOR THE BENEFIT OF RELATED PARTIES

There are no other outstanding loans (including guarantee of any kind) made by the Group to or for the benefit of any related parties during the past four (4) years from FYE 31 March 2009 to FYE 31 March 2012 and up to the LPD.

7.4 INTEREST IN SIMILAR BUSINESS

As at LPD, none of our Directors or substantial shareholders is interested, directly or indirectly, in any other business or corporation carrying on a similar or competing trade as our Group's business.

7.5 INTEREST IN OTHER BUSINESSES OR CORPORATIONS WHICH ARE CUSTOMERS OR SUPPLIERS OF OUR GROUP

As at LPD, save as disclosed below and in **Section 7.1 or 7.2(a)** of this Prospectus, none of our Directors or substantial shareholders is interested directly and/or indirectly with any other business or corporation which is a customer or supplier of our Group:

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

ELK Furniture Sdn Bhd, a furniture trader, supplies furniture to the Group (including ELK-Desa Capital) from time to time. For the past four FYE 31 March 2012, each such supply of furniture was not of a material amount. 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. This transaction would not give rise to a situation of conflict of interest to our Group's business.

7.6 RECURRENT RELATED PARTY TRANSATIONS OF REVENUE OR TRADING NATURE

Pursuant to Paragraph 10.09 and Practice Note 12 of the Listing Requirements, a listed issuer may seek a mandate from its shareholders in respect of recurrent related party transactions involving transactions of a revenue or trading nature which are necessary for its day-to-day operations, subject to, inter-alia, the following:

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

(b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under Paragraph 10.09(1) of the Listing Requirements;

(c) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and

(d) the listed issuer immediately announces to the stock exchange when the actual value of a recurrent related party transaction entered into by the listed issuer, exceeds the estimated value of the recurrent related party transaction disclosed in the circular to shareholders by 10% or more.

The Group would in the ordinary course of business enter into transactions, including but not limited to the transactions described in **Section 7.1.1** of this Prospectus, with persons which are/will be considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise from time to time.

Due to the time-sensitive and inherent nature of commercial transactions, the shareholders' mandate will enable us to enter into such recurrent related party transactions, provided that the transactions are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

Bursa Securities had on 22 October 2012 approved an extension of time to allow ELK-Desa Resources to ratify any recurrent related party transactions entered/ to be entered into by the Group with the Group's Directors or substantial shareholders or persons connected with such Directors or substantial shareholders at the Group's next annual general meeting or extraordinary general meeting, whichever will be held earlier. The said transactions shall be of a revenue or trading nature to be entered between the Group and the Group's Directors or substantial shareholders or persons connected with such Directors or substantial shareholders, commencing from the Listing date up to the annual general meeting or extraordinary general meeting.

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

7.7 DECLARATION BY ADVISERS

MIDF Investment confirms that there are no existing and potential interests or conflicts of interest in their capacity as the Adviser, Managing Underwriter and Underwriter to our Company for the IPO.

Messrs. Shook Lin & Bok confirms that there are no existing and potential interests or conflicts of interest in their capacity as Solicitors to our Company for the IPO.

Protégé Associates Sdn. Bhd. confirms that there are no existing and potential interests or conflicts of interest in their capacity as Independent Business and Market Research Consultants to our Company for the IPO.

Messrs. BDO confirms that there are no existing and potential interests or conflicts of interest in their capacity as Auditors and Reporting Accountants to our Company for the IPO.

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8. FINANCIAL INFORMATION

8.1 HISTORICAL FINANCIAL INFORMATION

Our company is an investment holding company. Detailed information on our Group is provided in **Sections 4** and **9**.

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.

	<------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	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
Attributable to:						
- Owner of the Company	10,018,096	13,199,249	15,281,152	15,943,179	7,176,003	7,843,197
- NCI	-	-	-	-	-	-
Earnings before interest, tax, depreciation and amortisation ("EBITDA")(RM)	*14,992,034*	*20,174,996*	*23,652,873*	*24,855,066*	*10,994,076*	*11,924,042*
Number of ordinary shares of RM1.00 each	*50,000,000*	*50,000,000*	*50,000,000*	*50,000,000*	*50,000,000*	*50,000,000*
Gross earnings per share (RM)	*0.27*	*0.36*	*0.41*	*0.43*	*0.19*	*0.21*
Net earnings per share (RM)	*0.20*	*0.26*	*0.31*	*0.32*	*0.14*	*0.16*
Profit before tax margin (%)	*45.83*	*57.58*	*57.83*	*55.75*	*60.95*	*61.40*
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*

	<-----Audited-----			---->	Unaudited	Audited
	<-----FYE 31 March-----			---->	FPE 31 August	FPE 31 August
	2009 RM	2010 RM	2011 RM	2012 RM	2011 RM	2012 RM
Effective tax rate (%)	*25.21*	*25.80*	*25.36*	*25.93*	*25.23*	*25.41*

Note:

* *The gross profit and gross profit margin are not available. The Group is of the view that the presentation of the Statement of Comprehensive Income by nature is more relevant and reflective of the financial performance of the Group due to the nature of its business.*

8.2 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Reporting Accountants' Letter on Proforma Consolidated Financial Information and Accountants' Report set out in **Sections 8.7** and **9** respectively.

The following table shows our Group's cash and cash equivalents, capitalisation and indebtedness:

(a) based on our consolidated statements of financial position as at 31 August 2012; and

(b) as adjusted for the net proceeds from the Public Issue and intended use of the proceeds from the Public Issue.

	Audited as at 31 August 2012 RM	After adjusting for the Public Issue and utilisation of proceeds RM
Cash and cash equivalents	**555,419**	**26,555,419**
Short term indebtedness		
Tem loan (secured or guaranteed)	6,168,000	6,168,000
Bank overdraft (secured)	2,025,317	2,025,317
Block discounting payables (secured and guaranteed)	10,137,983	10,137,983
Long term indebtedness		
Term loan (secured or guaranteed)	21,164,000	21,164,000
Block discounting payables (secured and guaranteed)	19,122,630	19,122,630
Total indebtedness	**58,617,930**	**58,617,930**
Shareholders' equity	**125,006,958**	**151,006,958**
Total indebtedness and capitalisation	**183,624,888**	**209,624,888**

8.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following discussion on the results of our operations for the period under review should be read in conjunction with the consolidated financial information and the related notes included in **Section 9** of this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and the discussion on risk factors included in **Section 3** of this prospectus.

8.3.1 Our Group's financial condition and results of operations

Business overview

(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 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.

As such, our Group has identified this niche market as a potentially sizeable and profitable untapped market which is usually not the priority market of the financial institutions. By doing so, our Group has effectively avoided direct competition with financial institutions.

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, the 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.

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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**

(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.

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.

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8. FINANCIAL INFORMATION

(i) Revenue

(a) Revenue by company

Company	<-----FYE 31 March						----->		<----- FPE 31 August		----->	
	2009		2010		2011		2012		2011		2012	
	RM	%	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	15,000,558	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	744,111	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**	**15,744,669**	**100**	**17,126,174**	**100**

Notes:

The above revenue figures are after elimination of inter-company transactions.
* *Less than 1%*
^ *Does not add up due to rounding error*

Our Group's revenue was mainly contributed by ELK-Desa Capital, being approximately 95% of the Group's total revenue and is consistent throughout the years under review. Other than HP interest, ELK-Desa Capital also earns handling and processing fees as well as overdue and service charges.

ELK-Desa Risk Agency is the second revenue contributor of the Group whereby it contributes approximately 5% of the Group's total revenue. It mainly engaged in insurance agency business and is highly dependent on ELK-Desa Capital's HP portfolio.

ELK-Desa Marketing is principally engaged in trading of used motor vehicles where its source of revenue is either generated through the sale of repossessed cars purchased from ELK-Desa Capital or through the sale of cars traded in by walk-in customer who sell their existing motor vehicles to ELK-Desa Marketing in return for the purchase of another used motor vehicles from ELK-Desa Marketing. Revenue of ELK-Desa Marketing derived from the sales of repossessed cars that were purchased from ELK-Desa Capital was offsetted against the repossession expenses in the profit or loss to reflect the Group's recovery of the HP receivables. Thus, the revenue that is generated by ELK-Desa Marketing was from the sales of cars traded in by walk-in customers. This revenue contribution is immaterial compared to the Group's total revenue.

ELK-Desa Resources' revenue solely comprises dividend income from our subsidiaries which has been fully eliminated at consolidation whereas ELK-Desa Development is a dormant company.

(b) Revenue by type

Revenue type:-	<--------------	FYE 31 March	--------------					-->	<------	FPE 31 August	------>	
	2009		2010		2011		2012		2011		2012	
	RM	%	RM	%	RM	%	RM	%	RM	%	RM	%
HP interest	23,848,682	82	24,869,212	80	27,691,080	78	30,764,492	80	12,531,209	80	13,522,021	79
Handling and processing	2,552,970	9	3,251,838	11	4,002,632	11	4,224,600	11	1,772,215	11	1,995,100	12
Overdue and service	1,408,691	4	1,362,344	4	2,063,479	6	1,846,674	5	697,134	4	732,328	4
Insurance commission	1,230,786	4	1,393,086	4	1,543,779	4	1,768,400	4	744,111	5	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**	**15,744,669**	**100**	**17,126,174**	**100**

Notes:
* *Less than 1%*
^ *Does not add up due to rounding error*

HP interest

Revenue of our Group is mainly generated from the HP business with interest charged from HP disbursements. HP interest earned by our Group represented 82% of total revenue in FYE 31 March 2009, 80% in FYE 31 March 2010, 78% in FYE 31 March 2011, 80% in FYE 31 March 2012, 80% in FPE 31 August 2011 and 79% in FPE August 2012.

The increase in HP interest was mainly contributed by continuous growth in the HP portfolio. The HP receivables have increased from RM147.5 million in FYE 31 March 2009 to RM159.3 million in FYE 31 March 2010, RM174.2 million in FYE 31 March 2011, RM191.4 million in FYE 31 March 2012 and RM200.8 million in FPE 31 August 2012.

The increase in HP receivables was a result in the continuous growth in the HP disbursed. The HP disbursed was RM60.4 million (*Monthly average RM5.0 million*) in FYE 31 March 2009, RM67.7 million (*Monthly average RM5.6 million*) in FYE 31 March 2010 and RM81.0 million (*Monthly average RM6.7 million*) in FYE 31 March 2011, RM89.8 (*Monthly average RM7.5 million*) in FYE 31 March 2012. In FPE 31 August 2012, the HP disbursed was RM41.3 million (*Monthly average of RM8.3 million*).

The increase in HP interest earned was approximately 4% or RM1.0 million in FYE 31 March 2010, 11% or RM2.8 million in FYE 31 March 2011 and 11% or RM3.1 million in FYE 31 March 2012. The HP interest earned in FPE 31 August 2012 was 8% or RM1.0 million higher than FPE 31 August 2011.

The continuous improvement in HP revenue was partially contributed by the strategic locations of the HP operations where it is located in Kuala Lumpur and Klang, Selangor – two of the only four states in Malaysia with total motor vehicles exceeding two million units (the others being Johor and Penang) in 2011 based on the statistics from the Road Transport Department.

As such, the Group stands to gain access to a sizeable pool of potential demand for HP financing given that trading activities on used motor vehicles are also expected to be highly possible or more frequent due to the relatively high concentration of motor vehicles and the presence of relatively affluent urbanites in these two states.

Besides that, as at 31 August 2012, the Group has a network of more than 700 motor vehicle dealers within Kuala Lumpur and Klang, Selangor that can provide the Group with many referral points to potential customers.

Upon adoption of FRS 139 in FYE 31 March 2011, the HP interest is recognised upon commencement of the HP agreement using effective interest method over the period of the agreement. Prior to the adoption of FRS 139, the HP interest was recognised based on the sum-of-digit method. The difference in the recognition of HP interests for FYE 31 March 2011 due to adoption of FRS 139 based on effective interest method as compared to sum of digit method is approximately RM72,000.

Handling and processing fees

Handling fee is charged to car dealers for services such as vehicle inspection, transfer of vehicle ownership.

Handling and processing fees has increased by approximately RM0.70 million from FYE 31 March 2009 to FYE 31 March 2010, RM0.75 million from FYE 31 March 2010 to FYE 31 March 2011 and RM0.22 million from FYE 31 March 2011 to FYE 31 March 2012. The handling and processing fees has increased by RM0.22 million in FPE 31 August 2012 as compared to FPE 31 August 2011.

Handling and processing fees would increase accordingly when there is an increase in the number of newly approved HP application.

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Overdue and service charges

This income mainly consists of overdue interest charged to hirers due to late instalments payments.

Overdue and service charges decreased by approximately RM46,000 from FYE 31 March 2009 to FYE 31 March 2010, subsequently increased by approximately RM0.70 million from FYE 31 March 2010 to FYE 31 March 2011 and decreased by approximately RM0.22 million from FYE 31 March 2011 to FYE 31 March 2012.

The decrease of overdue and service charges in FYE 31 March 2010 as compared to FYE 31 March 2009, and FYE 31 March 2012 as compared to FYE 31 March 2011 was mainly due to lower overdue interest being charged and collected from the hirers. The increase of overdue and service charges in FYE 31 March 2011 as compared to FYE 31 March 2010 was consistent with the increase in the HP portfolio.

The overdue and service charges increased marginally in FPE August 2012 as compared to FPE August 2011.

Insurance commission

Commission was derived by acting as an agent for two (2) insurance companies. General insurance sales are mainly catered to the needs of the hirers.

The increased general insurance sales resulted from the increase in HP portfolio throughout the financial years under review. The hirers usually purchase motor insurance and loan protector Personal Accident policy from our Group. Hence, this resulted in the increase in insurance commission by approximately RM0.16 million from FYE 31 March 2009 to FYE 31 March 2010, RM0.15 million from FYE 31 March 2010 to FYE 31 March 2011, RM0.22 million from FYE 31 March 2011 to FYE 31 March 2012.

In FPE 31 August 2012, in line with the increase in HP portfolio, the insurance commission has increased by approximately RM0.12 million when compared to FPE August 2011.

The commission received for motor insurance is 10% whereas general insurance such as loan protector Personal Accident policy is 25%.

The Group general insurance sales have included other general insurance policies such as fire, burglary, medical etc. whereby the commission rate is ranging from 15% to 25%.

Sales of cars

This revenue is derived from the sales of cars by ELK-Desa Marketing which were traded in by walk-in customers. This revenue contribution is immaterial compared to the Group's total revenue.

(c) Revenue by geographical market

The Group's business activities are carried out in Malaysia only.

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8. FINANCIAL INFORMATION

(ii) Other income

	<------- FYE 31 March	------->			FPE 31 August	
	2009	2010	2011	2012	2011	2012
	RM	RM	RM	RM	RM	RM
Gain on Member's Voluntary Winding Up ("MVL")	-	-	38,417	-	-	-
Fixed deposits interest income	40,695	-	29,777	113,151	17,991	6,584
Sundry income	104,876	118,837	115,607	151,112	78,619	65,669
Credit card rebates and others	143,985	128,839	144,487	162,968	46,499	61,655
Total other income	**289,556**	**247,676**	**328,288**	**427,231**	**143,109**	**133,908**

Other income of the Group consists of Gain on Member's Voluntary Winding Up ("MVL"), fixed deposits interest income, sundry income, credit card rebates etc.

Gain on MVL is the net distribution of assets (after taking into account all the relevant expenses) when the subsidiary was wound up. The above gain on MVL of RM38,417 is in relation to Mautas Sdn. Bhd. where the said subsidiary has finalised its liquidation during the financial year.

Sundry income is mainly derived from service fees charged to customers of ELK-Desa Marketing for vehicle inspection and transfer of vehicle ownership. Service fee charged for vehicle inspection and transfer of vehicle ownership recorded in other income refers to income earned by ELK-Desa Marketing for provision of such service to its customers/car buyers.

Credit card rebates are cash rebates given to ELK-Desa Risk Agency by the credit card issuers for the usage of credit cards to pay to the insurance companies for the insurance premiums collected.

FYE 31 March 2009 vs FYE 31 March 2010

Other income of our Group decreased by approximately RM42,000 from FYE 31 March 2009 to FYE 31 March 2010 mainly due to the non-recurring income on fixed deposits interest income in FYE 31 March 2009 of RM40,695.

FYE 31 March 2010 vs FYE 31 March 2011

In FYE 31 March 2011, other income increased by approximately RM81,000 mainly due to fixed deposits interest income of RM29,777 as well as the gain on realisation of MVL of subsidiary company amounting to RM38,417. The liquidation for the subsidiary company has been finalised in FYE 31 March 2011. The cost of investment in this subsidiary company has been written off in 2004 when this subsidiary company went into winding up process.

FYE 31 March 2011 vs FYE 31 March 2012

Other income increased by approximately RM99,000 mainly due to an increase in the fixed deposits interest income.

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FPE 31 August 2011 vs FPE 31 August 2012

The other income decreased by RM9,200 as the increase in credit card rebate and others was being offset by the decrease in the fixed deposits interest income and sundry income.

(iii) Cost of inventories sold

The cost of inventories sold for our Group solely represents the cost of purchase of vehicles and other related incidental cost in respect of sales by ELK-Desa Marketing.

Other incidental costs are cost incurred to bring the motor vehicles to its saleable condition. These are costs incurred only for third party sales and not sales of repossessed car. Examples of other incidental costs are repair fees and travelling fees.

(iv) Depreciation and other expenses

The details of depreciation and other expenses of our Group are as follows:-

	<------------------ FYE 31 March ------------------>				FPE 31 August	
	2009 RM	2010 RM	2011 RM	2012 RM	2011 RM	2012 RM
Depreciation of PPE	**143,644**	**150,328**	**164,063**	**198,864**	**80,702**	**93,104**
Other expenses						
Directors' remuneration	272,892	288,908	343,340	570,160	140,258	248,457
Rental of premises, computer, showroom and store	437,792	538,106	569,767	597,027	257,486	228,246
Staff costs	2,915,574	3,256,281	3,816,367	4,125,410	1,793,126	2,060,205
Others	1,729,737	2,100,333	2,234,078	2,480,833	1,014,524	1,094,697
	5,355,995	**6,183,628**	**6,963,552**	**7,773,430**	**3,205,394**	**3,631,605**
Total depreciation and other expenses	**5,499,639**	**6,333,956**	**7,127,615**	**7,972,294**	**3,286,096**	**3,724,709**

Other expenses of our Group mainly consist of expenses such as directors' remuneration, rental of premises, computer, showroom and store, staff costs and others (i.e. entertainment, JPJ runner expenses, trade plate, travelling expenses, sales commission, printing, postage, stamp duties and etc.).

FYE 31 March 2009 vs FYE 31 March 2010

The total depreciation and other expenses increased by approximately RM0.83 million from FYE 31 March 2009 to FYE 31 March 2010.

The increase was mainly contributed by the increase in staff costs of approximately RM0.34 million. The increase in staff cost was due to the average annual increment of 7.05% on the basic salary based on the performance of the staffs.

Moreover, the Group rented a new office at Plaza Berjaya, which contributed to the increased of the total depreciation and other expenses.

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8. FINANCIAL INFORMATION

FYE 31 March 2010 vs FYE 31 March 2011

In FYE 31 March 2011, the total depreciation and other expenses increased by approximately RM0.79 million mainly due to the following reasons:

(i) Staff costs

The staffs' costs were increased by approximately RM0.56 million. The increase was mainly due to average annual increment of 7.65% on the basic salary based on the performance of the staff. Apart from that, a special incentive for staffs who have good performance and contributed to the continuous growth of the Group amounting to RM109,750 was paid during FYE 31 March 2011.

(ii) Rental of premises

Rental expenses increased due to the office rented at Plaza Berjaya. The Group commenced the tenancy effective from 16 May 2009. There was 10.5 months rental being reflected in the FYE 31 March 2010 and a full year rental being reflected in FYE 31 March 2011.

FYE 31 March 2011 vs FYE 31 March 2012

The total depreciation and other expenses have increased by approximately RM0.84 million from FYE 31 March 2011 to FYE 31 March 2012.

The increase was mainly due to the increase in staff costs and directors' remuneration.

Staff costs increased by approximately RM0.31 million, which was mainly due to an average annual increment of 9.2% on the basic salary based on the performance of the staffs.

Directors' remuneration increased by approximately RM0.23 million. The increase was due to an annual increment in directors' salary as well as an additional director who was appointed during FYE 31 March 2012.

FPE 31 August 2011 vs FPE 31 August 2012

The total depreciation and other expenses have increased by approximately RM0.44 million mainly due to the increase in staff costs and directors' remuneration of approximately RM0.38 million. Staff cost increased as a result of an average annual increment of 11.1%. Directors' remuneration increased due to the increased number of directors within the Group for FPE 31 August 2012 as compared to FPE 31 August 2011.

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(v) Impairment Allowance

The details of impairment allowance of our Group are as follows:-

	<------------------ FYE 31 March ------------------>				FPE 31 August	
	2009	2010	2011	2012	2011	2012
	RM	RM	RM	RM	RM	RM
Allowance for doubtful debts	3,254,305	62,424	-	-	-	-
Reversal of allowance for doubtful debts on HP receivables	-	(281,753)	-	-	-	-
Bad debts written off	2,626,384	2,117,853				
Bad debts recovered	(506,267)	(641,112)	-	-	-	-
Repossession loss and expenses	3,610,048	3,454,415	-	-	-	-
Impairment allowance	-	-	5,012,959	6,389,027	1,681,049	1,684,856
Total	**8,984,470**	**4,711,827**	**5,012,959**	**6,389,027**	**1,681,049**	**1,684,856**

Impairment rates for HP receivables:

Months in Arrears	2008	2009	2010	Type of Allowance	2011 & 2012	Type of allowance
0-3 months	#1.00%	2.50%	2.50%	General	2.50%	Collectively
4 months	#1.00%	30%	30%	General	100%	Individually
5 months	50%	50%	50%	General	100%	Individually
6 months and above	*75%	100%	100%	Specific	100%	Individually

Notes:

\# *The impairment rates were applied to the gross HP receivables.*

* *Type of allowance is general allowance for doubtful debt*

With effective FYE 31 March 2011, the impairment loss on HP receivables, bad debts written off, reversal of impairment loss on HP receivables, bad debts recovered and repossession loss and expenses will be adjusted through Impairment Allowance account.

The impairment loss on HP receivables is an allowance made for the hirer accounts which are in arrears as per the table above. When the recoverability of these receivables becomes remote, these HP receivables will then be written off as bad debt.

Our Group repossessed vehicles from hirers who defaulted in payments in accordance with the requirement under HP Act, 1967. Bad debts are written off on the basis that the hirer failed to make any payment for five (5) consecutive instalments.

Repossession loss and expenses represented the shortfall between the sales of repossessed motor vehicles and the outstanding amount due from the hirers which includes HP receivables and incidental costs incurred during the repossession and sales process such as repossession fee, repair costs, travelling expenses to search for the motor vehicles, debts collectors' fee and auction fee.

Subsequent recoveries from the hirers of these repossessed vehicles and any insurance premium refund arising from the cancellation of insurance for those repossessed cars would be used to offset the repossession loss.

FYE 31 March 2009 vs FYE 31 March 2010

The impairment allowance decreased by approximately RM4.3 million from FYE 31 March 2009 to FYE 31 March 2010.

This was mainly due to change in impairment policy in FYE 31 March 2009 and the improvement in the hirers' account with arrears more than 4 months from RM7.0 million to RM6.0 million.

The reversal of allowance of doubtful debts on HP receivables of RM281,753 made in FYE 31 March 2010 was due to the reversal of allowance for doubt debts which was provided for accounts with six (6) months arrears and above.

As tabulated in the above table, in FYE 31 March 2009 where repayments are in arrears of 4 months, a general allowance of 30% will be made. Whereas amount which are outstanding for 5 months, a general allowance of 50% will be made. For amount outstanding of 6 months and above, a specific allowance of 100% was made. In addition, a general allowance based on 2.5% of the net of the total receivables is made for accounts with arrears from 0 to 3 months.

However, in FYE 31 March 2008, no specific allowance for doubtful debt was made and only 1% of gross total receivables for accounts with arrears 0 to 4 months were made. 50% and 75% allowance were made on net receivables for accounts with arrears 5 months and 6 months and above respectively.

The adoption of more stringent provision for doubtful debts policy has resulted in the additional impairment loss of RM3.1 million in FYE 31 March 2009.

In addition, the net bad debts written off (after inclusion of bad debt recovered) and repossession loss and expenses have also decreased by RM0.8 million.

FYE 31 March 2010 vs FYE 31 March 2011

In FYE 31 March 2011, impairment allowance slightly increased by approximately RM0.3 million as a result of further changes in impairment policy in order to comply with the adoption of FRS139 with effective 1 April 2010.

The 100% impairment for HP receivables which hirers have defaulted payments for 4 months and above are benchmarked against the practice in banking industry.

Based on historical loss rate, the 2.5% impairment is made against credit risks which are not specifically identified.

The increase in the above mentioned expenses as a result of the change in impairment policy were mitigated by an improvement in the hire purchase portfolio in terms of delinquent accounts.

FYE 31 March 2011 vs FYE 31 March 2012

In FYE 31 March 2012, the impairment allowance increased by approximately RM1.4 million mainly due to increase in HP receivables being written off as bad debts. This increase was caused by delays in repossession activities resulting from the additional requirements relating to repossession of motor vehicles after the implementation of the amended HP Act in June 2011.

FPE 31 August 2011 vs FPE 31 August 2012

In FPE 31 August 2012, the impairment allowance increased marginally as compared to FPE 31 August 2011.

(vi) Finance Cost

The details of finance costs of our Group are as follows:-

	<------------------ FYE 31 March		------------------>		FPE 31 August	
	2009	2010	2011	2012	2011	2012
	RM	RM	RM	RM	RM	RM
Bank overdrafts interest expense	34,775	46,228	6,946	7,170	2,846	2,715
Block discounting interest expense	1,419,442	1,376,278	1,365,366	1,461,796	596,506	661,559
Term loans interest expense	-	812,908	1,642,116	1,663,519	718,301	651,952
Credit card charges and bank guarantee commission	6,613	6,129	4,993	3,799	1,271	889
Total	**1,460,830**	**2,241,543**	**3,019,421**	**3,136,284**	**1,318,924**	**1,317,115**

Finance costs represent mainly block discounting charges, term loans interest and bank overdrafts interest. These facilities are used to finance the growth in the HP portfolio.

Finance costs increased by approximately RM0.8 million for both period from FYE 31 March 2009 to FYE 31 March 2010 and FYE 31 March 2010 to FYE 31 March 2011.

The increase in finance costs was mainly caused by the interest from new term loan obtained during FYE 31 March 2010. In FYE 31 March 2010, RM25 million was obtained for the purposes of repayment of advances due to Unico-Desa. The remaining RM10 million was obtained for the purposes of working capital which includes HP disbursement.

Bank overdraft interest expenses decreased from FYE 31 March 2010 to FYE 31 March 2011 despite the increase in bank overdrafts during the same period. This was due to the timing difference between the issuance of payment and the actual utilisation of the overdraft facilities.

Term loan interest expenses increased from FYE 31 March 2010 to FYE 31 March 2011 despite the reduction of term loans during the same period. This was due to the timing of the drawdown of the term loans.

For FYE 31 March 2012, finance costs increased by approximately RM117,000 as there was no drawdown of any new loan other than block discounting facilities. The Group increased the utilisation of our block discounting facilities in order to finance the increase in the HP portfolio. In addition, term loan interest has also increased following an increase in Base Lending Rate ("BLR") during the financial year. The amount of outstanding block discounting payables for ELK-Desa Resources Group as at FYE 31 March 2012 was RM29.3 million.

The finance cost in FPE 31 August 2012 as compared to FPE 31 August 2011 remained relatively unchanged even though the total borrowings decreased. This was mainly due to increase in the utilization of block discounting facilities and an increase in the effective interest rate of the terms loans.

Details of the Group's borrowing were disclosed in **Section 8.4.3**.

(vii) PBT

The analysis of PBT and PBT margin for the financial years under review are as follows:

	<------------------------ FYE 31 March ------------------------>				FPE 31 August	
	2009	2010	2011	2012	2011	2012
	RM	RM	RM	RM	RM	RM
PBT	13,394,173	17,789,254	20,474,382	21,523,717	9,597,004	10,514,712
PBT margin (%)	45.83	57.58	57.83	55.75	60.95	61.40

The PBT of our Group has increased by approximately RM4.4 million from FYE 31 March 2009 to FYE 31 March 2010, RM2.7 million from FYE 31 March 2010 to FYE 31 March 2011 and RM1.0 million from FYE 31 March 2011 to FYE 31 March 2012.

The PBT margin of our Group has increased from 46% in FYE 31 March 2009 to 58% in both FYE 31 March 2010 and FYE 31 March 2011. For FYE March 2012, the PBT margin of our Group decreased from 58% to 56% as compared to the previous year.

For FYE 31 March 2010, the PBT and PBT margin increased mainly due to the substantial decrease in allowance for doubtful debts as disclosed in **Section 8.3.1 (v).** For FYE 31 March 2011, the PBT increased mainly as a result of higher revenue derived from HP interest income. However, the PBT margin remained relatively unchanged compared to the previous year due to a corresponding increase in staff costs and finance cost.

For FYE 31 March 2012, PBT increased as compared to FYE 31 March 2011 whereas PBT margin decreased. This was mainly due to the increase in the impairment allowance. The increase in impairment allowance was mainly due to increase in HP receivables being written off as bad debts. This increase was caused by delays in repossession activities resulting from the additional requirements relating to repossession of motor vehicles after the implementation of the amended HP Act in June 2011.

For FPE 31 August 2012, the PBT increased compared to FPE 31 August 2011, mainly as a result of higher revenue derived from a larger HP portfolio. However, the PBT margin remained relatively unchanged compared to the previous period due to a corresponding increase in staff costs.

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(viii) Effective tax

Our effective tax rates, being tax expenses as a percentage of our PBT for the financial years under review were as follows:

	<---------------- FYE 31 March ------------>				FPE 31 August	
	2009	2010	2011	2012	2011	2012
	RM	RM	RM	RM	RM	RM
Effective Tax Rate	25.21	25.80	25.36	25.93	25.23	25.41
Statutory Tax Rate	25.00	25.00	25.00	25.00	25.00	25.00

The effective tax rate for the financial years under review has been consistent with the statutory tax rate.

(ix) PAT

The analysis of PAT and PAT margin for the financial years under review were as follows:

	<-------------------- FYE 31 March -------------------->				FPE 31 August	
	2009	2010	2011	2012	2011	2012
	RM	RM	RM	RM	RM	RM
PAT	10,018,096	13,199,249	15,281,152	15,943,179	7,176,003	7,843,197
PAT margin (%)	34.28	42.72	43.16	41.30	45.58	45.80

For FYE 31 March 2010, FYE 31 March 2011 and FPE 31 August 2012, the improvements in PAT and PAT margin were in line with the improvements in PBT and PBT margin.

Even though there was an increase in PAT in FYE 31 March 2012, PAT margin decreased mainly due to the increase in impairment allowance as disclosed in **Section 8.3.1(v)**.

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8.3.2 Factors and trends affecting future financial condition and results

The Group is expected to be affected by the following supply and demand conditions during the forecast period from 2012 to 2016:

Demand and Supply Conditions Affecting the HP Market for Used Motor Vehicles in Malaysia, 2012-2016

Condition	Type	Impact
The Growing Prominence of Motor Vehicles in Modern Living	Demand	+
Sizeable Number of Existing Motor Vehicles Provide a Relatively Large Pool of Potential Demand for HP Financing Involving Used Motor Vehicles	Demand	+
The Continuing Expansion in the Local Economy	Demand	+
Innovative and Attractive Offers and Schemes for New Motor Vehicle Buyers	Demand	-
Prohibition on Imports of Used Parts and Components	Demand	-
Intensifying Efforts in Developing the Local Urban Public Transportation System	Demand	-
The Displacement of Third-party Motor Insurance Covers	Demand	-
Close Collaboration with Motor Vehicle Dealers	Supply	+
A Relatively Low and Stable Interest Rate Environment Provides a Favourable Finance Option	Supply	+
AHPCM Providing the Necessary Leadership in Spearheading the HP Market in Malaysia	Supply	+
The Integration of HP Financing with Other Business Operations	Supply	+
Stricter HP Financing Environment	Supply	-
Challenging Operating Environment Due to the Amendments in the HP Act	Supply	-

(Source: IMR Report)

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8.3.3 Significant factors materially affecting our group's operations and financial results

In addition to the factors and trends set-out in **Sections 3** and **8.3.2** above, some of the following factors that have an impact on our operating conditions and financial results are as follows:

(a) Non-Performing HP Receivables

The potential loss due to our hirers' failure to perform their contractual obligations to the Group is regarded as one of the significant cost component in our HP financing business.

The Group's NPL ratio stood at 4.7% in FYE 31 March 2009, 3.8% in FYE 31 March 2010 and 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.

Even though the Group has put in place adequate HP disbursement and credit management processes, failure to control the non-performing HP receivables will inevitably affect the Group's operations and financial results.

(b) Cost and availability of capital

The future growth of the Group HP operations relies on its cash flow from the operating activities and also its ability to raise fund through borrowings from local financial institution, debts or equity market.

In the event that the Group is unable to obtain sufficient and low cost funding from lenders, financial institutions and/or from the equity market through equity share issuance after the listing, the Group's HP financing business may slow down in view of limited working capital.

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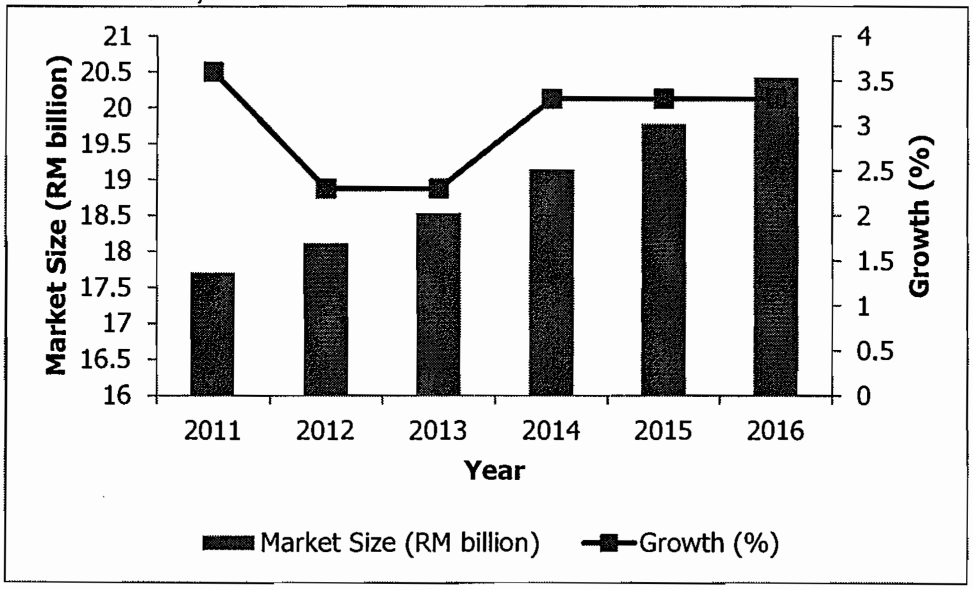
8.3.4 Industry outlook

The Malaysian HP market for used motor vehicles, like most other markets, managed to register an improved performance in 2011. The market size of the Malaysian HP market for used motor vehicles in 2011 is estimated to be RM17.71 billion as compared to RM17.09 billion in 2010. The Malaysian HP market for used motor vehicles is projected to continue growing during the forecast period albeit at a more moderate pace.

The Estimated and Forecast Sales Performance of the Malaysian HP Market for Used Motor Vehicles, 2011-2016



(Source: IMR Report)

The positive outlook on the demand for the Malaysian HP market for used motor vehicles stems mainly from the growing prominence of motor vehicles in modern living, sizeable number of existing motor vehicles which provide a relatively large pool of potential demand for HP financing involving used motor vehicles as well as the continuing expansion in the local economy that spurs positive consumer sentiment. In addition, the close collaboration with motor vehicle dealers, a relatively low and stable interest rate environment that provides a favourable finance option, the leadership provided by AHPCM and the integration of HP financing with other business operations are expected to provide a favourable and conducive business landscape for participating HP financiers to sustain and grow their businesses. Nevertheless, participating HP financiers need to be mindful of challenges or growth restraining factors posed by innovative and attractive offers and schemes for new motor vehicle buyers, prohibition on imports of used parts and components, intensifying efforts in developing the local urban public transportation system and the displacement of third-party motor insurance covers. Besides that, any stricter HP financing environment and challenging operating environment due to the amendments in the HP Act are likely to pose further downside risks to the overall growth in the Malaysian HP market for used motor vehicles.

On another note, stakeholders in the local automotive industry seem to be waiting anxiously for the introduction of the new NAP which is expected to be announced in the near future. The new NAP is expected to take into consideration the technological advancements and trends of the global automotive industry in order to facilitate growth in the local automotive industry.

Moving forward, the size of the Malaysian HP market for used motor vehicles is expected to reach RM20.43 billion in 2016. Its CAGR for the 2011-2016 period is projected to be 2.9 percent.

(Source: IMR Report)

8.4 LIQUIDITY AND CAPITAL RESOURCES

8.4.1 Working Capital

The primarily source of funding are derived from cash generated from operating activities and external sources of funds. The external sources of funds include bank overdrafts, block discounting facilities and term loans. The principle usage of these funds is to finance the growth of the HP portfolio.

As at 31 August 2012, the cash and bank balances amounted to RM0.6 million. The total borrowings for the Group stood at RM58.6 million as at 31 August 2012. The current assets and current liabilities as at 31 August 2012 were RM65.4 million and RM32.7 million respectively. Please refer to **Section 9.1.2** for the detailed components of the current assets and liabilities. The amount of the Group's available working capital (net current asset) as at 31 August 2012 was RM32.7 million. The current ratio of the Group as at 31 August 2012 was 2.0.

The Directors of the Company are of the opinion that, after taking into consideration our Proforma cashflow position as indicated in **Section 8.4.2**, the expected funds to be generated from our operating activities, the Group's ability to obtain further financing from the financial institutions and the net IPO proceeds, the working capital available to the Group will be sufficient for a period of 12 months from the date of issue of this Prospectus.

8.4.2 Proforma Cash Flows

The proforma consolidated statements of cashflows for FPE 31 August 2012 has been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Listing Scheme is completed on 31 August 2012:

	FPE 31 August 2012 RM
Net cash from operating activities	1,350,791
Net cash from in investing activities	78,138
Net cash from financing activities	22,572,592
Net increase in cash and cash equivalents	24,001,521
Cash and cash equivalents at beginning of the financial period	528,581
Cash and cash equivalents at end of the financial period	24,530,102

Brief commentaries on our proforma consolidated statement of cashflows for the FPE 31 August 2012 are set out below.

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Net cash from operating activities

The cash flow generated from operations before changes in working capital amounted to RM13.5 million. After taking into consideration of RM10.6 million used as working capital (mainly for new HP disbursement) and tax payment of RM1.6 million, the net cash generated from operating activities was RM1.4 million.

Net cash used in investing activities

The net cash used in investing activities amounting to RM78,138 was mainly due to capital expenditure for purchases of property, plant and equipment of RM53,287 which was offset by an interest income of RM6,584 from the short term fixed deposits placed with the financial institutions, repayment from holding company, Unico-Desa of RM53,267 and sales proceeds from the disposal of property, plant and equipment of RM71,574 to the holding company, Unico-Desa.

Net cash from financing activities

The net cash from the financing activities amounted to RM22.6 million. The main source of the cash generated from the financing activities is the net proceeds from public issue of RM26.0 million after deducting the estimated listing expenses of RM3.0 million. There was also an interest payment of RM1.3 million and a net repayment of RM2.1 million borrowings.

The components of cash and cash equivalents at the end of the period are tabulated as follow:

	FPE 31 August 2012 (RM)
Cash and bank balances	26,555,419
Bank overdrafts	(2,025,317)
Cash and cash equivalents at the end of the financial period	24,530,102

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8.4.3 Borrowings

Interest Bearing Borrowings

Details of borrowings of the Group which are all interest bearing are as follows:-

	<------------------- As at 31 March ------------------>				As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
Short term					
Bank overdrafts	6,731,515	2,212,165	2,844,670	186,381	2,025,317
Block discounting payables	8,734,160	9,270,556	10,430,440	14,103,023	10,137,983
Term loans	-	500,000	5,126,000	6,168,000	6,168,000
	15,465,675	**11,982,721**	**18,401,110**	**20,457,404**	**18,331,300**
Long term					
Block discounting payables	15,923,160	12,379,419	12,985,770	15,226,772	19,122,630
Term loans	-	34,500,000	29,374,000	23,206,000	21,164,000
	15,923,160	**46,879,419**	**42,359,770**	**38,432,772**	**40,286,630**
Total borrowings	**31,388,835**	**58,862,140**	**60,760,880**	**58,890,176**	**58,617,930**
Gearing ratio (times)	0.41	0.65	0.60	0.50	0.47

<u>**Bank overdrafts**</u>

ELK-Desa Capital currently obtains overdraft facilities from Public Bank Berhad. This is mainly used for working capital. The limit of bank overdraft granted is as follows:

Financial Periods	Amount (RM)
31 August 2012	2,500,000
31 March 2012	2,500,000
31 March 2011	2,500,000
31 March 2010	7,000,000
31 March 2009	10,000,000

These overdraft facilities were previously secured by a third party land charge over a parcel of leasehold agricultural land in Sabah registered under the name of its holding company, Unico-Desa. In view of the IPO, upon ELK-Desa Capital's request, the above land charge has been substituted with a new corporate guarantee to be issued by ELK-Desa Resources and an assignment of ELK-Desa Capital rights under HP agreements with its hirers.

The effective interest rate of bank overdrafts is 6.10% per annum (FYE 31 March 2012: 6.10%, FYE 31 March 2011: 5.80%, FYE 31 March 2010: 5.30%, FYE 31 March 2009: 5.05%).

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Block Discounting Payables

	<---------- As at 31 March ---------->				As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
Gross block discounting payables					
- not later than one year	**9,920,535**	**10,231,203**	**11,430,752**	**15,334,359**	**15,453,883**
- later than one year but not later than five years	16,509,003	12,863,699	13,671,259	15,923,573	15,800,652
- later than five (5) years	463,585	214,398	-	-	-
	16,972,588	**13,078,097**	**13,671,259**	**15,923,573**	**15,800,652**
	26,893,123	**23,309,300**	**25,102,011**	**31,257,932**	**31,254,535**
Less: Future block charges	(2,235,803)	(1,659,325)	(1,685,801)	(1,928,137)	(1,993,922)
Net block discounting payables	**24,657,320**	**21,649,975**	**23,416,210**	**29,329,795**	**29,260,613**
Repayable as follows:					
Current liabilities:					
- not later than one (1) year	**8,734,160**	**9,270,556**	**10,430,440**	**14,103,023**	**10,137,983**
Non-current liabilities:					
- later than one (1) year; and not later than five (5) years	15,466,162	12,168,899	12,985,770	15,226,772	19,122,630
- later than five (5) years	456,998	210,520	-	-	-
	15,923,160	**12,379,419**	**12,985,770**	**15,226,772**	**19,122,630**
Net block discounting payables	**24,657,320**	**21,649,975**	**23,416,210**	**29,329,795**	**29,260,613**

ELK-Desa Capital obtained block discounting facilities from Malayan Banking Berhad to finance the HP disbursements. The amount of block discounting facilities granted is RM30 million.

From FYE 31 March 2009 to FYE 31 March 2010, there was a decrease in block discounting payables due to partial utilisation of the new term loan obtained. On the contrary, the increase in FYE 31 March 2011 was due to the increase in usage of block discounting facilities to facilitate the growth of our HP portfolio. In FYE 31 March 2012, block discounting payables has further increased due to the increase in HP portfolio and remained relatively unchanged since then.

These block discounting facilities were previously secured by a corporate guarantee from Unico-Desa, the ultimate holding company of ELK-Desa Capital and an assignment of ELK-Desa Capital rights under HP agreements with its hirers. In view of the IPO, upon ELK-Desa Capital's request, the above corporate guarantee has been substituted with a new corporate guarantee by ELK-Desa Resources. The above assignment remains unchanged.

The effective interest rate of block discounting payable is 5.30% to 5.97% for FPE 31 August 2012, 5.20% to 5.97% for FYE 31 March 2012, 5.20% to 6.12% for FYE 31 March 2011, 5.29% to 5.86% for FYE 31 March 2010 and 5.75% to 5.86% for FYE 31 March 2009 per annum.

Term Loans

	<---------- As at 31 March			---------->	As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
Term loan I repayable by 20 quarterly instalments repayment of RM500,000 commenced on 1 March 2011 (Unsecured)	-	10,000,000	9,500,000	7,500,000	6,500,000
Term loan II repayable by 23 quarterly installments repayment of RM1,042,000 and final repayment installment of RM1,034,000 commenced on 29 September 2011 (Secured)	-	25,000,000	25,000,000	21,874,000	20,832,000
Total Term Loan	**-**	**35,000,000**	**34,500,000**	**29,374,000**	**27,332,000**
Repayable as follows:					
Current liabilities:					
- not later than one (1) year	-	**500,000**	**5,126,000**	**6,168,000**	**6,168,000**
Non-current liabilities:					
- later than one (1) year and not later than five (5) years	-	23,630,000	24,172,000	22,172,000	21,164,000
- later than five (5) years	-	10,870,000	5,202,000	1,034,000	-
	-	**34,500,000**	**29,374,000**	**23,206,000**	**21,164,000**
Total Term Loan	**-**	**35,000,000**	**34,500,000**	**29,374,000**	**27,332,000**

In FYE 31 March 2010, RM25 million was obtained for the purposes of repayment of advances due to Unico-Desa. The remaining RM10 million was obtained for the purposes of working capital which includes HP disbursement.

The term loans are repayable in 20 and 23 quarterly instalments commencing from 1 March 2011 and 29 September 2011.

Term loan I was previously secured by a corporate guarantee from Unico-Desa, the ultimate holding company of ELK-Desa Capital. In view of the IPO, upon ELK-Desa Capital's request, the above corporate guarantee has been substituted with a new corporate guarantee by ELK-Desa Resources.

Term loan II was previously secured by a third party land charge over two (2) parcels of leasehold agricultural land in Sabah registered under the name of its holding company, Unico-Desa. In view of the IPO, upon ELK-Desa Capital's request, the above land charge was substituted with a new corporate guarantee to be issued by ELK-Desa Resources and an assignment of ELK-Desa Capital rights under HP agreements with its hirers.

The effective interest rate of term loans is 5.35% per annum (FYE 31 March 2012: 5.10%, FYE 31 March 2011: 4.80%, FYE 31 March 2010: 4.30 %, FYE 31 March 2009: Nil %).

Decrease in term loans throughout the financial years under review was solely due to repayments made.

The Board of Directors confirms that the Group has not defaulted on any payments of interest and/or principal sums on any borrowings throughout FYE 31 March 2009, FYE 31 March 2010, FYE 31 March 2011, FYE 31 March 2012, FPE 31 August 2012 and up to the date of this Prospectus.

8.4.4 Breach of Terms and Conditions / Covenants Associated with Credit Arrangements / Bank Loans

We are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loans, which could materially affect our financial position and results of business operations or the investment by holders of securities in our Group.

8.4.5 Capital Expenditure

Our Group's capital expenditure for the financial years under review are as follows:

	<---------- As at 31 March			---------->	As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
Computer Equipment	64,834	31,628	18,559	103,419	32,627
Signboard	-	-	3,300	7,500	-
Office Equipment	15,856	40,348	117,870	47,000	17,480
Furniture and Fittings	39,979	8,750	11,591	2,078	-
Motor Vehicles	113,758	-	-	-	-
Office Renovation	91,333	68,000	481,780	274,706	3,180
Total	**325,760**	**148,726**	**633,100**	**434,703**	**53,287**

The acquisitions of these assets above were financed mainly through funds generated from operations. Save as disclosed above and in **Section 4.14.1**, we do not have any material plan on capital expenditure as at the LPD.

8.4.6 Treasury Policies and Objectives

The primarily source of funding are derived from cash generated from operating activities and external sources of funds. The external sources of funds include bank overdrafts, block discounting facilities and term loans. As at 31 August 2012, our Group does not have nor use any financial instruments for hedging purposes.

The Group will manage our capital which comprises debts and equity with an objective to ensure the Group would be able to continue as going concern while maximizing the return to shareholders.

8.4.7 Material Commitments

Save as disclosed below, as at LPD, our Group does not have any material capital commitments contracted or known to be contracted by our Group that has not been provided for, that may have material impact on our Group's financial position or results.

Non-cancellable lease agreements for certain premises and computer equipments, resulting in future rental commitments of approximately RM479,654 which can, subject to certain terms in the agreements to be reviewed and revised annually or upon renewal.

The above capital commitments are to be funded by the Group's internally generated funds.

8.4.8 Material Litigation, claims or arbitration

As at LPD, our Group does not engage in any material litigation, claims or arbitration either as plaintiff or defendant that will have a material effect on the financial position of the Group.

The Board of Directors is not aware of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceedings that may materially affect our Group's financial position and business.

8.4.9 Contingent Liabilities

As at LPD, save as disclosed in **Section 8.4.3** of this Prospectus, our Group does not have any material contingent liabilities.

None of these contingent liabilities have become enforceable or is likely to become enforceable, which in the opinion of the Board of Directors, will or may substantially affect our Group's ability to meet our obligations as and when they fall due.

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8.4.10 HP and Trade Receivables

a) HP receivables

	<---- As at 31 March			---->	As at 31 August
	2009 RM	2010 RM	2011 RM	2012 RM	2012 RM
Gross HP receivables					
- not later than one year	**58,232,265**	**66,972,816**	**80,849,337**	**90,044,701**	**93,413,449**
- later than one year but not later than five years	130,913,840	135,432,537	142,044,252	154,362,702	163,977,162
- later than five years	2,679,864	1,589,706	1,951,418	3,175,763	3,868,363
	133,593,704	**137,022,243**	**143,995,670**	**157,538,465**	**167,845,525**
	191,825,969	**203,995,059**	**224,845,007**	**247,583,166**	**261,258,974**
Less: Unearned HP income	(44,363,463)	(44,659,462)	(50,603,250)	(56,140,055)	(60,456,397)
Net HP receivables	**147,462,506**	**159,335,597**	**174,241,757**	**191,443,111**	**200,802,577**
Less: Accumulated collective impairment allowance	-	-	(4,208,211)	(4,640,074)	(4,907,276)
Accumulated individual impairment allowance	-	-	(5,913,316)	(5,840,143)	(4,511,525)
Allowance for doubtful debts	(7,450,225)	(7,230,896)	-	-	-
Balance as at 31 March	**140,012,281**	**152,104,701**	**164,120,230**	**180,962,894**	**191,383,776**
Net HP receivables					
Current assets					
- not later than one year	**31,260,299**	**38,548,139**	**53,093,874**	**59,817,849**	**62,323,729**
Non-current assets					
- later than one year but not later than five years	106,226,649	111,966,856	109,207,217	118,188,729	125,458,984
- later than five years	2,525,333	1,589,706	1,819,139	2,956,316	3,601,063
	108,751,982	**113,556,562**	**111,026,356**	**121,145,045**	**129,060,047**
	140,012,281	**152,104,701**	**164,120,230**	**180,962,894**	**191,383,776**

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The net HP receivables' ageing analysis of the Group is as follow:

	Accounts with arrears 0-3 months RM	Accounts with arrears 4 months and above RM	Total RM
As at 31 August 2012	196,291,052	4,511,525	200,802,577
As at 31 March 2012	185,602,968	5,840,143	191,443,111
As at 31 March 2011	168,328,441	5,913,316	174,241,757
As at 31 March 2010	153,358,877	5,976,720	159,335,597
As at 31 March 2009	140,471,608	6,990,898	147,462,506

Majority of the HP receivables are from Kuala Lumpur office. It represents approximately 55% in FYE 31 March 2009, 56% in FYE 31 March 2010, 57% in FYE 31 March 2011, 57% in FYE 31 March 2012 and 58% in FPE 31 August 2012 out of total gross HP receivables. The remaining gross HP receivables were contributed by our Klang branch.

Our Group has made an allowance for doubtful debts of RM7,450,225 in FYE 31 March 2009 and RM7,230,896 in FYE 31 March 2010 and an impairment allowance of RM10,121,527 in FYE 31 March 2011, RM10,480,217 in FYE 31 March 2012 and RM9,418,801 in FPE 31 August 2012.

In FYE 31 March 2009 and FYE 31 March 2010, where repayments are in arrears for 4 months, a general allowance of 30% will be made. Whereas amount which outstanding for 5 months, a general allowance of 50% will be made. For outstanding 6 months and above, a specific allowance of 100% was made. In addition, a general allowance based on 2.5% of the net of the total receivables is made against amount outstanding from 0 to 3 months.

However, in FYE 31 March 2011, pursuant to the adoption of FRS 139, there was a change in impairment policy adopted by our Group. A collective impairment allowance of 2.5% is made against outstanding balances with arrears from 0 to 3 months and an individual impairment allowance of 100% was made for outstanding balances with arrears of 4 months and above. There is no change in impairment policy since then.

Known bad debts would be written off when there is a non-payment of instalment for consecutively 5 months and above, and where efforts to repossess the cars has been unsuccessful, the hirer concerned could not be located and advertisement placed and legal correspondences have both proven futile. This bad debts write off policy has been consistent for the financial years under review. The credit terms of the HP receivables are in accordance with the repayment schedules contained in the HP agreements.

HP receivables have increased throughout the financial years under review mainly due to the continuous growth in HP disbursement which was in tandem with the increase in HP interest income.

Effect on the adoption of FRS 139

In the FYE 31 March 2010, carrying amount of HP receivables represented minimum HP receivables less unearned HP interest income, which was determined using sum of digit method ("SOD"), an approximation of constant periodic rate of interest on the remaining HP receivables. Upon adoption of FRS 139 on 1 April 2010, HP receivables were reclassified as loan and receivables, which is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate ("EIR") method. The change from SOD to EIR method has resulted in a decreased to the opening balance of HP receivables by RM2,846,592 upon adoption of FRS139.

Prior to 1 April 2010, HP receivables were carried at anticipated realisable value and specific and general allowances were made on HP receivables as per our Group's policy. Upon adoption of FRS 139, HP receivables are classified as loan and receivables and measured at amortised costs and subject to impairment. Our Group collectively considers factors such as the probability of default or significant delay in payments to determine whether there is any evidence that an impairment loss on loan and receivables has occurred. Our Group has determined an impairment policy as mentioned in **Section 8.3.1 (v)** on impairment allowance. This change resulted from the adoption of FRS139 has caused an increased to opening balance of impairment on HP receivables by RM2,393,801.

b) Trade Receivables

	<------------------ As at 31 March			------------------>	As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
Trade receivables					
- Third parties	241,760	203,770	221,560	116,600	46,000
Revenue on sales of cars	9,460,270	11,076,750	10,203,767	11,492,800	4,040,706
% of trade receivables to revenue	2.56%	1.84%	2.17%	1.01%	1.14%

Trade receivables mainly represent balance of sale proceeds receivable for disposal of repossessed cars.

In FYE 31 March 2009, trade receivables were mainly contributed by the sales of repossessed cars during February 2009 and March 2009 of 191 cars (February 2008 and March 2008: 125 cars). The credit term offered by our Group is 90 days from the date of invoice. The trade receivables represent amount owing from the buyers of motor vehicles.

In FYE 31 March 2010, the trade receivables mainly represent the balance outstanding from the sales of repossessed cars in February 2010 and March 2010 for 152 cars (February 2009 and March 2009: 191 cars). The decrease in trade receivables was due to lower sales in February 2010 and March 2010 compared to the previous financial year.

In FYE 31 March 2011, the balance outstanding as at year end were mainly contributed by the sales of repossessed cars in February 2011 and March 2011 for 169 cars (February 2010 and March 2010: 152 cars). The increase in trade receivables was due to the increase in sales of cars in February 2011 and March 2011 compared to the previous financial year.

In FYE 31 March 2012, the balance outstanding as at year end were mainly contributed by the sales of repossessed cars in February 2012 and March 2012 for 240 cars (February 2011 and March 2011: 169 cars). The decrease in trade receivables were due to better collection process from our trade debtors.

In FPE 31 August 2012, the balance outstanding as at the financial period remained low due to continuous improvement in collection process from our trade debtors.

The currency profile of trade receivables of our Group is in Ringgit Malaysia.

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8.4.11 Trade Payables

	<---------- As at 31 March ----------			---------->	As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
Dealers' retention	5,471,500	5,391,100	6,462,500	6,890,000	7,505,000
HP disbursement creditors	526,588	557,906	1,374,058	2,864,468	3,798,058
Other temporary clearing accounts (JPJ transfer fees, insurance premium)	162,564	283,159	415,890	207,001	131,359
Total	**6,160,652**	**6,232,165**	**8,252,448**	**9,961,469**	**11,434,417**
HP disbursement	**60,409,900**	**67,707,600**	**80,953,000**	**89,844,950**	**41,296,400**
Dealers' retention turnover period (days) *(Dealers' retention/HP disbursement) x 365 days or 153 days*	33	29	29	28	28
HP disbursement creditors turnover period (days) *(HP disbursement creditors/HP disbursement) x 365 or 153 days)*	3	3	6	12	14

Trade payables mainly consist of dealers' retention, HP disbursement creditors, JPJ transfer fee, insurance premium and NCB (Non Claim Discount on motor insurance premium) clearing accounts and others.

The credit term available to our Group in respect of trade payables was based on the terms of the agreements with our respective vendors.

Majority of the trade payables are dealers' retention (FYE 31 March 2009: 89%, FYE 31 March 2010: 87%, FYE 31 March 2011: 78%, FYE 31 March 2012: 69%, FPE 31 August 2012: 66%). The dealers' retention is the amount retained from the cars dealers for HP applications referred. The dealers' retention is imposed on the cars dealers on a case to case basis. The term of repayment of retention sum will be stated in the retention note.

The HP disbursement creditors are the HP disbursement that has not been disbursed to the car dealers. The HP disbursement will be disbursed to the car dealers upon the completion of all ownership transfer documents for the motor vehicles financed by ELK-Desa Capital.

Temporary clearing accounts are where all expenses incurred such as JPJ transfer fee and insurance premiums will be transferred to clearing accounts for subsequent contra against the amount received from hirers.

The currency profile of trade payables of our Group is in Ringgit Malaysia.

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FYE 31 March 2009 vs FYE 31 March 2010

As compared to FYE 31 March 2009, trade payables in FYE 31 March 2010 increased by RM71,513. This was mainly due to an increase of RM120,595 in the temporary clearing accounts which was in line with the increase in the HP portfolio. The increase was mitigated by a decrease in dealers' retention amounting to RM80,400. In FYE 31 March 2009, dealers' retention was paid out upon dealer's requests whereas in FYE 31 March 2010, our Group started paying all dealers' retention when it becomes due and payable on monthly basis.

FYE 31 March 2010 vs FYE 31 March 2011

Trade payables of our Group have increased by approximately RM2 million in FYE 31 March 2011. This was mainly due to the increase in the following:

(i) Increase in dealers' retention by approximately RM1.1 million mainly due to increase in new HP business during the year.

(ii) Increase in HP disbursement creditors by RM816,152 or 146% in FYE 31 March 2011 mainly due to the increase in HP disbursement amount yet to be released to the cars dealers. The HP disbursement will be disbursed upon completion of all the necessary documents to effect the transfer of vehicle ownership.

(iii) The increase in the temporary clearing accounts amounting to RM132,731 which was in line with the increase in HP portfolio.

FYE 31 March 2011 vs FYE 31 March 2012

Trade payables of our Group have increased by approximately RM1.7 million in FYE 31 March 2012. This was mainly due to the increase in the following:

(i) Increase in dealers' retention by RM0.4 million mainly due to the increase in new HP business during the year.

(ii) Increase in HP disbursement creditors by approximately RM1.5 million or 108% which was mainly due to increase in current month HP disbursement amount which has not been released to the cars dealers. The HP disbursement will be disbursed once all the necessary documents to effect the transfer of vehicle ownership is received.

FPE 31 August 2012 vs FYE 31 March 2012

Trade payables of our Group have increased by approximately RM1.5 million in FPE 31 August 2012. This was mainly due to the increase in the dealers' retention (*approximately RM0.6 million*) and HP disbursement creditors (*approximately RM0.9 million*). The increase is in line with the increase in HP disbursement during the financial period.

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8.4.12 Key Financial Ratios

a) Trade Receivables

	<---- As at 31 March			---->	As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
<u>Trade receivables</u> - Third parties	241,760	203,770	221,560	116,600	46,000
Revenue on sales of cars	9,460,270	11,076,750	10,203,767	11,492,800	4,040,706
Trade receivables turnover period (days) (trade receivables/revenue on sales of cars) x 365 or 153 days	9	7	8	4	2

Trade receivables mainly represent balance of sale proceeds receivable for disposal of repossessed cars and the aging analysis on trade receivables as at 31 August 2012 is as follows:-

	Within 1 Month RM	1 - 2 Months RM	Total RM
<u>Trade receivables</u> - Third parties	46,000	-	46,000
% of total	100	-	100

The main portion of the trade receivables was the balance of the car purchase price which will be offset by the HP disbursement obtained by the customers.

The credit term offered by our Group is 90 days from the date of invoice and all trade receivables were within the credit term offered.

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b) Trade Payables

	<-------- As at 31 March			-------->	As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
Dealers' retention	5,471,500	5,391,100	6,462,500	6,890,000	7,505,000
HP disbursement creditors	526,588	557,906	1,374,058	2,864,468	3,798,058
Other temporary clearing accounts (JPJ transfer fees, insurance premium)	162,564	283,159	415,890	207,001	131,359
Total	**6,160,652**	**6,232,165**	**8,252,448**	**9,961,469**	**11,434,417**
HP disbursement	**60,409,900**	**67,707,600**	**80,953,000**	**89,844,950**	**41,296,400**
Dealers' retention turnover period (days) *(Dealers' retention/HP disbursement) x 365 days or 153 days*	33	29	29	28	28
HP disbursement creditors turnover period (days) *(HP disbursement creditors/HP disbursement) x 365 or 153 days)*	3	3	6	12	14

Trade payables mainly consist of dealers' retention, HP disbursement creditors, JPJ transfer fee, insurance premium and NCB (Non Claim Discount on motor insurance premium) clearing accounts.

Other than the dealers' retention and HP disbursement creditors, the other trade payables are temporary clearing accounts and hence no aging analysis has been provided.

Dealers' Retention

Dealers' retention is the amount retained from the cars dealers for HP application referred. The dealers' retention is imposed on the cars dealers on a case to case basis. The term of repayment of retention sum will be stated in the retention note.

The terms of repayment will depend on the amount of the retention sum and the monthly instalment. The dealers' retention will be refunded to the car dealers on a monthly basis once the terms for the retention refund have been fulfilled. The aging analysis for the dealer's retention as at 31 August 2012 is as follows:-

	Within 12 Months RM	13 - 24 Month RM	Above 24 Months RM	Total RM
Dealers' retention	4,806,500	2,487,500	211,000	7,505,000
% of total	64.0	33.1	2.9	100

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HP Disbursement Creditors

The HP disbursement creditors comprise the HP disbursement that have not been disbursed to the car dealers. The HP disbursement will be disbursed to the car dealers upon the completion of all ownership transfer documents for the motor vehicles financed. The aging analysis of the HP disbursement that have not been disbursed to the car dealers as at 31 August 2012 is as follows:-

	Within 1 Month RM	1 - 2 Month RM	Above 2 Months RM	Total RM
HP disbursement creditors	3,646,558	104,000	47,500	3,798,058
% of total	96.0	2.7	1.3	100

As at 31 August 2012, our Group is not aware of any actions, legal or otherwise, that has been taken against the Group by any car dealers or trade suppliers for the recovery of debts due to them or due to any defaults in payment.

(c) Inventory Management

	<------------------------ As at 31 March			------------------>	As at 31 August
	2009	2010	2011	2012	2012
	RM	RM	RM	RM	RM
Inventories at cost	1,752,078	1,261,853	1,519,118	1,800,105	1,671,136
Less :Inventories written down	(875,039)	(630,926)	(758,819)	(900,053)	(835,568)
	877,039	**630,927**	**760,299**	**900,052**	**835,568**
Expenses on sales of cars*	**13,247,991**	**14,594,741**	**13,793,774**	**14,830,685**	**5,323,494**
Inventories turnover period (days) (average inventories at cost written down / expenses on sales of cars) x 365 or 153 days	23	19	18	20	25

Note:

* *comprised gross outstanding amount due from the hirers and cost of inventories sold*

Inventories of our Group represent the repossessed and trade-in cars.

The cars were repossessed from the hirers who have defaulted in instalment payments and failed to redeem the cars within certain periods after notices being given. The repossessed cars will be transferred to inventories and it will be sold subsequently.

The write down in value of the inventories were the differences between the cost and net realisable value at the end of the financial year. Monthly provision of 50% on inventories will be made throughout the year and only adjusted at year end.

Inventories has decreased by RM246,112 from FYE 31 March 2009 to FYE 31 March 2010, subsequently increased by RM129,372 from FYE 31 March 2010 to FYE 31 March 2011 and RM139,753 from FYE 31 March 2011 to FYE 31 March 2012. Inventories decreased by RM64,484 from FYE 31 March 2012 to FPE 31 August 2012.

This is in tandem with the trend of sales on repossessed vehicles where more sales on repossessed vehicles in FYE 31 March 2010 resulted in the decrease in inventories of repossessed vehicles and lower sales on repossessed vehicles in FYE 31 March 2011 resulted in higher inventories of repossessed vehicles. The increase in inventories for FYE 31 March 2012 was due to higher number of repossessed vehicles and the decrease in inventories for FPE 31 August 2012 was due to lower number of repossessed vehicles.

8.4.13 Off-Balance Sheet Arrangements

As at 31 August 2012, our Group does not have any off balance sheet arrangements which are reasonably likely to have a current or future material effect on our financial condition, change in financial condition, revenues or expenses, results of operations, capital expenditures or capital resources other than the non-cancellable lease agreements for certain premises and computer equipments mentioned in **Section 8.4.7**.

8.4.14 Foreign Exchange Exposure

Our Group does not engage in any foreign currency transaction and all our Group's transactions are in Ringgit Malaysia. Therefore, our Group has no exposure to foreign exchange risk.

8.4.15 Credit Management

Cash deposits and receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. In order to manage this risk, it is the Group's policy to monitor the financial standing of these counter parties and perform credit evaluation on customers requiring credit.

Our Group's primary exposure to credit risk arises through our HP receivables. The credit terms are in accordance with the repayment schedules as contained in the HP agreements. Our Group seeks to maintain strict control over our outstanding receivables via our credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At the end of the reporting period, there was no significant concentration of credit risk. The maximum exposure to credit risk for our Group was represented by the carrying amount of each financial asset shown in the statements of financial position.

In respect of the deposits, cash and cash equivalents placed with major financial institutions in Malaysia, the Directors opined that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

8.4.16 Effects of Inflation

Our Directors are of the view that inflation does not have a material impact on our business, financial condition or results of operation of our Group. However, in the future, any increase in inflation rate may affect our operations and performance if we are not able to fully offset the higher costs of our borrowings and operating expenses through higher interest charged for our provision of HP financing to hirers. Our failure or inability to do so may affect our business, financial performance and results of operations.

8.4.17 Government/ Economic/ Fiscal/ Monetary policies

Risks relating to government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in **Section 3.** Save for the risk disclosed in **Section 3.2.1(c)**, there is no government, economic, fiscal or monetary policies or factors that will have a material impact on our profitability and financial position.

8.5 TREND INFORMATION

(a) Business and Financial Prospects

As at LPD, our conditions and operations have not been and are not expected to be affected by any of the following:

- known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section, **Section 3** and **Section 4** of this prospectus;

- material commitment for capital expenditures set out in **Section 8.4.7** of this prospectus;

- unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and in **Section 3** of this prospectus;

- known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in **Section 4** of this prospectus and business strategies and future plans as set out in **Section 4** of this prospectus;

- known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in **Section 4** of this prospectus; and

- known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in **Section 3** and **Section 4** of this prospectus.

Our Board is optimistic about our future prospects given the favourable outlook as set out in **Section 4.20.2** of this prospectus, our competitive advantages and key strengths set out in **Section 4.3.1(c)** of this prospectus and our dedication to implement the business strategies and future plans set out in **Section 4.20** of this prospectus.

(b) Order Book

Order book is not applicable to ELK-Desa Resources in view that it is in the business of HP financing where HP agreements are entered into between the hirer and ELK-Desa Capital once the HP application is approved after the relevant credit assessment is carried out.

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8.6 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.

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.

The Company intends to set aside approximately 50% of the net profits in FYE 2013 to fund the proposed dividend which is expected to be paid to shareholders during FYE 2014. The future growth of HP business in FYE 2014 will therefore be financed through the remaining 50% of the FYE 2013 net profits, internal generated funds and external bank borrowings.

The intention to recommend the distribution of approximately of 50% of the Company's PAT as dividend for FYE 31 March 2013 was made after taking into consideration the following:

(i) the Group has been consistently recording good net cash from the operating activities for the past three (3) financial years up to FYE 31 March 2012;

(ii) cash generated from operations for the past three (3) financial years up to FYE 31 March 2012 ranges from RM8.1 million to RM9.0 million; and

(iii) the Group's revenue has recorded improvements for the past three (3) financial years up to FYE 31 March 2012 with minimal changes in bank borrowings.

The above indicates that the Group has been funding its operations mainly from the internally generated operating cashflow for the growth of the HP Receivables.

If there is no dividend to be declared for FYE 2013, the internally generated funds will be solely used for HP disbursements. For illustration, assuming a constant PAT for the FYE 31 March 2012 of approximately RM15.9 is achieved for the FYE 31 March 2013, and that is not distributed as dividends, hence the amounts are to be utilised as HP disbursements. This would translate to the growth of HP Receivables for the FYE 2014 of approximately 4%, based on the Net HP Receivables of RM191.0 million as at 31 March 2012.

Nevertheless, the Board is mindful in managing the Group's HP business expansion to ensure that the resources of the Group will not be over-stretched while at the same time, the shareholders can be rewarded accordingly.

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8.7 PROFORMA CONSOLIDATED FINANCIAL INFORMATION

BDO

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1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Reporting Accountants' Letter on the Proforma Consolidated Financial Information (Prepared for the purpose of inclusion in the Prospectus)

The Board of Directors
ELK-Desa Resources Berhad
15-17, Jalan Brunei Utara,
Off Jalan Pudu Imbi,
55100 Kuala Lumpur.

Date: 22 October 2012

Our ref: BDO/AO/lhv

Dear Sirs

ELK-DESA RESOURCES BERHAD ("ELK-DESA RESOURCES" OR "THE COMPANY") AND ITS SUBSIDIARIES ("ELK-DESA RESOURCES GROUP" OR "THE GROUP")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

In connection with the Initial Public Offering exercise of the Company (as disclosed in Section 1.2 of the consolidated financial information prepared by the Company), we have reviewed the proforma consolidated financial information of the Group for the past four (4) financial years ended ("FYE") 31 March 2009 to 2012 and five (5) months' financial period from 1 April 2012 to 31 August 2012 ("FPE 31 August 2012") with the accompanying notes thereon (which are stamped by us for identification purpose). These proforma consolidated financial information are prepared for illustration purposes only based on the audited financial statements of the Company and ELK-Desa Resources Group, after making certain assumptions, and such adjustments to show the effects of the listing scheme on:

(a) the consolidated financial results of ELK-Desa Resources Group for the financial years/period under review.

(b) the consolidated financial position of ELK-Desa Resources Group as at 31 August 2012.

(c) the consolidated cash flows of ELK-Desa Resources Group for the FPE 31 August 2012.

As the proforma consolidated financial information is prepared for illustrative purposes only, such information, because of its nature, may not reflect ELK-Desa Resources Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial results, financial position and cash flows.

The proforma consolidated financial information have been prepared for inclusion in the Prospectus of ELK-Desa Resources to be dated on 21 November 2012 in connection with the listing of and quotation for the entire issued and paid-up share capital of ELK-Desa Resources on the Main Market of Bursa Malaysia Securities Berhad.

It is the sole responsibility of the Directors of ELK-Desa Resources Group to prepare the proforma consolidated financial information in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines"). Our responsibility is to form an opinion as required by the Prospectus Guidelines on the proforma consolidated financial information.

In providing this opinion, we are not updating or re-issuing any reports or opinion previously made by us on any financial information used in the compilation of the proforma consolidated financial information, nor do we accept the responsibility for such reports or opinions beyond that is owed to those to whom those letters or opinions were addressed by us at the date of their issue.

BDO

ELK-Desa Resources Berhad (Company No. 180164-X)
Proforma Consolidated Financial Information

Our work consisted primarily of comparing the unadjusted financial information presented with their audited financial statements, considering the adjustments and discussing the proforma consolidated financial information with management of ELK-Desa Resources. Our work involve no independent examination of any of the underlying financial information other than our review of the financial statements of the ELK-Desa Resources Group for the FYE 2009 to FYE 2012 prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") and our audit of the financial statements of the ELK-Desa Resources Group for the FPE 31 August 2012 prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

In our opinion:

(i) the proforma consolidated financial information of the ELK-Desa Resources Group together with the accompanying notes, which are prepared for illustrative purposes only, have been properly prepared on the bases and assumptions as set out in the notes thereon, and such bases are consistent with the accounting policies adopted by ELK-Desa Resources, unless otherwise stated;

(ii) the financial statements used in the preparation of the proforma consolidated financial information have been prepared in accordance with MFRSs and IFRSs, and the proforma consolidated financial information have been properly prepared in a manner consistent with the format of the financial statements to be adopted by the ELK-Desa Resources Group; and

(iii) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information.

This letter has been prepared solely for the purpose stated above, in connection with the listing of and quotation for the entire issued and paid-up share capital of ELK-Desa Resources on the Main Market of Bursa Malaysia Securities Berhad. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

BDO

BDO
AF : 0206
Chartered Accountants

Ooi Thiam Poh
2495/01/14 (J)
Chartered Accountant

永聯資源有限公司

ELK-DESA RESOURCES BERHAD (180164-X)

15-17, Jalan Brunei Utara, Off Jalan Pudu, 55100 Kuala Lumpur, Malaysia.
Tel: 03-21457000 Fax: 03-21458258

1. GROUP BASIS OF PREPARATION AND LISTING SCHEME

1.1 Group and basis of preparation

The consolidated financial information of ELK-Desa Resources Berhad ("ELK-Desa Resources" or "the Company") and its subsidiaries namely ELK-Desa Capital Sdn. Bhd.("ELK-Desa Capital"), ELK-Desa Risk Agency Sdn. Bhd.("ELK-Desa Risk Agency"), ELK-Desa Marketing Sdn. Bhd. ("ELK-Desa Marketing") and ELK-Desa Development Sdn. Bhd. ("ELK-Desa Development"), (collectively known as "ELK-Desa Resources Group" or "Group") have been prepared using the bases and the accounting policies consistent with those adopted by the Group, after giving effect to the adjustments considered appropriate, based on the following:

Companies	Relevant Financial Years/Period	Auditors
ELK-Desa Capital	FYE 31 March 2009	BDO
	FYE 31 March 2010	BDO
	FYE 31 March 2011	BDO
	FYE 31 March 2012	BDO
	FPE 31 August 2012	BDO
ELK-Desa Risk Agency	FYE 31 March 2009	BDO
	FYE 31 March 2010	BDO
	FYE 31 March 2011	BDO
	FYE 31 March 2012	BDO
	FPE 31 August 2012	BDO
ELK-Desa Marketing	FYE 31 March 2009	BDO
	FYE 31 March 2010	BDO
	FYE 31 March 2011	BDO
	FYE 31 March 2012	BDO
	FPE 31 August 2012	BDO
ELK-Desa Development	FYE 31 March 2009	BDO
	FYE 31 March 2010	BDO
	FYE 31 March 2011	BDO
	FYE 31 March 2012	BDO
	FPE 31 August 2012	BDO

The audited financial statements used in the preparation of the consolidated financial information for the financial years/period under review were not subject to any qualification.

The consolidated financial information have been prepared in accordance with MFRSs and IFRSs, and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

Elimination of intra-group transactions has also been made throughout the financial years/period under review.

The proforma consolidated statements of financial position and cash flows were also prepared, together with the accompanying notes thereto, which have been prepared solely for illustrative purposes, to show the effects of the listing scheme as disclosed in Section 1.2 had the listing scheme been implemented and completed on 31 August 2012.

1. GROUP BASIS OF PREPARATION AND LISTING SCHEME (continued)

1.1 Group and basis of preparation (continued)

The proforma consolidated financial information of ELK-Desa Resources Group were prepared based on actual financial results, financial position and cash flows of the Group as at 31 August 2012 as the Group is already in existence including such adjustments to show the effects of the listing scheme.

1.2 DETAILS OF THE LISTING SCHEME

In conjunction with and as an integral part of the listing of ELK-Desa Resources on the Main Market of Bursa Malaysia Securities Berhad, the Company undertakes the following transactions:

1.2.1 Authorised share capital

Increase in the authorised share capital from RM50,000,000 comprising 50,000,000 ordinary shares of RM1 each to RM300,000,000 comprising 300,000,000 ordinary shares of RM1.00 each.

1.2.2 Bonus issue

Bonus issue of 50,000,000 new ordinary shares of RM1.00 each on the basis of one new share of RM1.00 each for every existing share held.

1.2.3 Proposed restricted offer for sale

Proposed non-renounceable restricted offer for sale of 13,493,454 ordinary shares of RM1.00 each in ELK-Desa Resources to the shareholders of Unico-Desa Plantations Berhad ("Unico-Desa") on the basis of fifteen (15) ELK-Desa Resources shares for every one thousand (1,000) Unico-Desa shares held at entitlement date.

1.2.4 Proposed public issue

Proposed public issue of 25,000,000 new ELK-Desa Resources's 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 and ELK-Desa Resources and the subsidiary companies of ELK-Desa Resources; and

(b) 15,625,000 Public Issue Shares to the Bumiputera investors to be approved by the Ministry of International Trade and Industry ("MITI"); 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.

1.2.5 Proposed listing and quotation

Upon completion of the Bonus Issue, Proposed Public Issue and Proposed Restricted Offer for Sales, ELK-Desa Resources will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of ELK-Desa Resources of RM125,000,000 comprising 125,000,000 ordinary shares of RM1.00 each on the Main Market of Bursa Securities.

2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR FYE 31 MARCH 2009, 2010, 2011, 2012 AND FPE 31 AUGUST 2012

The Consolidated Statements of Comprehensive Income of the ELK-Desa Resources Group for the past four (4) financial years ended 31 March 2009, 31 March 2010, 31 March 2011, 31 March 2012 and five (5) months up to FPE 31 August 2012, are set out below:-

	Audited FYE 31 Mar				Audited FPE 31 Aug
	2009 RM	2010 RM	2011 RM	2012 RM	2012 RM
Revenue	29,227,229	30,894,480	35,406,270	38,604,166	17,126,174
Other income	289,556	247,676	328,288	427,231	133,908
Cost of inventories sold	(177,673)	(65,576)	(100,181)	(10,075)	(18,690)
Depreciation of property, plant and equipment	(143,644)	(150,328)	(164,063)	(198,864)	(93,104)
Impairment allowance	(8,984,470)	(4,711,827)	(5,012,959)	(6,389,027)	(1,684,856)
Other expenses	(5,355,995)	(6,183,628)	(6,963,552)	(7,773,430)	(3,631,605)
Profit before interest and tax	14,855,003	20,030,797	23,493,803	24,660,001	11,831,827
Finance costs	(1,460,830)	(2,241,543)	(3,019,421)	(3,136,284)	(1,317,115)
Profit before tax	13,394,173	17,789,254	20,474,382	21,523,717	10,514,712
Tax expense	(3,376,077)	(4,590,005)	(5,193,230)	(5,580,538)	(2,671,515)
Net profit for the financial years/period	10,018,096	13,199,249	15,281,152	15,943,179	7,843,197
Other comprehensive income	-	-	-	-	
Total comprehensive income	10,018,096	13,199,249	15,281,152	15,943,179	7,843,197
Attributable to:					
- Owner of the Company	10,018,096	13,199,249	15,281,152	15,943,179	7,843,197
- Non-controlling interests	-	-	-	-	-
Earnings before interest, tax, depreciation and amortisation ("EBITDA")(RM)	*14,992,034*	*20,174,996*	*23,652,873*	*24,855,066*	*11,924,042*
Number of ordinary shares of RM1.00 each	*50,000,000*	*50,000,000*	*50,000,000*	*50,000,000*	*50,000,000*
Gross earnings per share (RM)	*0.27*	*0.36*	*0.41*	*0.43*	*0.21*
Net earnings per share (RM)	*0.20*	*0.26*	*0.31*	*0.32*	*0.16*
Profit before tax margin (%)	*45.83*	*57.58*	*57.83*	*55.75*	*61.40*
Net profit margin (%)	*34.28*	*42.72*	*43.16*	*41.30*	*45.80*
EBITDA margin (%)	*51.29*	*65.30*	*66.80*	*64.38*	*69.62*
Effective tax rate (%)	*25.21*	*25.80*	*25.36*	*25.93*	*25.41*

***Note:** The consolidated statements of comprehensive income represent the actual results of the Group as the Group is already in existence.*

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22 OCT 2012
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR FYE 31 MARCH 2009, 2010, 2011, 2012 AND FPE 31 AUGUST 2012 (continued)

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Earnings before interest, tax, depreciation and amortisation ("EBITDA") is the total net profit for the financial year/period before interest, tax, depreciation and amortisation for the respective financial years/period.

(b) Number of ordinary shares is the number of shares in issue at the end of the respective financial years/period.

(c) Gross earnings per share is computed by dividing profit before tax for the respective financial years/period over the number of ordinary shares in issue at the end of the respective years/period.

(d) Net earnings per share is computed by dividing profit after tax and attributable to the owners of the Company for the respective financial years/period over the number of ordinary shares in issue at the end of the respective years/period.

(e) Gross profit ("GP") margin is computed by dividing the gross profit over revenue earned in the respective financial years/period.

(f) Net profit ("NP") margin is computed by dividing the net profit over revenue earned in the respective financial years/period.

(g) Profit before tax ("PBT") margin is computed by dividing the profit before tax over revenue earned in the respective financial years/period.

(h) EBITDA margin is computed by dividing EBITDA over revenue earned in the respective financial years/period.

(i) Effective tax rate is computed by dividing tax expense over profit before tax in the respective financial years/period.

(j) Net assets per ordinary share is computed by dividing net assets over number of ordinary shares in issue at the end of the respective years/period.

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3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2012

The proforma consolidated statements of financial position of ELK-Desa Resources as at 31 August 2012 have been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Listing Scheme has been completed on 31 August 2012.

		Audited	< ------ Proforma ----- >		
		As at 31 August 2012	I After Proforma I	II After Proforma II	III After Proforma III
	Section	RM	RM	RM	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
		132,617,221	132,617,221	132,617,221	132,617,221
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	3.2.1	555,419	555,419	29,555,419	26,555,419
		65,390,023	65,390,023	94,390,023	91,390,023
TOTAL ASSETS		198,007,244	198,007,244	227,007,244	224,007,244
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	3.2.2	50,000,000	100,000,000	125,000,000	125,000,000
Share premium	3.2.3	-	-	4,000,000	3,779,800
Retained earnings		75,006,958	25,006,958	25,006,958	22,227,158
TOTAL EQUITY		125,006,958	125,006,958	154,006,958	151,006,958

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3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2012 (continued)

		Audited	< -----Proforma ---- >		
			I	II	III
		As at 31 August 2012	After Proforma I	After Proforma II	After Proforma III
	Section	RM	RM	RM	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

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Kuala Lumpur

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2012 (continued)

3.1 PROFORMA ADJUSTMENTS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(A) PROFORMA I

Proforma I is stated after the completion of the bonus issue.

Bonus issue

Bonus issue of 50,000,000 new ordinary shares of RM1.00 each on the basis of one new share of RM1.00 each for every existing share held upon the Proposals being approved by the Securities Commission.

(B) PROFORMA II

Proforma II is stated after proforma I and after the completion of the proposed restricted offer for sale, and proposed public issue.

Proposed restricted offer for sale

Proposed non-renounceable restricted offer for sale of 13,493,454 ordinary shares of RM1.00 each in ELK-Desa Resources to the shareholders of Unico-Desa on the basis of fifteen (15) ELK-Desa Resources shares for every one thousand (1,000) Unico-Desa shares held at entitlement date; and

Proposed public issue

Proposed public issue of 25,000,000 new ELK-Desa Resources's 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 and ELK-Desa Resources and the subsidiary companies of ELK-Desa Resources; and

(b) 15,625,000 Public Issue Shares to the Bumiputera investors to be approved by the Ministry of International Trade and Industry ("MITI"); 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.

(C) PROFORMA III

Proforma III is stated after proforma I and proforma II and after utilisation of the proceeds from Public Issue.

The proceeds from the Public Issue will be utilised as follows:

	RM
Business expansion - hire-purchase disbursements*	26,000,000
Estimated listing expenses **	3,000,000
Total	29,000,000

* *Subsumed within cash and cash equivalents.*

** *Estimated listing expenses of RM220,200 is to be written off against the share premium account under Section 60 of the Companies Act, 1965 in Malaysia and the balance of RM2,779,800 will be expensed off to the profit or loss.*

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Kuala Lumpur

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2012 (continued)

3.1 PROFORMA ADJUSTMENTS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(D) CASH AND CASH EQUIVALENTS

The movements of cash and cash equivalents are as follows:

	RM
As at 31 August 2012	555,419
Bonus Issue	-
Proforma I	555,419
Public Issue	29,000,000
Proforma II	29,555,419
Utilisation of proceeds - Listing expenses	(3,000,000)
Proforma III	26,555,419

(E) SHARE CAPITAL AND RESERVES

The movements in the share capital and reserves of the ELK-Desa Resources Group are as follows:

	Share capital RM	Share premium RM	Retained earnings RM	Total RM
As at 31 August 2012	50,000,000	-	75,006,958	125,006,958
Bonus Issue	50,000,000	-	(50,000,000)	-
Proforma I	100,000,000	-	25,006,958	125,006,958
Public Issue	25,000,000	4,000,000	-	29,000,000
Proforma II	125,000,000	4,000,000	25,006,958	154,006,958
Less: Listing expenses	-	(220,200)	(2,779,800)	(3,000,000)
Proforma III	125,000,000	3,779,800	22,227,158	151,006,958

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3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2012 (continued)

3.2 NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.2.1 CASH AND CASH EQUIVALENTS

	As at 31 August 2012 RM
Cash and bank balances as reported in proforma consolidated statements of financial position	26,555,419
Bank overdrafts	(2,025,317)
As reported in proforma consolidated statement of cash flows	24,530,102

3.2.2 SHARE CAPITAL

The details of the changes in the issued and paid-up share capital are as follows:

	No of shares allotted	Cumulative no of shares allotted	Par value RM	Consideration	Cumulative total issued and paid-up share capital RM
As at 31 August 2012	50,000,000	50,000,000	1.00	Issued and paid-up - Cash	50,000,000
Proforma I	50,000,000	100,000,000	1.00	Bonus Issue	100,000,000
Proforma II	25,000,000	125,000,000	1.00	Public Issue - Cash	125,000,000

3.2.3 SHARE PREMIUM

The share premium is arrived at after accounting for the premium received over the nominal value of shares issued to the public (less listing expenses of RM220,200).

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4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2012

The Proforma Consolidated Statement of Cash Flows for the FPE 31 August 2012 has been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Listing Scheme is completed on 31 August 2012.

	FPE 31 Aug 2012
	RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	10,514,712
Adjustments for:	
Depreciation of property, plant and equipment	93,104
Inventories written down	(64,484)
Impairment allowance	1,684,856
Interest expense	1,316,226
Interest income	(6,584)
Operating profit before working capital changes	13,537,830
Changes in working capital:	
Inventories	128,968
Hire-purchase receivables	(12,105,738)
Trade and other receivables	(625,200)
Trade and other payables	2,012,931
Cash from operations	2,948,791
Tax paid	(1,598,000)
Net cash from operating activities	1,350,791
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property, plant and equipment	(53,287)
Proceeds from disposal of property, plant and equipment	71,574
Repayment from holding company	53,267
Interests received	6,584
Net cash from investing activities	78,138
CASH FLOWS FROM FINANCING ACTIVITIES	
Net repayment of term loans	(2,042,000)
Net drawdown of block discounting payables	(74,386)
Proceeds from Public Issue	29,000,000
Payment of estimated listing expenses	(3,000,000)
Interest paid	(1,311,022)
Net cash from financing activities	22,572,592
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,001,521

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4. PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2012 (continued)

	FPE 31 Aug 2012 RM
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	528,581
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	24,530,102

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22 OCT 2012
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 22 October 2012.

....
TEOH HOCK CHAI @ TEW HOCK CHAI
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

....
LIM KENG CHIN
EXECUTIVE DIRECTOR

Stamped for the purpose of identification only.
22 OCT 2012
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

(Prepared for inclusion in this Prospectus)

BDO

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12th Floor Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

The Board of Directors
ELK-DESA RESOURCES BERHAD
15-17, Jalan Brunei Utara,
Off Jalan Pudu Imbi,
55100 Kuala Lumpur.

Date: 22 October 2012

Our ref: BDO/AO/lhv

Dear Sirs

ELK-DESA RESOURCES BERHAD ("ELK-DESA RESOURCES" OR "THE COMPANY") AND ITS SUBSIDIARIES ("ELK-DESA RESOURCES GROUP" OR "THE GROUP") ACCOUNTANTS' REPORT ("THE REPORT")

1. INTRODUCTION

This Report has been prepared by BDO, an approved company auditor, for inclusion in the Prospectus of ELK-Desa Resources to be dated on 21 November 2012 in connection with the listing and quotation of the enlarged issued and paid-up share capital of ELK-Desa Resources on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing"), and should not be relied on for any other purposes. Details of the listing scheme are disclosed in Section 2 of this Report.

2. DETAILS OF THE LISTING SCHEME

In conjunction with and as an integral part of the listing of ELK-Desa Resources on the Main Market of Bursa Securities, the Company undertakes the following transactions:

2.1 Authorised share capital

Increase in the authorised share capital from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM300,000,000 comprising 300,000,000 ordinary shares of RM1.00 each.

2.2 Bonus issue

Bonus issue of 50,000,000 new ordinary shares of RM1.00 each on the basis of one new share of RM1.00 each for every existing share held.

2. DETAILS OF THE LISTING SCHEME (continued)

2.3 Proposed restricted offer for sale

Proposed non-renounceable restricted offer for sale of 13,493,454 ordinary shares of RM1.00 each in ELK-Desa Resources to the shareholders of Unico-Desa Plantations Berhad ("Unico-Desa") on a pro rata basis at the entitlement date pursuant to the proposed listing of ELK-Desa Resources.

2.4 Proposed public issue

Proposed public issue of 25,000,000 new ELK-Desa Resources's 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 and ELK-Desa Resources and the subsidiary companies of ELK-Desa Resources; and

(b) 15,625,000 Public Issue Shares to the Bumiputera investors to be approved by the Ministry of International Trade and Industry ("MITI"); 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.

2.5 Proposed listing and quotation

Upon completion of the Bonus Issue, Proposed Public Issue and Proposed Restricted Offer for Sales, ELK-Desa Resources will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of RM125,000,000 comprising 125,000,000 ordinary shares of RM1.00 each on the Main Market of Bursa Securities.

3. GENERAL INFORMATION

ELK-Desa Resources (formerly known as Tekad Murni Sdn. Bhd.) was incorporated in Malaysia on 24 March 1989 under the Companies' Act, 1965 and commenced its business operations in the cultivation of oil palm plantations in year 1994 and became an indirect subsidiary of Unico-Desa in year 2000.

Pursuant to an internal restructuring exercise undertaken by Unico-Desa in year 2003, the oil palm business of the Company was sold to Unico-Desa. Subsequently, on 30 November 2004, ELK-Desa Resources became a direct subsidiary of Unico-Desa.

On 16 February 2005, ELK-Desa Resources ventured into the hire-purchase business via the acquisition of ELK-Desa Capital and its subsidiaries from its holding company, Unico-Desa pursuant to an internal restructuring exercise.

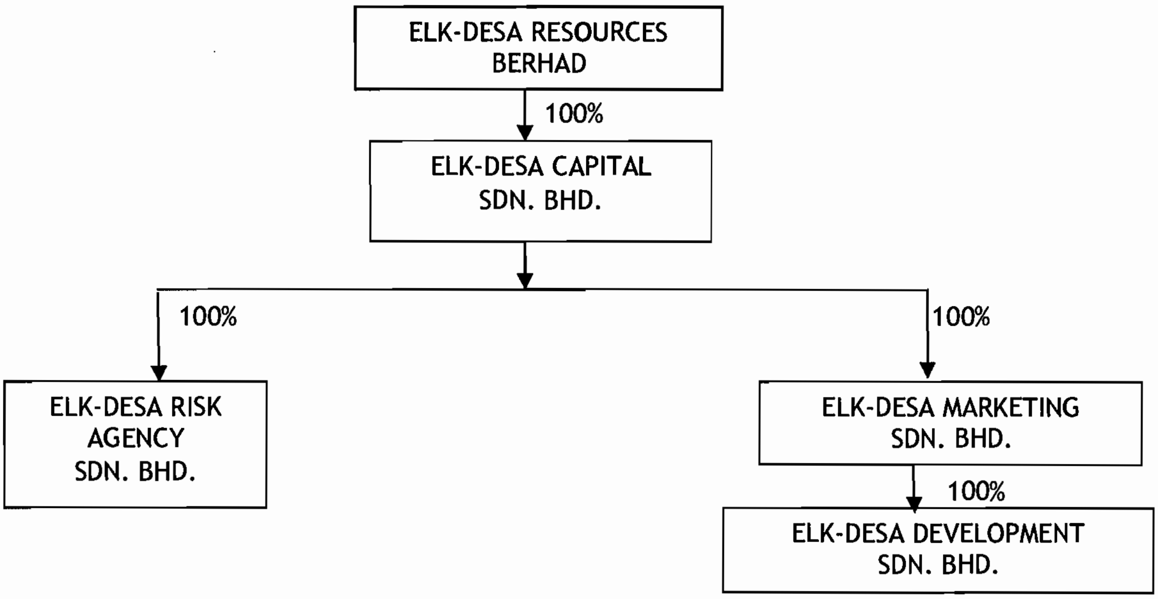
The principal activities of ELK-Desa Resources Group are the provision of hire-purchase financing for used motor vehicles and act as an insurance agent.

There have been no significant changes in the principal activities of ELK-Desa Resources Group since year 2005.

3. GENERAL INFORMATION (continued)

3.1 Group structure

As at the date of this Report, the corporate structure of ELK-Desa Resources and its subsidiaries ("ELK-Desa Resources Group" or "the Group") is as follows:



3.2 Principal activities

The principal activities of the Company are investment holding whilst the details of principal activities of the subsidiaries as at the date of this Report are as follows:

Subsidiaries	Date of incorporation	Place of incorporation	Effective equity interest (%)	Issued and paid-up share capital (RM'000)	Principal activities
ELK-Desa Capital Sdn. Bhd. ("ELK-Desa Capital")	19 October 1981	Malaysia	100	60,000	Hire-purchase financing
ELK-Desa Risk Agency Sdn. Bhd. ("ELK-Desa Risk Agency")	31 March 1981	Malaysia	100	1,065	Insurance agent
ELK-Desa Marketing Sdn. Bhd. ("ELK-Desa Marketing")	22 May 1997	Malaysia	100	25	Trading of used motor vehicles
ELK-Desa Development Sdn. Bhd. ("ELK-Desa Development")	18 August 1982	Malaysia	100	25	Dormant

4. SHARE CAPITAL

As at the date of this Report, the authorised and issued and paid-up share capital of the Company are as follows:

	Number of shares	RM
Ordinary shares of RM1.00 each:		
Authorised	300,000,000	300,000,000
Issued and fully paid	50,000,000	50,000,000

Details of the changes in the authorised share capital of the Company since the date of incorporation are as follows:

Date of allotment	Number of shares allotted	Par value RM	Consideration	Cumulative number of shares allotted RM
24 March 1989 (Date of incorporation)	25,000	1.00	25,000	25,000
16 September 1994	4,975,000	1.00	4,975,000	5,000,000
18 October 2004	45,000,000	1.00	45,000,000	50,000,000
20 March 2012	250,000,000	1.00	250,000,000	300,000,000

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

Date of allotment	Number of shares allotted	Par value RM	Consideration	Cumulative number of shares allotted RM
24 March 1989 (Date of incorporation)	2	1.00	2	2
16 September 1994	2,554,000	1.00	2,554,000	2,554,002
19 November 2004	7,445,998	1.00	7,445,998	10,000,000
16 February 2005	40,000,000	1.00	40,000,000	50,000,000
3 October 2012	50,000,000	1.00	50,000,000	100,000,000

Upon completion of the proposed public Issue, the issued and paid-up share capital of the Company will be enlarged to RM125,000,000 comprising 125,000,000 ordinary shares of RM1.00 each.

5. DIVIDENDS

Dividends paid by the Company during the financial years/period covered by this report were as follows:

		Gross RM	Tax RM	Net RM
FY2010	First interim gross dividend of 0.1908 sen per ordinary share, less tax of 25%.	95,384	23,846	71,538

6. RELEVANT FINANCIAL PERIODS AND AUDITORS

Set out below are the relevant financial years/period of the audited financial statements presented for the purpose of this Report ("Relevant Financial Years/Period") and the auditors of the respective companies within the ELK-Desa Resources Group for the Relevant Financial Years/Period ("FYE/FPE"):

Companies	Relevant Financial Years/Period	Auditors
ELK-Desa Capital	FYE 31 March 2009	BDO
	FYE 31 March 2010	BDO
	FYE 31 March 2011	BDO
	FYE 31 March 2012	BDO
	FPE 31 August 2012	BDO
ELK-Desa Risk Agency	FYE 31 March 2009	BDO
	FYE 31 March 2010	BDO
	FYE 31 March 2011	BDO
	FYE 31 March 2012	BDO
	FPE 31 August 2012	BDO
ELK-Desa Marketing	FYE 31 March 2009	BDO
	FYE 31 March 2010	BDO
	FYE 31 March 2011	BDO
	FYE 31 March 2012	BDO
	FPE 31 August 2012	BDO
ELK-Desa Development	FYE 31 March 2009	BDO
	FYE 31 March 2010	BDO
	FYE 31 March 2011	BDO
	FYE 31 March 2012	BDO
	FPE 31 August 2012	BDO

The audited financial statements of all the companies within the Group for the Relevant Financial Years/Period reported above were not subject to any qualification.

The audited reports of ELK-Desa Capital, ELK-Desa Risk Agency, ELK-Desa Marketing and ELK-Desa Development for the Relevant Financial Years/Period are annexed in Appendix I of this Report.

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7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

In accordance with clause 5(4) of the Ninth Schedule of the Companies Act, 1965 and Paragraph 10 of FRS 127 *Consolidated and Separate Financial Statements*, the financial statements of the subsidiaries are not consolidated with the financial statements of the Company for the FYE 31 March 2009, 2010 and 2011 by virtue that the Company is a wholly-owned subsidiary of Unico-Desa, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

However, for the purpose of this Report, the financial statements of the subsidiaries are consolidated with the financial statements of the Company for FYE 31 March 2009, 2010 and 2011 based on the audited financial statements of the subsidiaries and the Company, and accordingly the consolidated financial information of ELK-Desa Resources Group are presented in Section 9 of this Report.

This Report is prepared on a basis consistent with the accounting policies adopted by the Group as disclosed in Section 7.1 of this Report.

The financial statements of the Group for the FYE 31 March 2009, 31 March 2010, 31 March 2011 and 31 March 2012 had been previously prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") in Malaysia. The Group have adopted the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") effective FPE 31 August 2012 and reflected such adoption of the MFRSs and IFRSs for the FYE 31 March 2009, 31 March 2010, 31 March 2011 and 31 March 2012 in this Report and the effects of these adoptions are disclosed in Section 7.2 of this Report.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

7.1 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in the Group's financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgements in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Section 7.3 of this Report. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.1 Significant accounting policies (continued)

(b) Basis of consolidation (continued)

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represents the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at either fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.1 Significant accounting policies (continued)

(b) Basis of consolidation (continued)

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or jointly controlled entity.

(c) Business combinations

<u>Business combinations from 1 April 2011 onwards</u>

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquire or the replacements by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profits or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.1 Significant accounting policies (continued)

(c) Business combinations (continued)

Business combinations from 1 April 2011 onwards (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policies for goodwill is set out in Section 7.1(g). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 April 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, ie. 1 April 2011. Goodwill arising from acquisitions before 1 April 2011 has been carried forward from the previous FRS framework as at the date of transition.

(d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Computer equipment	3 years
Office equipment	10 years
Furniture and fittings	10 years
Signboard	10 years
Motor vehicles	10 years
Renovation	10 years

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.1 Significant accounting policies (continued)

(d) Property, plant and equipment and depreciation (continued)

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write-down is made if the carrying amount exceeds the recoverable amount (see Section 7.1(h) to this Report on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

(e) Leases

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(f) Investment in subsidiaries

A subsidiary is an entity in which the Group and the Company have power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.1 Significant accounting policies (continued)

(g) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(h) Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that has an indefinite useful life is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.1 Significant accounting policies (continued)

(h) Impairment of non-financial assets (continued)

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including goodwill, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories represent repossessed motor vehicles of the Group.

Cost of repossessed motor vehicles represents principal amount of the outstanding hire-purchase financing receivables plus the cost of bringing the inventories of repossessed motor vehicles to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.