

Unless otherwise stated, all abbreviations contained in this Abridged Prospectus ("AP") are defined in the Definitions section of this AP.

THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your shares in ELK-Desa, you should at once hand this AP together with the NPA and the RSF (collectively, the "Documents") to the agent or broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue of ICULS should be addressed to our Share Registrar, Tricor Investor Services Sdn Bhd (Company No. 118401-V), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The Documents are only despatched to our shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on the Entitlement Date at their registered address in Malaysia or who have provided our Share Registrar with a registered address in Malaysia no later than 5.00 p.m. on Tuesday, 18 March 2014. The Documents are not intended to be and will not be issued, circulated or distributed, and the Rights Issue of ICULS is not intended to be and will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. No action has been or will be taken under the requirements of the laws or regulations or of the legal or regulatory authorities of any jurisdiction other than Malaysia for the filing and/or registration of the AP. The Rights Issue of ICULS to which this AP relates to is only available to persons receiving this AP and the RSF electronically or otherwise within Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of ICULS in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Malaysia where shareholders may have their registered addresses, the Documents have not been and will not be despatched to shareholders with a registered addresses outside Malaysia unless they have provided an address in Malaysia for the service of the Documents by the Entitlement Date as set out below. However, nothing shall preclude Foreign Addressed Shareholders from collecting the Documents, in person, at the office of our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to this Rights Issue of ICULS. It shall be the sole responsibility of the Entitled Shareholders and/or their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue of ICULS would result in the contravention of any laws of such countries or jurisdictions. Neither the Company nor MIDF Investment nor any other advisers to the Rights Issue of ICULS shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation of the provisional allotment of the Rights ICULS made by Shareholder(s) of ELK-Desa whose names appear in the Record of Depositors of ELK-Desa on the Entitlement Date and/or their renounee(s) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction in which the Entitled Shareholders and/or their renounee(s) is a resident.

A copy of this AP has been registered with the SC. The registration of the AP should not be taken to indicate that the SC recommends the Rights Issue of ICULS or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Documents. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of the Documents.

Approval for this Rights Issue of ICULS has been obtained from our shareholders at the EGM held on 21 February 2014. Approval has been obtained from Bursa Securities via its letter dated 21 January 2014 for the admission of the ICULS on the Official List of Bursa Securities, the listing of and quotation for the ICULS to be issued under the Rights Issue of ICULS and the new ELK-Desa Shares to be issued upon conversion of the ICULS on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of ICULS. Admission of the ICULS to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the ICULS and the new ELK-Desa Shares to be issued upon conversion of the ICULS on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of ICULS. The admission of ICULS to the Official List and the listing of and quotation for the ICULS and the new ELK-Desa Shares to be issued upon conversion of the ICULS on the Main Market of Bursa Securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all CDS Accounts of the successful Entitled Shareholders and/or their renounee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Neither the SC nor Bursa Securities takes any responsibility for the correctness of statements made or opinions expressed herein.

Our Board has seen and approved all the documentation relating to the Rights Issue of ICULS in the Documents. They individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in the Documents false or misleading.

MIDF Investment, being the Principal Adviser for the Rights Issue of ICULS, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of ICULS.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.

永聯資源有限公司 ELK-DESA RESOURCES BERHAD

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

RENOUNCEABLE RIGHTS ISSUE OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK ("ICULS") OF RM100,000,000 IN NOMINAL VALUE WITH COUPON RATE OF 3.25% PER ANNUM ON THE NOMINAL VALUE OF THE ICULS AT 100% OF THE NOMINAL VALUE OF RM1.00 EACH FOR A TENURE OF EIGHT (8) YEARS ("RIGHTS ICULS") ON THE BASIS OF FOUR (4) RIGHTS ICULS OF RM1.00 EACH IN NOMINAL VALUE FOR EVERY FIVE (5) EXISTING ORDINARY SHARES OF RM1.00 EACH IN ELK-DESA HELD AS AT 5.00 P.M. ON 18 MARCH 2014

Principal Adviser



MIDF Amanah Investment Bank Berhad
(23878-X)

Trustee



Malaysian Trustees Berhad (21666-V)
(A Member of RHB Banking Group)

IMPORTANT RELEVANT DATES AND TIME

Entitlement Date	:	Tuesday, 18 March 2014 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of rights	:	Monday, 31 March 2014 at 5.00 p.m.
Transfer of provisional allotment of rights	:	Thursday, 3 April 2014 at 4.00 p.m.
Acceptance and payment	:	Tuesday, 8 April 2014 at 5.00 p.m.*
Excess application and payment	:	Tuesday, 8 April 2014 at 5.00 p.m.*

*or such later date and time as our Board and Principal Adviser may decide and announce not less than two (2) market days before the stipulated date and time

This Abridged Prospectus is dated 18 March 2014

THE SC AND BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE CORPORATION AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

SHAREHOLDERS/INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, SHAREHOLDERS/INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE OF ICULS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE OF ICULS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP, the NPA and the RSF.

“Act”	:	Companies Act, 1965
“AP”	:	This Abridged Prospectus dated 18 March 2014
“Board”	:	Board of Directors of ELK-Desa
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (635998-W)
“CDS”	:	Central Depository System
“CDS Account(s)”	:	Account established by Bursa Depository for a depositor to record transactions of securities and dealings in such securities by the depositor
“Central Depositories Act”	:	Securities Industry (Central Depositories) Act 1991
“Closing Date”	:	8 April 2014 at 5.00 p.m., being the last date and time for the acceptance and payment for the Rights ICULS in accordance with this AP and the RSF or such later date and time as the Board may decide and announce not less than two (2) Market Days before the stipulated date and time
“CMSA”	:	Capital Markets and Services Act, 2007
“Code”	:	Malaysian Code on Take-Overs and Mergers, 2010
“Director(s)”	:	A director of the Group, whether in an executive or non-executive capacity
“Documents”	:	This AP together with the NPA and RSF
“EBITDA”	:	Earnings before interest, taxation, depreciation and amortisation
“Eng Lee Kredit”	:	Eng Lee Kredit Sdn Bhd (10458-A)
“ELK-Desa” or “Company” or “Issuer”	:	ELK-Desa Resources Berhad (180164-X)
“ELK-Desa Group” or “Group”	:	Collectively, ELK-Desa and its subsidiaries
“ELK-Desa Share(s)”	:	Ordinary shares of RM1.00 each in ELK-Desa
“EGM”	:	Extraordinary General Meeting
“Entitled Shareholder(s)”	:	Shareholder(s) of ELK-Desa whose name(s) appear in the Record of Depositors of ELK-Desa on the Entitlement Date
“Entitlement Date”	:	5.00 p.m. on 18 March 2014, being the date and time on which shareholders must be registered in the Record of Depositors of ELK-Desa in order to be entitled to participate in the Rights Issue of ICULS
“EPS”	:	Earnings per share

DEFINITIONS (Cont'd)

“Excess Rights ICULS”	:	Rights ICUL(s) which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s) prior to the Excess Rights ICULS Application
“Excess Rights ICULS Application(s)”	:	Application(s) for Excess Rights ICULS in excess of an Entitled Shareholder’s entitlement under the Rights Issue of ICULS as set out in Section 3.8 of this AP
“Foreign Shareholder(s) Addressed”	:	Foreign shareholders of ELK-Desa on the Entitlement Date who have not provided an address in Malaysia for the service of documents to be issued for purposes of the Rights Issue of ICULS
“FPE”	:	Financial period ended/ending as the case may be
“FYE”	:	Financial year ended/ending as the case may be
“Government”	:	Government of Malaysia
“HP”	:	Hire Purchase
“HP Act”	:	The Hire-Purchase Act, 1967, or any statutory modification, amendment or re-enactment thereof for the time being in force
“Irrevocable Undertaking”	:	Irrevocable written undertaking by the Undertaking Parties to subscribe fully to its/his respective entitled Rights ICULS and undertaking by Eng Lee Kredit to subscribe for any Excess Rights ICULS not subscribed by the other Entitled Shareholders
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	26 February 2014, being the latest practicable date prior to the issuance of this AP
“Market Day(s)”	:	Any day(s) from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
“Maturity Date”	:	The last Market Day prior to the eight (8 th) anniversary of the date of the issuance of the ICULS
“Maximum Scenario”	:	Assuming all Entitled Shareholders subscribe in full for their entitlements under the Rights Issue of ICULS
“MIDF Investment” or “Principal Adviser”	:	MIDF Amanah Investment Bank Berhad (23878-X)
“Minimum Scenario”	:	Assuming only the Undertaking Parties subscribe for the Rights Issue of ICULS pursuant to the Irrevocable Undertaking
“NA”	:	Net assets
“Net HP Income Margin”	:	The difference between the terms charges imposed on the hirers and the cost of funding
“NPA”	:	Notice of Provisional Allotment pursuant to the Rights Issue of ICULS

DEFINITIONS (Cont'd)

“Official List”	:	A list specifying all securities listed on the ACE Market of Bursa Securities
“PAC”	:	Person acting in concert with Eng Lee Kredit in relation to the mandatory take-over offer obligation pursuant to the Code, namely, Teoh Hock Chai @ Tew Hock Chai
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PDS Guidelines”	:	Guidelines on Private Debt Securities issued by the SC on 28 December 2012
“PN”	:	Practice Note of the Code
“Record of Depositors”	:	A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository
“Reporting Accountants”	:	Messrs BDO (AF 0206)
“Rights Issue of ICULS”	:	Renounceable rights issue of ICULS of RM100,000,000 in nominal value with coupon rate of 3.25% per annum on the nominal value of the ICULS at 100% of the nominal value of RM1.00 each for a tenure of eight (8) years on the basis of four (4) RM1.00 nominal value of Rights ICULS for every five (5) ELK-Desa Shares held on the Entitlement Date
“Rights ICULS”	:	ICULS to be issued pursuant to the Rights Issue of ICULS
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RSF”	:	Rights Subscription Form pursuant to the Rights Issue of ICULS
“Rules of Bursa Depository”	:	Rules of the Bursa Depository and any appendices to the same
“SC”	:	Securities Commission Malaysia
“SICDA”	:	Securities Industry (Central Depositories) Act, 1991
“Share Registrar”	:	Tricor Investor Services Sdn Bhd (Company No. 118401-V)
“TERP”	:	Theoretical ex-right price
“Trustee”	:	Malaysian Trustees Berhad (21666-V)
“Trust Deed”	:	The document constituting the ICULS executed between the Trustee and the Company
“Undertaking Parties”	:	Eng Lee Kredit and Teoh Hock Chai @ Tew Hock Chai, collectively
“Unico-Desa”	:	Unico-Desa Plantations Berhad (78983-V)
“VWAMP”	:	Volume weighted average market price

DEFINITIONS *(Cont'd)*

All references to “our Company” in this AP are to ELK-Desa, references to “our Group” are to our Company and our subsidiaries. All references to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, our Group. All references to “you” in this AP are references to our Entitled Shareholder(s) and/or where the context otherwise requires, their renounee(s) and/or transferee(s).

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this AP shall be a reference to Malaysian time, unless otherwise stated.

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TABLE OF CONTENTS

	PAGE
CORPORATE DIRECTORY	vii
LETTER TO THE ENTITLED SHAREHOLDERS OF ELK-DESA:	
1. INTRODUCTION	1
2. RIGHTS ISSUE OF ICULS	3
2.1 Details of the Rights Issue of ICULS	3
2.2 Basis of determining and justification for the issue price of the Rights ICULS and the conversion price of the ICULS	4
2.3 Status of the ICULS and ranking of the new ELK-Desa Shares to be issued arising from the full conversion of the ICULS	5
2.4 Principal terms of the ICULS	5
2.5 Details of other corporate proposals	8
3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATIONS FOR THE RIGHTS ISSUE OF ICULS	8
3.1 General	8
3.2 NPA	8
3.3 Last date and time for acceptance and payment	8
3.4 Procedures for full acceptance and payment	8
3.5 Procedures for part acceptance by Entitled Shareholders	11
3.6 Procedures for sale or transfer of provisional allotment of Rights ICULS	11
3.7 Procedures for acceptance by renounee	12
3.8 Procedures for application for Excess Rights ICULS	12
3.9 Procedures for refund	14
3.10 Splitting	14
3.11 Form of issuance	14
3.12 Foreign Addressed Shareholders	15
4. RATIONALE FOR THE RIGHTS ISSUE OF ICULS	17
5. UTILISATION OF PROCEEDS	18
6. RISK FACTORS	18
6.1 Risks affecting HP industry	18
6.2 Risks relating to operation and business	20
6.3 Risks relating to the Rights Issue of ICULS	23
6.4 Forward looking statements	25
7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS	25
7.1 Overview and outlook of the Malaysian economy	25
7.2 Overview and outlook of the HP industry	26
7.3 Prospects of our Group	26
8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE OF ICULS	27
8.1 Share capital	27
8.2 NA and gearing	28
8.3 Earnings and EPS	28
9. SHAREHOLDERS' UNDERTAKINGS	29
10. IMPLICATION OF THE CODE	30

TABLE OF CONTENTS (Cont'd)

11.	WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS	31
11.1	Working Capital	31
11.2	Borrowings	31
11.3	Material Commitments and Contingent Liabilities	31
12.	TERMS AND CONDITIONS	31
13.	FURTHER INFORMATION	32

APPENDICES

APPENDIX I	CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF ICULS PASSED AT THE EGM HELD ON 21 FEBRUARY 2014	33
APPENDIX II	BACKGROUND INFORMATION ON ELK-DESA	35
APPENDIX III	PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA AND ITS SUBSIDIARIES AS AT 31 MARCH 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON	46
APPENDIX IV	AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 MARCH 2013 TOGETHER WITH THE AUDITOR'S REPORT THEREON	57
APPENDIX V	UNAUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR THE NINE (9) MONTHS FPE 31 DECEMBER 2013	137
APPENDIX VI	DIRECTORS' REPORT	148
APPENDIX VII	FURTHER INFORMATION	149

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

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

AUDIT COMMITTEE

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

CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARY** : Loke Weng Fook (MIA 6573)
No. 35, Jalan Puncak
Setiawangsa 7, Taman Setiawangsa
54200 Kuala Lumpur
- REGISTERED OFFICE AND HEAD OFFICE** : 15-17, Jalan Brunei Utara
Off Jalan Pudu
55100 Kuala Lumpur
- Tel: 603-2145 7000
Fax: 603-2145 8258
- Email: enquiry@elk-desa.com.my
Website: www.elk-desa.com.my
- SHARE REGISTRAR AND PAYING AGENT** : Tricor Investor Services Sdn Bhd (Company No. 118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
- Tel: 603-2264 3883
Fax: 603- 2282 1886
- AUDITORS AND REPORTING ACCOUNTANTS** : BDO (AF 0206)
Chartered Accountants
12th Floor, Menara Uni. Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur
- Tel: 603-2616 2888
Fax: 603-2616 3191
- SOLICITORS FOR THE RIGHTS ISSUE OF ICULS** : Shook Lin & Bok
20th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur
- Tel: 603-2031 1788
Fax: 603-2031 1775
- TRUSTEE** : Malaysian Trustees Berhad (21666-V)
8th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
- Tel: 603-2161 8822
Fax: 603-2032 1222

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CORPORATE DIRECTORY (Cont'd)

PRINCIPAL BANKERS	:	Public Bank Berhad (6463-H) Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Tel: 603-2176 6000 Fax: 603-2163 9917 Malayan Banking Berhad (3813-K) Level 2, Tower A Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel: 603-2297 2600 Fax: 603-2283 2216 Bank of China (Malaysia) Berhad (511251-V) Grd, Mezz. & 1 st Floor Plaza OSK 25 Jalan Ampang 50450 Kuala Lumpur Tel: 603-2162 6633 Fax: 603-2161 5150
PRINCIPAL ADVISER	:	MIDF Amanah Investment Bank Berhad (23878-X) Level 21, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel: 603-2173 8888 Fax: 603-2173 8277
STOCK EXCHANGE LISTING	:	Main Market of Bursa Securities

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永聯資源有限公司
ELK-DESA RESOURCES BERHAD

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

Registered Office:

15-17, Jalan Brunei Utara
Off Jalan Pudu
55100 Kuala Lumpur

18 March 2014

Board of Directors

Mr. Teoh Hock Chai @ Tew Hock Chai (Non-Independent Non-Executive Chairman)
Mr. Lim Keng Chin (Executive Director)
Mr. Teoh Seng Hui (Non-Independent Non-Executive Director)
Mr. Teoh Seng Kar (Non-Independent Non-Executive Director)
Mr. Ng Soon Lai @ Ng Siek Chuan (Independent Non-Executive Director)
Mr. Loong Foo Ching (Independent Non-Executive Director)
Mr. Yee Kin Lan (Independent Non-Executive Director)
Ms. Toh Jyh Wei (Independent Non-Executive Director)

To: The Entitled Shareholders of ELK-Desa

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK ("ICULS") OF RM100,000,000 IN NOMINAL VALUE WITH COUPON RATE OF 3.25% PER ANNUM ON THE NOMINAL VALUE OF THE ICULS AT 100% OF THE NOMINAL VALUE OF RM1.00 EACH FOR A TENURE OF EIGHT (8) YEARS ("RIGHTS ICULS") ON THE BASIS OF FOUR (4) RIGHTS ICULS OF RM1.00 EACH IN NOMINAL VALUE FOR EVERY FIVE (5) EXISTING ORDINARY SHARES OF RM1.00 EACH IN ELK-DESA ("ELK-DESA SHARE(S)") HELD AS AT 5.00 P.M. ON 18 MARCH 2014

1. INTRODUCTION

On 16 December 2013, MIDF Investment, on behalf of our Board, announced that we proposed to undertake the Rights Issue of ICULS.

On 27 January 2014, MIDF Investment, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 21 January 2014, granted its approval for amongst others, the following:

- (i) the admission of the ICULS and the listing of and quotation for 100,000,000 ICULS, to be issued pursuant to the Rights Issue of ICULS; and
- (ii) the listing of and quotation for up to 80,000,000 new ELK-Desa Shares to be issued arising from the conversion of the ICULS.

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The approval of Bursa Securities for the Rights Issue of ICULS is subject to the following conditions:

Conditions imposed	Status of compliance
(i) ELK-Desa and MIDF Investment must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of ICULS;	Noted
(ii) ELK-Desa and MIDF Investment to inform Bursa Securities upon the completion of the Rights Issue of ICULS;	To be complied
(iii) ELK-Desa to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of ICULS is completed;	To be complied
(iv) ELK-Desa to furnish Bursa Securities on a quarterly basis, a summary of the total number of shares listed pursuant to the exercise of the ICULS as at the end of each quarter together with a detailed computation of listing fees payable;	To be complied
(v) to incorporate the comments made in the circular to shareholders provided in the attachment of the Bursa Securities' letter of approval; and	Complied vide reply letter to Bursa Securities on 28 January 2014
(vi) ELK-Desa to furnish Bursa Securities with a copy of the approval letter from the SC (Private Debt Securities) for the issuance of the ICULS.	Complied vide letter to Bursa Securities dated 27 February 2014

The official listing of and quotation for the ICULS and the new ELK-Desa Shares to be issued arising from the full conversion of the ICULS will commence after, amongst others, receipt of confirmation from Bursa Depository that all CDS Accounts of the Entitled Shareholders and/or their renounees have been duly credited and notices of allotment have been despatched to them.

On 10 February 2014, MIDF Investment had, on behalf of our Board, announced that the SC under the PDS Guidelines had vide its letter dated 5 February 2014, granted its approval for the issuance of the ICULS pursuant to the Rights Issue of ICULS under subsection 214(1) of the CMSA on the application which was submitted to the PDS Department of the SC on 16 January 2014.

The approval of the SC for the Rights Issue of ICULS is subject to the following conditions:

Conditions imposed	Status of compliance
(i) Prior to the issuance of the ICULS, MIDF Investment is required to submit a checklist of compliance with the standard conditions and continuing obligations as stipulated in the PDS Guidelines and any other condition imposed in any other letter issued in connection with the Rights Issue of ICULS.	To be complied

On 21 February 2014, MIDF Investment had, on behalf of our Board, announced that our shareholders had approved the ordinary resolution in relation to the Rights Issue of ICULS as set out in the notice of EGM dated 30 January 2014. A certified true extract of the ordinary resolution pertaining to the Rights Issue of ICULS passed at the said EGM is set out in Appendix I of this AP.

On 28 February 2014, MIDF Investment had, on behalf of our Board, announced that ELK-Desa had on even date, executed the Trust Deed constituting 100,000,000 ICULS to be issued pursuant to the Rights Issue of ICULS.

On 4 March 2014, MIDF Investment had, on behalf of our Board, announced the Entitlement Date and other relevant dates pertaining to the Rights Issue of ICULS.

No person is authorised to give any information or make any representation not contained in this AP in connection with or in relation to the Rights Issue of ICULS and if given or made, such information or representation must not be relied upon as having been authorised by us and/or MIDF Investment in connection with the Rights Issue of ICULS or any other proposal. The delivery of this AP shall under no circumstances constitute a representation or create any implication that there has been no material change in the affairs of our Company or any of our subsidiaries since the date of this AP.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. RIGHTS ISSUE OF ICULS

2.1 Details of the Rights Issue of ICULS

In accordance with the terms of the Rights Issue of ICULS as approved by the relevant authorities and our shareholders and subject to the terms of the Documents, we shall provisionally allot RM100,000,000 nominal value of eight (8) years 3.25% ICULS at 100% of the nominal value of RM1.00 each on the basis of four (4) RM1.00 nominal value of Rights ICULS for every five (5) existing ELK-Desa Shares held on the Entitlement Date.

The Rights Issue of ICULS is to be undertaken on a full subscription basis, and therefore an irrevocable undertaking has been procured by the Board from the Undertaking Parties. Details of the Irrevocable Undertaking are set out in Section 9 of this AP.

In determining the entitlement to the provisional allotment of Rights ICULS under the Rights Issue of ICULS, any fractional entitlements under the Rights Issue of ICULS will be disregarded and shall be dealt with in such manner as our Board shall in its absolute discretion think expedient or in the best interests of our Company.

As the Rights ICULS are prescribed securities, the respective CDS Accounts of the Entitled Shareholders will be duly credited with the number of provisionally allotted Rights ICULS, which they are entitled to subscribe for in full or in part under the terms of the Rights Issue of ICULS. The Entitled Shareholders will find enclosed in this AP, the NPA notifying the Entitled Shareholders of the crediting of such securities into their respective CDS Accounts and the RSF to enable the Entitled Shareholders to subscribe for the provisionally allotted Rights ICULS, as well as to apply for excess Rights ICULS if the Entitled Shareholders choose to do so. The Rights ICULS that are not taken up for any reason will be made available for excess application as set out in Section 3.8 of this AP.

Any dealings in our securities will be subject to, amongst others, the provisions of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights ICULS and the new ELK-Desa Shares to be issued and allotted pursuant to the conversion of the ICULS will be credited directly into the respective CDS Accounts of successful applicants who have subscribed for such ICULS. No physical loan stock certificates will be issued.

Notices of allotment will be despatched to the Entitled Shareholders and/or their renounee(s) (if applicable) within eight (8) Market Days from the last day for acceptance of and payment for the Rights ICULS or such other period as may be prescribed by Bursa Securities. The Rights ICULS to be issued pursuant to the Rights Issue of ICULS will be listed and quoted on the Main Market of Bursa Securities within two (2) Market Days after the receipt of the application for the quotation of the Rights ICULS by Bursa Securities.

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2.2 Basis of determining and justification for the issue price of the Rights ICULS and the conversion price of the ICULS

The Rights ICULS shall be issued at 100% of the nominal value of RM1.00 each. The conversion price of the ICULS of RM1.25 for every one (1) new ELK-Desa Share was arrived at after taking into consideration, amongst others, the following:

- (i) the conversion price of the ICULS shall not be lower than RM1.00 being the par value of ELK-Desa Shares of RM1.00 each;
- (ii) five (5)-day VWAMP up to and including 13 December 2013, being the last Market Day immediately prior to the date of the announcement of the Rights Issue of ICULS, of the ELK-Desa Shares of RM1.4987 each; and
- (iii) the funding requirements of ELK-Desa Group as disclosed in Section 5 of this AP.

For illustrative purposes, the conversion price of the ICULS of RM1.25 represents:

- (i) a discount of approximately RM0.0541 or 4.15% over the TERP of RM1.3041 per ELK-Desa Share, based on the five (5)-day VWAMP up to and including 13 December 2013 of RM1.4987 per share; and
- (ii) a discount of approximately RM0.0734 or 5.55% over the TERP of RM1.3234 per ELK-Desa Share, based on the five (5)-day VWAMP up to and including LPD of RM1.5304 per share.

As set out in the terms of the ICULS and based on the conversion price, the ICULS may be converted into new ELK-Desa Shares by surrendering RM1.25 nominal value of ICULS for one (1) new ELK-Desa Share.

Premised on the terms of the ICULS, the ICULS can be converted into new ELK-Desa Shares on any Market Day from the second (2nd) anniversary of the date of the issue of the ICULS up to its Maturity Date. Any ICULS which are not converted would be mandatorily converted into new ELK-Desa Shares on the Maturity Date. Based on the conversion price, the maximum number of new ELK-Desa Shares to be issued is 80,000,000 new ELK-Desa Shares.

The conversion of the ICULS into new ELK-Desa Shares will not involve any cash element. The table below illustrates the Rights ICULS entitlement and number of new ELK-Desa Shares to be received upon the full conversion of the ICULS if an Entitled Shareholder holds 1,000 units of ELK-Desa Shares.

	ELK-Desa Shares held as at the Entitlement Date	Cost for Rights ICULS entitlement	No. of ELK-Desa Shares to be received upon surrendering RM800 nominal value of ICULS
Entitled Shareholder	1,000	RM800	640

Any fractional new ELK-Desa Share arising from the mandatory conversion of the ICULS on the Maturity Date will be disregarded and will be dealt with by the Board as it may deem fit and expedient in the best interest of the Company.

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2.3 Status of the ICULS and ranking of the new ELK-Desa Shares to be issued arising from the full conversion of the ICULS

The ICULS shall constitute direct, unsecured and unconditional obligations of ELK-Desa ranking *pari passu* amongst themselves and with all other subordinated and unsecured obligations of ELK-Desa, subject only to those preferred by law.

The new ELK-Desa Shares to be issued arising from the full conversion of the ICULS shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing ELK-Desa Shares except that they will not be entitled to any dividends, rights, allotments and/or distributions, that may be declared, made or paid prior to the date of allotment of these new ELK-Desa Shares.

2.4 Principal terms of the ICULS

Issuer	:	ELK-Desa Resources Berhad
Issue Size	:	RM100,000,000 nominal value of ICULS of RM1.00 each.
Issue Price	:	100% of the nominal value of RM1.00 each.
Form and Denomination	:	The ICULS will be issued in registered form in denominations of RM1.00 and multiples thereof, and constituted by the Trust Deed.
Tenure	:	Eight (8) years from and inclusive of the date of the issuance of the ICULS.
Basis of Allotment	:	Four (4) RM1.00 nominal value ICULS for every five (5) existing ELK-Desa Shares held at Entitlement Date.
Maturity Date	:	The last Market Day prior to the eight (8 th) anniversary of the date of the issuance of the ICULS.
Coupon Rate and Payment	:	3.25% per annum on the nominal value of the ICULS payable on an annual basis.
Conversion Rights	:	Each registered holder of the ICULS shall have the right on any Market Day during the Conversion Period to convert such amount of ICULS held into fully paid-up new ELK-Desa Shares at the Conversion Price. Any remaining ICULS not converted at the end of the Conversion Period shall be mandatorily converted into new ELK-Desa Shares at the Conversion Price on the Maturity Date. Any fractional new ELK-Desa Shares arising from the mandatory conversion of the ICULS on the Maturity Date shall be disregarded and be dealt with by the Board as it may deem fit and expedient in the best interest of the Company.
Conversion Price	:	The conversion price of the ICULS is RM1.25 for every one (1) new ELK-Desa Share.
Conversion Period	:	The ICULS shall be convertible into new ELK-Desa Shares on any Market Day from the second (2 nd) anniversary of the date of the issue of the ICULS up to and including the Maturity Date.
Conversion Mode	:	By surrendering for cancellation the ICULS with an aggregate nominal value equivalent to the Conversion Price.

- Conversion Price Adjustment : The Company shall make the necessary adjustment to the Conversion Price in the event of any alteration to the share capital of ELK-Desa on or before the Maturity Date, whether by way of rights issues, bonus issues, consolidation of shares, sub-division of shares or capital distribution whether on a reduction of capital or otherwise, in accordance with the provisions of the Trust Deed.
- Redemption : The ICULS will not be redeemable for cash. All outstanding ICULS will be mandatorily converted into new ELK-Desa Shares on the Maturity Date.
- Status of ICULS : The ICULS shall constitute direct, unsecured and unconditional obligations of ELK-Desa and subject to the provision contained in the Trust Deed, must at all times rank *pari passu*, without discrimination, reference or priority between themselves and must at least *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated debts and obligations of ELK-Desa except for those which are preferred by law.
- ICULS holders' rights to participate in any distribution and/or offer of further securities in the Company : The ICULS holders are not entitled to participate in any distribution and/or offer of securities in ELK-Desa until and unless such ICULS holders convert the ICULS into new ELK-Desa Shares.
- Amendments to the ICULS holders rights : In accordance with the Trust Deed, a special resolution of the holders of the ICULS (by a majority consisting of not less than three-fourths (3/4) of the persons voting at the meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourth (3/4) of the votes given on such poll) is required to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the holders of the ICULS against the Company.
- Ranking of new ELK-Desa Shares arising from the full conversion of the ICULS : The new ELK-Desa Shares to be allotted and issued upon full conversion of the ICULS will rank *pari passu* in all respects with the existing ELK-Desa Shares except that such new ELK-Desa Shares will not be entitled to any dividends, rights, allotments and/or distributions declared, the entitlement date of which precedes the date of allotment and issuance of such new ELK-Desa Shares.
- Events of default : The occurrence of any of the following events shall be an event(s) of default but the ICULS shall not become immediately due and repayable if any of the event(s) referred to in paragraphs (a) to (f) occurs unless and until the Trustee has served a written notice to the Issuer requiring the Issuer to remedy such event of default (if capable of being remedied) and the Issuer fails to comply with such notice within thirty (30) days from the date of such notice where any event referred to in paragraphs (b) to (f) occurs or within seven (7) Business Days from the date of such notice where the event referred to in paragraph (a) occurs:
- (a) **Non-payment:** if the Issuer defaults in the payment of any coupon and/or other monies owing in respect of the ICULS when the same shall become immediately due and payable under the Trust Deed;

Events of default (*Cont'd*)

- (b) **Winding-up**: if winding up proceedings, dissolution, intervention, arrangement (including a scheme of arrangement under Section 176 of the Act or liquidation proceedings are instituted against the Issuer (save and except where any such proceedings, where appropriate, are instituted for the purpose of or pursuant to and followed by a reconstruction, amalgamation, consolidation or merger of the Issuer) or a winding up resolution of the Issuer has been passed and are not withdrawn or where a winding up order has been made against the Issuer;
- (c) **Cross-default**: if any indebtedness of the Issuer becomes due and payable before its stated maturity or where the security created for any other indebtedness becomes enforceable;
- (d) **Licences**: if any licence, permit, concession, consent, authorisation or approval issued by any regulatory authority to the Issuer has expired and not renewed or is withdrawn, revoked, suspended, terminated, withheld or modified that impairs or prejudices the Issuer's ability to comply with the terms and conditions of the ICULS or the provisions of the Trust Deed or any other document relating to the issue, offer or invitation in respect of the ICULS;
- (e) **Appointment of receiver, etc**: if a receiver has been appointed over the whole or a substantial part of the assets of the Issuer; and
- (f) **Breach of obligations under Trust Deed**: save and except for the Issuer's obligation under the Trust Deed to pay coupon and/or any other moneys owing in respect of the ICULS when the same shall become due and payable, if the Issuer commits any breach of any terms or conditions in the ICULS or the provisions of the Trust Deed.

Rights of the ICULS holders on liquidation

: In the event of the ICULS becoming payable upon the occurrence of an event of default, the amount which is immediately due and payable by ELK-Desa to the holders of the ICULS or which the holders of the ICULS may prove for in the liquidation shall be the nominal value of the outstanding ICULS together with the accrued interest (if any). Save as aforementioned, the ICULS shall not be liable to be redeemed in cash but only by conversion into fully paid new ELK-Desa Shares in accordance with the provision of the Trust Deed.

Maximum number of new ELK-Desa Shares to be issued arising from the full conversion of the ICULS

: Based on the Conversion Price of RM1.25 for one (1) new ELK-Desa Share, the maximum number of new ELK-Desa Shares to be issued is 80,000,000 new ELK-Desa Shares.

Listing

: Bursa Securities has granted its approval for the listing of and quotation for the ICULS and the new ELK-Desa Shares to be issued pursuant to the conversion of the ICULS on the Main Market of Bursa Securities.

- Board Lot : The ICULS shall be tradeable upon listing in board lots of 100 units of ICULS, or such denominations as may be determined by Bursa Securities.
- Rating : The ICULS will not be rated.
- Trust Deed : The ICULS shall be constituted by a trust deed executed by ELK-Desa and an authorised trustee acting for the holders of ICULS.
- Governing Law : Laws and regulations of Malaysia.

2.5 Details of other corporate proposals

Save for the Rights Issue of ICULS, our Board confirms that there is no other outstanding corporate proposal announced but not completed by the Company as at the LPD.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATIONS FOR THE RIGHTS ISSUE OF ICULS

3.1 General

As an Entitled Shareholder of our Company, your CDS account will be duly credited with the number of provisionally allotted Rights ICULS, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of ICULS (fractional entitlement, if any, having been disregarded). You will find enclosed with this AP, the NPA notifying you of the crediting of such provisionally allotted Rights ICULS into your CDS account and the RSF to enable you to subscribe for the Rights ICULS provisionally allotted to you, as well as to apply for Excess Rights ICULS if you choose to do so. This AP and the RSF are also available on the website of Bursa Securities (<http://www.bursamalaysia.com>).

3.2 NPA

The provisionally allotted Rights ICULS are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisionally allotted Rights ICULS will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renounee(s) (if applicable) are required to have valid and subsisting CDS accounts when making your applications.

3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the Rights ICULS is 5.00 p.m. on Tuesday, 8 April 2014, or such later date and time as our Board in their absolute discretion may decide. Where the Closing Date of the acceptance and payment is extended from the original Closing Date, the announcement of such extension will be made not less than two (2) Market Days before the original Closing Date.

3.4 Procedures for full acceptance and payment

Acceptance of and payment for the Rights ICULS provisionally allotted must be made on the RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not strictly conform to the terms and conditions of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

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FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS ICULS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT AS WELL AS EXCESS RIGHTS ICULS APPLICATION ARE SET OUT IN THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN. YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you wish to accept the Rights ICULS provisionally allotted to you either in full or in part, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST or DELIVERED BY HAND (at your own risk) to our Share Registrar at the following address:

Tricor Investor Services Sdn Bhd (Company No. 118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel: 603-2264 3883
Fax: 603- 2282 1886

so as to arrive not later than 5.00 p.m. on Tuesday, 8 April 2014, being the last time and date for acceptance of and payment (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time).

One (1) RSF can only be used for acceptance of the provisionally allotted Rights ICULS standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of provisionally allotted Rights ICULS standing to the credit of more than one (1) CDS Account. If successful, the Rights ICULS subscribed by you will be credited into the respective CDS Account(s) where the provisionally allotted Rights ICULS are standing to the credit.

The minimum number of Rights ICULS that can be subscribed for and accepted is one (1) Rights ICULS. However, you should take note that a trading board lot comprises 100 ELK-Desa Shares. Fractions of a Rights ICULS arising from the Rights Issue of ICULS will be disregarded and dealt with as our Board may at its absolute discretion deem fit and expedient and in the best interest of our Company.

A reply envelope is enclosed with this AP. In order to facilitate the processing of the RSF(s) by our Share Registrar for the Rights ICULS, you are advised to use one (1) reply envelope for each completed RSF.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights ICULS accepted in the form of Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and made payable to "ELK-DESA RIGHTS ICULS ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side with your name and your CDS Account number in block letters, which must be received by our Share Registrar by 5.00 p.m. on Tuesday, 8 April 2014, being the last time and date for acceptance and payment, (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time). The payment must be made in the exact amount. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment are not acceptable.

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APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF ICULS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, THE RIGHTS ICULS WILL BE ALLOTTED AND A NOTICE OF ALLOTMENT WILL BE DESPACHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS ICULS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

PROOF OF POSTAGE SHALL NOT CONSTITUTE PROOF OF RECEIPT BY OUR SHARE REGISTRAR OR COMPANY.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

YOU SHOULD NOTE THAT ALL RSF(S) AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND WILL BE DESPACHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS ICULS.

ALL RIGHTS ICULS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE OF ICULS WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS ICULS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL LOAN STOCK CERTIFICATES WILL BE ISSUED.

If acceptance of and payment for the Rights ICULS provisionally allotted to you (whether in full or in part, as the case may be) are not received by our Share Registrar by 5.00 p.m. on Tuesday, 8 April 2014, being the last time and date for acceptance and payment (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time), such provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

In the event that the Rights ICULS are not fully taken up by such applicants, our Board will then have the right to allot such Rights ICULS to applicants applying for the Excess Rights ICULS in the manner as set out in Section 3.8 of this AP.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbroker, Bursa Securities' website (<http://www.bursamalaysia.com>) or our Share Registrar.

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3.5 Procedures for part acceptance by Entitled Shareholders

You are entitled to accept part of your entitlement of the provisionally allotted Rights ICULS. The minimum number of Rights ICULS that can be subscribed for or accepted is one (1) Rights ICULS.

WHEN YOU ACCEPT ONLY PART OF YOUR PROVISIONALLY ALLOTTED RIGHTS ICULS, YOU WILL AUTOMATICALLY BE ACCEPTING THE RIGHTS ICULS IN MULTIPLES OF ONE (1) RIGHTS ICULS. IN DETERMINING THE ENTITLEMENT TO THE PROVISIONAL ALLOTMENT OF RIGHTS ICULS UNDER THE RIGHTS ISSUE OF ICULS, ANY FRACTIONAL ENTITLEMENTS UNDER THE RIGHTS ISSUE OF ICULS WILL BE DISREGARDED AND SHALL BE DEALT WITH IN SUCH MANNER AS OUR BOARD IN ITS ABSOLUTE DISCRETION DEEMS FIT, EXPEDIENT AND IN THE BEST INTERESTS OF OUR COMPANY.

You must complete both Part I(a) of the RSF by specifying the number of Rights ICULS which you are accepting, and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the same manner as set out in Section 3.4 of this AP.

The portion of the provisionally allotted Rights ICULS that has not been accepted or renounced will be made available to the applicants for Excess Rights ICULS.

3.6 Procedures for sale or transfer of provisional allotment of Rights ICULS

The provisional allotment of Rights ICULS is renounceable and will be traded on Bursa Securities commencing 19 March 2014 up to and including 31 March 2014. As such, you and/or your renounee(s) (if applicable) may sell/transfer all or part of your entitlement to the Rights ICULS.

As the provisionally allotted Rights ICULS are prescribed securities, you and/or your renounee(s) (if applicable) who wish to sell/transfer all or part of your entitlements to the Rights ICULS to one (1) or more than one (1) person(s) may do so immediately through your stockbrokers for the period up to the last time and date for sale or transfer of the provisionally allotted Rights ICULS (in accordance with the Rules of Bursa Depository) without first having to request for a split of the provisionally allotted Rights ICULS standing to the credit of your CDS account. To sell/transfer all or part of your provisionally allotted Rights ICULS, you and/or your renounee(s) (if applicable) may sell such entitlements in the open market of Bursa Securities for the period of up to the last day and time for sale of the provisionally allotted Rights ICULS (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period of up to the last day and time for transfer of the provisionally allotted Rights ICULS (in accordance with the Rules of Bursa Depository).

In selling/transferring all or part of your provisionally allotted Rights ICULS, you and/or your renounee(s) (if applicable) need not deliver any document (including the RSF), to any stockbroker in respect of the portion of the provisional allotment sold/transferred. However, you and/or your renounee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights ICULS standing to the credit of your CDS account that are available for settlement of the sale/transfer.

Renounee(s) or transferee(s) of the provisional Rights ICULS may obtain a copy of this AP and the RSF from their stockbrokers or from our Share Registrar or at our Registered Office. This AP and the RSF are also available on Bursa Securities website at (<http://www.bursamalaysia.com>).

If you and/or your renounee(s) (if applicable) have sold/transferred only part of your provisionally allotted Rights ICULS, you may still accept the balance of the entitlements of the Rights ICULS by completing Parts I(a) and II of the RSF and forwarding the RSF together with the full amount payable on the balance of the Rights ICULS applied for to our Share Registrar in accordance with the instructions set out in Section 3.4 of this AP.

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ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

ENTITLED SHAREHOLDERS WHO DISPOSE OF OR TRANSFER THEIR PROVISIONALLY ALLOTTED RIGHTS ICULS WILL AUTOMATICALLY BE DISPOSING OR TRANSFERRING THEIR ENTITLEMENTS TO THE RIGHTS ICULS IN THE PROPORTION OF ONE (1) RIGHTS ICULS. THEY CANNOT RETAIN THE PROVISIONALLY ALLOTTED RIGHTS ICULS NOR CAN THEY DISPOSE OF OR TRANSFER THEIR ENTITLEMENTS IN ANY PROPORTION OTHER THAN THAT STATED ABOVE.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

3.7 Procedures for acceptance by renounee

As a renounee, the procedures for acceptance, selling or transferring of provisionally allotted Rights ICULS, applying for the Excess Rights ICULS and/or payment is the same as that which is applicable to the Entitled Shareholders as described in Sections 3.4, 3.5 and 3.6 of this AP. Please refer to the relevant sections for the procedures to be followed.

Renounees who wish to accept the provisionally allotted Rights ICULS must obtain a copy of the RSF from their stockbrokers, our Share Registrar or at our Registered Office or from Bursa Securities' website (<http://www.bursamalaysia.com>) and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND RSF.

3.8 Procedures for application for Excess Rights ICULS

If you wish to apply for additional Rights ICULS in excess of your entitlement, you may do so by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forwarding it (together with a separate remittance made in RM for the full amount payable in respect of the Excess Rights ICULS applied for), to our Share Registrar at the address set out in Section 3.4 above, not later than 5.00 p.m. on Tuesday, 8 April 2014, being the last time and date for acceptance and payment (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time).

Payment for the Excess Rights ICULS applied for should be made in the same manner described in Section 3.4 of this AP except that the Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and made payable to "ELK-DESA EXCESS RIGHTS ICULS ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side with your name and your CDS Account number in block letters, which must be received by our Share Registrar by the stipulated date and time for acceptance and payment. The payment must be made in the exact amount. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment are not acceptable.

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It is the intention of our Board to allot the Excess Rights ICULS, if any, on a fair and equitable basis and in the following priority:

- (i) to minimise the incidence of odd lots;
- (ii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights ICULS, taking into consideration their respective shareholdings in our Company as at the Entitlement Date on a board lot basis;
- (iii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights ICULS, taking into consideration the quantum of their respective excess application; and
- (iv) on a pro-rata basis to the renouncee(s) who have applied for Excess Rights ICULS, taking into consideration the quantum of their respective excess application.

Nevertheless, our Board reserves the right to allot any Excess Rights ICULS applied for under Part I(b) of the RSF in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out above are achieved. Our Board also reserves the right to accept any Excess Rights ICULS Application, in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR THE APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS ICULS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, THE RIGHTS ICULS WILL BE ALLOTTED AND A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE EXCESS RIGHTS ICULS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

YOU SHOULD NOTE THAT THE RSF(S) AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS ICULS APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE EXCESS RIGHTS ICULS.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>) or our Share Registrar.

3.9 Procedures for refund

In respect of unsuccessful or partially successful Excess Rights ICULS Applications, the full amount or the balance of the application monies, as the case may be, will be refunded without interest and will be despatched to the applicants by ordinary post to the address as shown in our Record of Depositors at your own risk within fifteen (15) Market Days from the last date for acceptance of and payment for the Excess Rights ICULS.

Further, as set out in Section 6.3.3 below, the Rights Issue of ICULS is exposed to risks that it may be aborted or delayed on the occurrence of any circumstances which are beyond the control of our Company, arising prior to the implementation of the Rights Issue of ICULS. In addition, as stated in Section 9 below, our Company has procured the written Irrevocable Undertaking from Undertaking Parties.

In the event that the Rights Issue of ICULS is not successful, the application monies will be refunded to Entitled Shareholders and/or their renounee(s) (if applicable) who have applied and paid for the subscription of the Rights ICULS. All application monies will be refunded in accordance with Section 243 of the CMSA except for the costs of purchasing the provisional allotment of the Rights ICULS and any expenses associated therewith.

Our Board will take all necessary steps to start the refund process immediately to ensure that Entitled Shareholders and/or their renounee(s) (if applicable) receive the application monies as soon as reasonably practicable.

3.10 Splitting

Under the CDS environment, the processes of splitting, nomination and renunciation are generated by electronic book-entries made in the CDS Accounts of the Entitled Shareholders and the new purchaser. The provisional allotment of Rights ICULS will be credited into your CDS Account. You will be notified of the crediting via the NPA which is enclosed with this AP. You may sell part of or all of the Rights ICULS provisionally allotted to you.

3.11 Form of issuance

Bursa Securities has already prescribed the ELK-Desa Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights ICULS as well as the new Shares to be issued arising from the conversion of the ICULS are prescribed securities and as such, all dealings in the said securities will be by book entry through CDS Accounts and will be governed by the SICDA, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. You are required to have valid and subsisting CDS Accounts in order to subscribe for the Rights ICULS.

Failure to comply with these specific instructions for applications or inaccuracy of the CDS Account number may result in your application being rejected. Your subscription for the Rights ICULS shall mean consent to receive such Rights ICULS as deposited securities which will be credited directly into your CDS Account. No physical loan stock certificates will be issued. Instead, the Rights ICULS will be credited directly into your CDS Accounts. The notices of allotment will be issued and forwarded to you by ordinary post to address shown in the Record of Depositors at your own risk within eight (8) Market Days from the last date for acceptance of and payment for the Rights ICULS, or such other period as may be prescribed by Bursa Securities.

Any person who intends to subscribe for the Rights ICULS as a renounee by purchasing the provisional allotment of Rights ICULS from an Entitled Shareholder will have his Rights ICULS credited directly as prescribed securities into his/her CDS Account. The Excess Rights ICULS, if allotted to the successful applicant who applied for Excess ICULS will be credited directly as prescribed securities into his/her CDS Account.

If you have multiple CDS Accounts into which the provisional allotment of the Rights ICULS has been credited, you cannot use a single RSF for subscription of all these provisional allotment of the Rights ICULS. Separate RSF(s) must be used for separate CDS Accounts. If successful, the Rights ICULS that you subscribed for will be credited into the CDS Accounts where the provisional allotment of the Rights ICULS is standing to the credit. You may not request for the Rights ICULS accepted/applied for in a particular CDS Account to be credited into more than one (1) CDS Account.

3.12 Foreign Addressed Shareholders

The Documents have not been and will not be made to comply with the laws of any foreign country or jurisdiction and have not been and will not be lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The Documents are not intended to be and will not be issued, circulated or distributed and the Rights Issue of ICULS will not be made or offered or deemed made or offered, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue of ICULS to which this AP relates is only available to persons receiving this AP, the NPA and the RSF or otherwise within Malaysia.

The distribution of the Documents, as well as the acceptance of the provisionally allotted Rights ICULS and the subscription for or the acquisition of the Rights ICULS may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdictions under the relevant laws of those countries or jurisdictions.

If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights ICULS from any such application by foreign Entitled Shareholders and/or their renounees (if applicable) in any jurisdiction other than Malaysia.

As a result, the Documents have not been and will not be sent to our Foreign Addressed Shareholders. Accordingly, the Documents will only be sent to Entitled Shareholders who have provided a registered address or an address for service of documents in Malaysia at the Entitlement Date. However, the Foreign Addressed Shareholders may collect the Documents from our Share Registrar, Tricor Investor Services Sdn Bhd (Company No. 118401-V) at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these Documents.

No action has been taken to ensure that the Rights Issue of ICULS and the Documents comply with the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue of ICULS to which the Documents relate to is only available to persons receiving the Documents within Malaysia. The Documents do not constitute and may not be used for the purpose of an offer to sell, solicitation or invitation of an offer to subscribe for the Rights ICULS in any country or jurisdiction outside Malaysia or to any person to whom it would be unlawful to make such offer, solicitation or invitation.

If you are a Foreign Addressed Shareholder, we will not make or be bound to make any enquiry as to whether you have an address or an address for service in Malaysia if not otherwise stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. We will assume that the Rights Issue of ICULS and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue of ICULS and would not be in breach of the laws of any jurisdiction. We will further assume that you had accepted the Rights Issue of ICULS in Malaysia and will at all applicable times be subject to the laws of Malaysia.

The foreign Entitled Shareholders and/or their renounee(s) (if applicable) may only accept or renounce all or any part of their entitlement and exercise any other rights in respect of the Rights Issue of ICULS to the extent that it would be lawful to do so. ELK-Desa, our Board and officers, MIDF Investment and/or other experts ("Parties") would not, in connection with the Rights Issue of ICULS, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/or their renounee(s) (if applicable) is or might be subject to. The foreign Entitled Shareholders and/or their renounee(s) (if applicable) who are residing in countries or jurisdictions other than Malaysia should therefore immediately consult their legal or other professional adviser as to whether the acceptance, renunciation, sale or transfer (as the case may be) of their entitlements to the Rights Issue of ICULS would result in the contravention of any laws of such countries or jurisdictions in which the Entitled Shareholders and/or their renounee(s) (if applicable) is a resident. The Parties shall not accept any responsibility or liability in the event that any acceptance or renunciation or sale or transfer made by any foreign Entitled Shareholder and/or his renounee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. The foreign Entitled Shareholder and/or his renounee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of their entitlement or to any net proceeds thereof.

The foreign Entitled Shareholders and/or their renounee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such country or jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renounee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay.

We reserve the right, in our absolute discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The provisionally allotted Rights ICULS relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights ICULS available for excess application by the other Entitled Shareholders and/or their renounee(s) (if applicable).

Each person, by accepting the delivery of this AP, the NPA and the RSF, accepting any provisionally allotted Rights ICULS by signing any of the forms accompanying this AP or subscribing for or acquiring the Rights ICULS will be deemed to have represented, warranted, acknowledged and declared in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:

- (i) Our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of ICULS, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/or their renounee(s) (if applicable) are or might be subject to;
- (ii) the foreign Entitled Shareholders and/or their renounee(s) (if applicable) have complied with the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/or their renounee(s) (if applicable) are or might be subject to in connection with the acceptance or renunciation;
- (iii) the foreign Entitled Shareholders and/or their renounee(s) (if applicable) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the provisionally allotted Rights ICULS, be in breach of the laws of any country or jurisdiction to which that person is or might be subject to;
- (iv) the foreign Entitled Shareholders and/or their renounee(s) (if applicable) are aware that the Rights ICULS can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

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- (v) the foreign Entitled Shareholders and/or their renounee(s) (if applicable) have obtained a copy of this AP and have had access to such financial and other information and have been provided the opportunity to ask such questions to the representatives of the parties and receive answers thereto as the foreign Entitled Shareholders and/or their renounee(s) (if applicable) deem necessary in connection with the foreign Entitled Shareholder and/or their renounee's (if applicable) decision to subscribe for or purchase the Rights ICULS; and
- (vi) the foreign Entitled Shareholders and/or their renounee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights ICULS, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights ICULS.

NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN ENTITLED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE THERETO. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS ICULS UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.

4. RATIONALE FOR THE RIGHTS ISSUE OF ICULS

The rationale for the Rights Issue of ICULS are as follows:

- (i) enable ELK-Desa Group to raise funds at an attractive and lower cost without incurring higher interest cost as opposed to financial institution's borrowing to expand the HP business and to partially repay bank borrowings. For illustration purposes, based on the Group's borrowings at an average interest rate of 5.6% per annum, the interest cost of the Group would be lowered by approximately RM2.35 million per annum if the funds were raised via the Rights Issue of ICULS as compared to conventional borrowings;
- (ii) provide the Entitled Shareholders with an option to further participate in the equity of ELK-Desa at a predetermined conversion price during the tenure of the ICULS;
- (iii) enable the Group to strengthen its eventual capital base upon full conversion of the ICULS;
- (iv) the issuance of the ICULS would not dilute the percentage of shareholding of the existing shareholders of ELK-Desa, assuming that all the Entitled Shareholders fully subscribe for their respective entitlements and thereafter fully convert the ICULS; and
- (v) the issuance of the ICULS does not have an immediate dilutive effect on the EPS of the Group as opposed to the issuance of new ELK-Desa Shares. However, there will be a reduction in the EPS of the Group due to interest expense of the ICULS.

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5. UTILISATION OF PROCEEDS

The Rights Issue of ICULS is expected to raise gross proceeds of RM100,000,000 which is intended to be utilised as follows:

Details of Utilisation	RM	Estimated Timeframe for Utilisation of Proceeds from Date of Receipt
Expansion of HP business ⁽¹⁾	80,700,000	Within twelve (12) months
Repayment of existing bank borrowings ⁽²⁾	18,000,000	Within twelve (12) months
Defray estimated expenses relating to the Rights Issue of ICULS ⁽³⁾	1,300,000	Within six (6) months
Total	100,000,000	

Notes:

⁽¹⁾ To fund the growth of the HP business. The allocated amount will be utilised on the HP disbursement by ELK-Desa Capital Sdn Bhd, a wholly-owned subsidiary of ELK-Desa.

⁽²⁾ To repay its existing bank borrowings which are due for repayment in the next twelve (12) months. Based on the Group's average interest rate of 5.60% per annum, the repayment of such borrowings is expected to contribute to an interest savings of approximately RM0.42 million per annum.

As at 31 March 2013, the ELK-Desa Group's audited borrowings amount to approximately RM55,409,484. Based on the net average interest rate of 5.60 % per annum and the coupon rate of the ICULS of 3.25% per annum, assuming RM18.0 million of the proceeds is used to repay the Group's bank borrowings, it is expected to contribute to net interest savings of approximately RM0.42 million per annum.

Any surplus from the gross proceeds will be adjusted accordingly to the proceeds to be utilised for the expansion of HP business.

⁽³⁾ The estimated expenses of approximately RM1.3 million include the estimated professional fees and fees payable to the relevant authorities. Any surplus or shortfall of funds for the payment of expenses for the Rights Issue of ICULS will be adjusted accordingly from or to the proceeds to be utilised for the expansion of HP purchase business, as the case may be.

6. RISK FACTORS

You and/or your renounee(s) (if applicable) should carefully consider, in addition to all other information contained in this AP, the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, before subscribing for or investing in the Rights Issue of ICULS.

6.1 Risks affecting HP industry

6.1.1 Competition

Our business faces competition from other HP financiers in Malaysia for used motor vehicles. The HP financiers can be divided into four (4) categories namely the banks and financial institutions, independent HP financiers, motor vehicle make- or franchise holder-backed HP financiers as well as other HP financiers who directly offer HP financing to their customers to facilitate fast disposal of their used motor vehicles. Although our Group has forged strong relationships with our motor vehicle dealers, we will continue to face competition from our peers in the industry. As a mitigating factor, we believe that we have embarked on a niche business strategy to target and focus on HP financing for used motor vehicles with older age profile of six (6) years and above with the support of our network of more than 800 motor vehicle dealers in Kuala Lumpur and Klang, Selangor instead of competing head-on with the banks and financial institutions. Our Group is managed by an experienced and competent management team some of whom have more than 20 years related working experience in HP financing. This should enable our Group to remain competitive in the future.

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

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

6.1.2 Fluctuations in interest rates

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

As a large portion of our Group's working capital is sourced externally from local financial institutions, our borrowing cost is susceptible to fluctuations in interest rates. As at 31 March 2013, our Group's working capital that was sourced externally (including funds for HP disbursements) was RM55.4 million. Our Group's borrowing cost is dependent on interest rates imposed by financial institutions which, in turn, are guided by prevailing monetary policy. An increase in interest rate imposed will lead to an increase in our Group's borrowing cost and vice versa.

We manage our interest rate risks with the following measures:

- (i) continuous effort to source from various financial institutions which offer competitive interest rates or tap on to the capital markets to raise funds for future growth;
- (ii) maintaining a mixture of fixed and floating rate borrowings; and
- (iii) maintaining a prudent level of long term borrowings ranging from two (2) to five (5) years.

For the past three (3) FYE 31 March 2011 to 31 March 2013, our long term bank borrowings range from 61% to 70% of the total bank borrowings. The proportion of fixed interest and floating interest rate borrowings is 39:61 in FYE 31 March 2011, 50:50 in FYE 31 March 2012 and 56:44 in FYE 31 March 2013. During the past three (3) years, the Group has made scheduled repayments of its term loans (floating rate) without sourcing for new term loans. In the same period, the Group has increased its block discounting payables (fixed rate). This resulted in the increased proportion of fixed rate borrowings.

If the interest rate on the bank borrowings had been 100 basis points lower or higher, with all the variables held constant, the Group's profit for the financial year would have been RM162,750 higher or lower, arising mainly from lower or higher interest expense on floating rate instruments. Based on the FYE 31 March 2013 net profits of approximately RM13.9 million, this would translate to an impact to the net profit of approximately 1.17%.

6.1.3 Changes in political, economic and regulatory conditions

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

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

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

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

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

6.2 Risks relating to operation and business

6.2.1 Dependency on our Directors and key management team

To a large extent, the continuing success of our Group is dependent on the Board and other key management personnel. The loss of our key management without suitable or timely replacements may adversely affect our business performance.

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

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

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

6.2.2 Changes of potential hirers' demand

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

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

- multiplier effects from the 10th Malaysia Plan and the Economic Transformation Programme's ("ETP") projects which would likely give a further boost to the domestic economy and create greater demand for new motor vehicles;
- positive consumer sentiment is expected to continue owing to greater stability in the employment market;

- sharp decline in new motor vehicle prices; and
- intensifying efforts by the Malaysian government in developing the local urban public transportation system

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

6.2.3 Dependency on motor vehicle dealers

Our Group currently operates at two (2) financing centres in Kuala Lumpur and Klang, Selangor and is well supported by our network of more than 800 registered motor vehicle dealers located in these two (2) Malaysian states.

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

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

6.2.4 Dependency on financial institutions

For the FPE 31 December 2013, our total HP receivables stood at RM226.6 million. The Group's HP operations are mainly financed by borrowings from financial institutions and cash flow from operating activities. The Group's interest bearing borrowings are approximately RM60.8 million, RM58.9 million, RM55.4 million and RM66.2 million as at the FYE 31 March 2011, FYE 31 March 2012, FYE 31 March 2013 and FPE 31 December 2013 respectively.

Due to the continuous review of our financial position, we have not defaulted on any principal or interest payment in the past and we have not restructured the repayment schedule of any borrowing. Our total HP receivables is 3.42 times of our total borrowings as at 31 December 2013.

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

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

6.2.5 Dependency on management information system

Our Group being in the HP business, has more than 20,000 hirers. As a result of high volume of hirers, our Group is highly dependent on our management information system to maintain a database to store voluminous confidential information of our hirers, processing of applications and payments at our offices at Kuala Lumpur and Klang, Selangor.

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

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

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

6.2.6 Credit risk

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

Our Group is well aware of our exposure to a high default risk and has put in place stringent credit management policies in our HP disbursement strategy and stringent monitoring of repayment to mitigate this risk. At the same time, our Group minimises our exposure to this risk by broadening our hirer base and not heavily relying on any single large hirer. Our Group's HP disbursements are generally capped at not more than RM20,000 per disbursement. We strive to provide HP financing for selected models of used motor vehicles that, from our past experience, can offer relatively good resale value, incur relatively minimal or slower depreciation in value over their remaining useful life and can be disposed at a relatively faster rate if necessary. Moreover, the hirers that we target are normally those who purchase used motor vehicles for practical and urgent travel needs rather than for discretionary purposes. In addition, our Group also strives to follow through the repossession processes soonest possible once the repossession order is issued.

Other than our HP disbursement strategy and credit assessment process, our management has placed strong emphasis on close monitoring and efficient collection of accounts as well as follow-up mechanisms, to minimise delinquency. The follow-up mechanisms include payment reminder phone calls and SMS reminders to the hirers before the payment due date.

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

6.2.7 Failure of or deficiency in our Group's internal control system to detect procedural errors, frauds and misconduct will affect our operations

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

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

Nevertheless, this internal control system may not be capable of identifying or capturing all procedural errors, suspicious transactions and our employees may fail to carry out proper reporting procedures.

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

In addition, our Group has set up a whistleblowing programme with the aim of reducing the possibility of internal control weakness.

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

Our Group has outsourced the internal audit function to an external party to provide an independent supervision and oversight of our internal control system. The audit committee assists the Board 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.

6.3 Risks relating to the Rights Issue of ICULS

6.3.1 Investment risks

The market price of the ELK-Desa Shares will be influenced by, amongst others, prevailing market sentiments, volatility of the stock market, the prospects and operating results of our Group and the future outlook of the HP industry.

The issue price and the conversion price of the Rights ICULS were arrived at, after taking into consideration, amongst others, the five (5)-day VWAMP up to and including 13 December 2013, being the last Market Day immediately prior to the date of the announcement of the Rights Issue of ICULS, of the ELK-Desa Shares of RM1.4987 each and the par value of ELK-Desa Shares of RM1.00 each.

The market price of the ICULS, like all listed securities traded on Bursa Securities, being new securities to be issued by our Company is subject to, inter-alia, price discovery by investors, fluctuations in tandem with the overall outlook of the stock market in Malaysia and globally, and will be influenced by, amongst others, the market price, potential payments of dividends and volatility of the ELK-Desa Shares and the remaining conversion period of the ICULS.

Notwithstanding that, there is no assurance that the conversion price of the ICULS will be in-the-money during the tenure of the conversion period of the ICULS.

6.3.2 Factors affecting the ICULS

There is no prior market for the ICULS, and as such there is no assurance that an active market for the ICULS will develop upon listing and quotation on the Main Market of Bursa Securities, or if developed, that such a market may not be sustained or adequately liquid during the tenure of the ICULS.

Our Board believes that a variety of factors could cause the future market price performance of the ICULS to fluctuate, including but not limited to trades of substantial amount of the ICULS on Bursa Securities in the future, fluctuation in the market price of the underlying ELK-Desa Shares, announcements of corporate developments relating to our Group's business and the future financial performance of our Group.

The future price performance of ICULS will also depend upon various external factors, such as the prospects of the HP industry in which our Group operates, the economic, monetary and political and industry conditions, outlook of interest rates, the performance of regional and world bourses as well as the investors' sentiments and liquidity in the local stock market.

Notwithstanding the above, it should be noted that our Group's financial performance is not dependent on the market price performance of the ELK-Desa Shares and the ICULS.

6.3.3 Failure or delay in the completion of the Rights Issue of ICULS

The Rights Issue of ICULS is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) occurrence of any force majeure events or circumstances beyond the control of our Group arising prior to the completion of the Rights Issue of ICULS; or
- (ii) Undertaking Parties, who have provided the Irrevocable Undertaking as set out in Section 9 of this AP, does not fulfill or are not able to fulfill their obligations.

In the event of failure in the completion of the Rights Issue of ICULS, all application monies received pursuant to the Rights Issue of ICULS will be refunded to our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who have subscribed for the Rights ICULS without interest.

Notwithstanding the above, our Company will exercise our best endeavor to ensure the successful implementation of the Rights Issue of ICULS. However, there can be no assurance that the abovementioned events will not cause a delay in or failure of the Rights Issue of ICULS.

6.3.4 Unsecured obligations/repayment risks of the ICULS

The ICULS shall constitute direct, unconditional and unsecured obligations of our Company and subject to the provisions contained in the Trust Deed, must at all times rank *pari passu*, without discrimination, preference or priority between themselves and must rank at least *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated debts and obligations of our Company except for those which are preferred by law. Moving forward, there is no assurance that the financial performance of our Group would be profitable to sustain the financial condition of our Group at a satisfactory level to support the value of the ICULS and generate sufficient cash flows to service the annual coupon when due.

In the event of the ICULS becoming payable upon the occurrence of an event of default pursuant to the Trust Deed, the amount which is immediately due and payable by our Company to the holders of the ICULS shall be the nominal value of the outstanding ICULS.

Our Company will endeavor to ensure that we will maintain prudent cash flow management and monitor our cash flow position regularly to minimize the event of default. However, there is no assurance that our Company will generate sufficient cash flow to mitigate the payment risk of coupon of the ICULS.

6.4 Forward Looking Statements

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

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

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

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a stronger growth of 5.0% in the third quarter of 2013 (2Q 2013: 4.4%) with domestic demand continuing to drive growth. Growth in private sector spending was higher, supported by both private consumption and investment. After four consecutive quarters of contraction, exports turned around to record a positive growth during the quarter. This resulted in a positive contribution of net exports to growth, despite higher import growth in the third quarter. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.7% (2Q 2013: 1.4%).

Private consumption expanded by 8.2% (2Q 2013: 7.2%), supported by sustained employment conditions and wage growth. Growth in public consumption moderated in the third quarter to 7.8% (2Q 2013: 11.8%), reflecting mainly lower Government spending on supplies and services.

On the supply side, most major sectors expanded further in the third quarter, supported by the continued strength in domestic demand and the improvement in trade activity. The moderate expansion in the global economy in the third quarter supported the recovery in exports.

(Source: Quarterly Bulletin, Third Quarter 2013, Bank Negara Malaysia)

The Malaysian Economy is expected to expand further by 5% - 5.5% in 2014 (2013: 4.5% - 5%), supported by favourable domestic demand and an improving external environment. Growth will be private-led, supported by strong private capital spending while private consumption continues to remain resilient. Although some degree of uncertainty exists in the global environment due to the volatility of capital flows associated with possibility of reduced global liquidity, Malaysia's external sector is expected to improve. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities which is evident in the second half 2013. The better outlook of Malaysia's external sector is premised upon China's real GDP growth, which is expected to be sustained at around 7.5%, while global trade will continue to grow at a steady pace of 5% in 2014.

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Domestic demand is expected to continue its strong growth momentum, driven mainly by the private sector. Strong domestic fundamentals, including low unemployment, rising household income and sustained consumer confidence, will support the continued expansion of private consumption. Growth in private investment is expected to remain strong in line with improving external demand and increasing domestic activity. Public expenditure will be largely underpinned by increased spending on supplies and services.

(Source: Economic Report 2013/2014, Ministry of Finance, Malaysia)

7.2 Overview and outlook of the HP industry

ELK-Desa focuses on hire purchase financing for used motor vehicles. However, there are no reliable publicly available market data relating to the used motor vehicles industry. Hence, the overview and outlook of the general hire purchase industry for new motor vehicles are used to provide general indication of the hire purchase industry for used motor vehicles.

The sales of new motor vehicles (or Total Industry Volume (“TIV”)) in 2013 grew 4.5% to 655,793 units eclipsing the previous 2012 sales record of 627,753 units. This is an all-time high record achievement for the local automotive industry. It had also outperformed the Malaysian Automotive Association’s TIV forecast of 640,000 units.

The total registration of new passenger vehicles in 2013 rose to 576,657 units from 552,189 units in 2012. This was an increase of 24,468 units or a 4.4% growth. While the total registration for commercial vehicles in 2013 was 79,136 units which was an increase of 3,572 units or 4.7%.

On a year-on-year (y-o-y) basis, vehicles sales were consistently higher in the first four month of 2013 compared to a similar period in 2012. However, the y-o-y TIV for May and June 2013 had declined 15% and 5% respectively. This could be attributed mainly to the impact of the 13th General Election manifesto promises on car prices coming down which had resulted in consumers holding back their purchases of new vehicles. Following efforts made by the various stakeholders to discuss and to resolve the problem, the market started to turn around at the end June 2013.

On a quarterly basis, the TIV for the first quarter of 2013 was much higher than the first quarter of 2012. However, the second quarter TIV 2013 declined due to the impact of the general election manifesto promises on car prices reduction which had resulted in consumers holding back their purchases of new vehicles. The TIV for the third quarter of 2013 rebounded strongly by 11% compared with a similar period of 2012. While the fourth quarter TIV of 2013 was marginally lower than the fourth quarter TIV of 2012 i.e. a difference of 1,463 units or – 1.0% only.

(Source: Market review for 2013 compared to 2012, Malaysian Automotive Association)

7.3 Prospects of our Group

The domestic economy is currently experiencing inflationary pressures on prices of goods and cost of living. As a consequence, the Group may be affected due to slower recovery of its hire purchase receivables resulting in higher impairment allowances. Nevertheless, the Group will continue to place strong emphasis on close monitoring and efficient collection of accounts as well as follow-up mechanisms, to minimise this impact.

Despite the current domestic environment, the Group opined that the Malaysian hire purchase market for used motor vehicles would continue growing albeit at a moderate pace. The Group will continue to grow its hire purchase portfolio assertively without compromising the hire purchase assets quality.

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ELK-Desa will continue to gain access to the capital markets to raise funds for its HP business expansion at a relatively lower cost as opposed to conventional bank borrowings. This allows the Group to strengthen its cost competitiveness to grow the HP business.

The Group will allocate at least 80% of the gross proceeds raised from the Rights Issue of ICULS for financing the growth of its HP portfolio. The Group will continue to focus in Kuala Lumpur and Selangor where the market is still considered huge relative to the size of its existing HP portfolio. The expansion of its HP portfolio without compromising its asset quality will be the key to achieving business sustainability for ELK-Desa.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE OF ICULS

8.1 Share Capital

The Rights Issue of ICULS is not expected to have any immediate effect on the issued and paid-up share capital of ELK-Desa, until such time when the ICULS are converted into new ELK-Desa Shares. Assuming the full conversion of the ICULS, the proforma effects on the issued and paid-up share capital of ELK-Desa are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of ELK-Desa Shares	RM	No. of ELK-Desa Shares	RM
Issued and paid-up share capital as at LPD	125,000,000	125,000,000	125,000,000	125,000,000
To be issued pursuant to the Rights Issue of ICULS	-	-	-	-
	125,000,000	125,000,000	125,000,000	125,000,000
To be issued pursuant to the full conversion of the ICULS	80,000,000	80,000,000	80,000,000	80,000,000
Enlarged issued and paid-up capital	205,000,000	205,000,000	205,000,000	205,000,000

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8.2 NA and gearing

The proforma effects of the Rights Issue of ICULS on the NA and gearing of the Group based on the audited consolidated financial statements of ELK-Desa as at 31 March 2013 for the Minimum Scenario and Maximum Scenario are as follows:

	Audited as at 31 March 2013	(I) After the Rights Issue of ICULS	(II) After (I) and assuming full conversion of the ICULS
	RM	RM	RM
Share capital	125,000,000	125,000,000	205,000,000
Share premium	2,820,736	2,820,736	22,820,736
Retained earnings	31,037,215	31,037,215	9,977,215
ICULS	-	⁽¹⁾ 83,318,605	-
Shareholders' fund/ NA	158,857,951	242,176,556	237,797,951
No. of shares in issue	125,000,000	125,000,000	205,000,000
NA per Share (RM)	1.27	1.94	1.16
EPS (sen)			
- basic	12.95	12.95 ⁽²⁾	6.77 ⁽³⁾
- diluted	12.95	12.95 ⁽²⁾	6.77 ⁽³⁾
Total borrowings ⁽⁴⁾ (RM)	55,409,484	⁽¹⁾ 75,648,162	55,409,484
Gearing ratio (times)	0.35	0.31	0.23

Notes:

⁽¹⁾ The estimated expenses of RM1.3 million are allocated to the liability and equity components of the ICULS proportionately which amounted to RM266,568 and RM1,033,432 respectively.

⁽²⁾ Based on FYE 31 March 2013 and upon issuance of ICULS.

⁽³⁾ Based on FYE 31 March 2013 without taking into consideration the potential interest savings of RM2.35 million as disclosed in Section 4(i) of the AP, profits to be generated during the tenure of the ICULS and other expenses related to the ICULS.

⁽⁴⁾ Comprise of all interest bearing borrowings and liability portion of ICULS.

8.3 Earnings and EPS

The Rights Issue of ICULS is expected to be completed by the second (2nd) quarter of 2014 and is not expected to have any impact on the earnings and EPS of ELK-Desa for the financial year ending 31 March 2014.

The Board expects the Rights Issue of ICULS to contribute positively to the future earnings of the ELK-Desa Group. Moving forward, the ELK-Desa Group's future earnings would depend on, amongst others, the return generated from the utilisation of the proceeds arising from the Rights Issue of ICULS.

The EPS of the ELK-Desa Group will result in a corresponding reduction as a result of the increase in the number of ELK-Desa Shares arising from the full conversion of the ICULS into new ELK-Desa Shares upon the completion of the Rights Issue of ICULS and when the ICULS are converted into new ELK-Desa Shares.

9. SHAREHOLDERS' UNDERTAKINGS

The Rights Issue of ICULS will be undertaken on a full subscription basis.

The Company has obtained the Irrevocable Undertaking from the Undertaking Parties to subscribe its/his rights entitlement of Rights ICULS pursuant to the Rights Issue of ICULS. Any Rights ICULS not subscribed by the other Entitled Shareholders will be subscribed by Eng Lee Kredit in the manner as set out in the table below:

Substantial Shareholder	ELK-Desa Shares held directly as at the LPD		Rights ICULS entitlement		Total Undertaking	
	No. of ELK-Desa Shares	%	Nominal value of Rights ICULS	⁽¹⁾ %	Nominal value of Rights ICULS	⁽¹⁾ %
Teoh Hock Chai @ Tew Hock Chai	1,250,000	1.00	1,000,000	1.00	1,000,000	1.00
Eng Lee Kredit	30,600,000	24.48	24,480,000	24.48	⁽²⁾ 99,000,000	99.00
Total	31,850,000	25.48	25,480,000	25.48	100,000,000	100.00

Notes:

⁽¹⁾ As a percentage of RM100,000,000 being the nominal value of the Rights ICULS to be issued pursuant to the Rights Issue of ICULS.

⁽²⁾ The subscription of Rights ICULS not undertaken by the other Entitled Shareholders to be fully subscribed by Eng Lee Kredit.

In view of the Irrevocable Undertaking procured from the Undertaking Parties, there will not be any underwriting arrangement required for the Rights Issue of ICULS.

On 30 December 2013, the Undertaking Parties have also provided written confirmations that they have sufficient financial resources to subscribe in full for their entitlement and excess application under the Rights Issue of ICULS. As the Principal Adviser to ELK-Desa in respect of the Rights Issue of ICULS, MIDF Investment has verified the aforementioned confirmations.

In the event that the Undertaking Parties fail to fulfil their obligation as stipulated in the Irrevocable Undertaking and the full subscription of the ICULS is not achieved, the Company will not proceed with the implementation of the Rights Issue of ICULS. All subscription monies received pursuant to the Rights Issue of ICULS will be refunded without interest within fifteen (15) Market Days from the last date of acceptance and payment shall be made to the Entitled Shareholders and/or renounce(s)/transferee(s) who have subscribed for the Rights ICULS.

In the event that none of the Entitled Shareholders (other than the Undertaking Parties) subscribes for their entitlements to the ICULS pursuant to the Rights Issue of ICULS and the Undertaking Parties are called upon to subscribe for the excess Rights ICULS as well as the ICULS are duly converted at the assumed conversion price of RM1.25 per ELK-Desa Share under the Minimum Scenario, the shareholding of Eng Lee Kredit and its PAC in ELK-Desa will collectively increase from approximately 25.48% to 54.56%.

The public shareholding spread of ELK-Desa will reduce from 43.25% to 26.37% based on the shareholdings of ELK-Desa as at 31 December 2013. ELK-Desa would be in compliance with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements, whereby at least 25.00% of a listed corporation's total listed shares (excluding treasury shares) or such lesser percentage as may be approved by Bursa Securities is required to be held by public shareholders.

However, the extent of the actual subscription of the ICULS can only be determined after the closing date for acceptance of the Rights Issue of ICULS.

10. IMPLICATION OF THE CODE

As at LPD, Eng Lee Kredit holds 30,600,000 ELK-Desa Shares, representing approximately 24.48% of the issued and paid-up share capital of ELK-Desa and Eng Lee Kredit together with its PAC collectively holds 31,850,000 ELK-Desa Shares or approximately 25.48% of the issued and paid-up share capital of ELK-Desa.

Premised on the Irrevocable Undertaking and based on the assumption that no other Entitled Shareholders (except the Undertaking Parties) subscribe for the Rights ICULS, Eng Lee Kredit would be obligated to subscribe for all unsubscribed Rights ICULS. As such, Eng Lee Kredit's shareholdings in ELK-Desa could potentially increase to 53.56% and Eng Lee Kredit and its PAC collectively could potentially increase to 54.56%, upon the conversion of the ICULS.

However, the actual shareholding of Eng Lee Kredit and its PAC in ELK-Desa would depend on, amongst others, the timing and actual holdings of their ICULS converted into new ELK-Desa Shares (on the assumption that they do not dispose any of its existing or acquire any new ELK-Desa Shares and/or ICULS).

The conversion of the ICULS held by Eng Lee Kredit and its PAC may result in their shareholdings, direct or indirect to collectively exceed 33% of the voting shares in ELK-Desa at any point of time. Pursuant to the Code, Eng Lee Kredit and its PAC would be obliged to extend a mandatory take-over offer for all the remaining ELK-Desa Shares and convertible securities not already owned by them.

In relation to the above, Eng Lee Kredit may make an application to the SC to seek an exemption for Eng Lee Kredit and its PAC under Paragraph 16.1 of PN 9 of the Code from the obligation to extend a mandatory take-over offer for all the remaining ELK-Desa Shares and convertible securities not already owned by them upon the conversion of the ICULS. The application will be made at a later date but prior to triggering the mandatory take-over offer obligation. Eng Lee Kredit has been advised by MIDF Investment and is aware that the SC may consider granting an exemption to Eng Lee Kredit and its PAC provided that the following conditions under Paragraph 16.3 of PN 9 of the Code have been satisfied:

- (i) there is no disqualifying transaction[^];
- (ii) approval has been obtained from independent holders of voting shares or voting rights of ELK-Desa at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the mandatory offer from Eng Lee Kredit and its PAC; and
- (iii) the names of the parties that have abstained from voting at the general meeting have been submitted to the SC.

Note:

[^] "disqualifying transaction" shall have the meaning given in Paragraph 16.4 of PN 9 of the Code

Subject to satisfaction of the conditions aforementioned, the SC may consider granting an exemption to Eng Lee Kredit and its PAC with or without conditions.

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11. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

11.1 Working Capital

Our Board is of the opinion that, after taking into account our cash flow generated from operations, banking facilities and financing options available as well as proceeds from the Rights Issue of ICULS, the working capital available to our Group will be sufficient for a period of twelve (12) months from the date of issue of this AP.

11.2 Borrowings

As at 31 December 2013, the total outstanding borrowings of our Group are approximately RM66.2 million. All the borrowings are interest bearing and comprise the following:

	Short-term RM'000	Long-term RM'000	Total RM'000
Fixed rate interest-bearing borrowings ⁽¹⁾	21,531	31,413	52,944
Variable rate interest-bearing borrowings ⁽²⁾	6,806	6,412	13,218
Total	28,337	37,825	66,162

Notes:

⁽¹⁾ Interest rates ranging from 5.3% to 5.5% per annum.

⁽²⁾ Interest rates ranging from Base Lending Rate minus 1.5% per annum to Base Lending Rate minus 0.5% per annum.

After making all reasonable enquiries and to the best knowledge of our Board, there has not been any default on payments of either interest or principal sums by our Group, in respect of any borrowings during the FYE 31 March 2013 and for the subsequent financial period up to the LPD.

11.3 Material Commitments and Contingent Liabilities

Save and except for the corporate guarantees given to licensed banks for credit facilities granted to ELK-Desa Capital Sdn Bhd, a wholly-owned subsidiary of ELK-Desa with a limit of RM97.5 million, after having made all reasonable enquiries, the Board has confirmed that to the best of its knowledge and belief, there are no material commitments and contingent liabilities incurred or known to be incurred by the ELK-Desa Group which may have a material impact on the profits or NA value of ELK-Desa Group as at the LPD.

12. TERMS AND CONDITIONS

The issuance of the Rights ICULS pursuant to the Rights Issue of ICULS is governed by the terms and conditions set out in this AP, Trust Deed and the accompanying NPA and RSF enclosed herein.

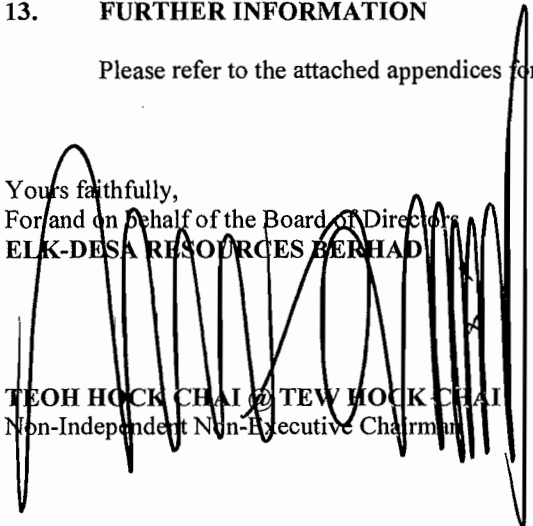
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13. FURTHER INFORMATION

Please refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of Directors
ELK-DESA RESOURCES BERHAD

TEOH HOCK CHAI @ TEW HOCK CHAI
Non-Independent Non-Executive Chairman



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CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF ICULS PASSED AT THE EGM HELD ON 21 FEBRUARY 2014

CERTIFIED TRUE COPY

ELK-DESA RESOURCES BERHAD

(Company No. 180164-X)

(Incorporated in Malaysia)

LOKE WENG FOOK CA(M), ACMA, CGMA

Company Secretary (MIA-6573)

Extract of the Minutes of the Extraordinary General Meeting (the "EGM") of ELK-Desa Resources Berhad (The "Company") held at The Melia Hotel Kuala Lumpur, Alhambra Ballroom, Level M1, No. 16, Jalan Imbi, 55100 Kuala Lumpur, Malaysia on 21 February 2014 at 2.30 p.m.

ORDINARY RESOLUTION (the "Ordinary Resolution")

Proposed renounceable rights issue of RM100,000,000 nominal value of eight (8) year, coupon rate of 3.25 %, Irredeemable Convertible Unsecured Loan Stock ("ICULS") at 100% of the Nominal Value of RM1.00 each ("Rights ICULS") on the basis of four (4) Rights ICULS of RM1.00 each in nominal value for every five (5) existing ordinary shares of RM1.00 each in ELK-Desa ("ELK-Desa Share(s)") held on an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue of ICULS")

On the proposal of Mr. Loke Ching Chong (a shareholder) and seconded by Mr. Teoh Kok Liang (corporate representative), Mr. Teoh Seng Hui who was the Chairman of the EGM invited the shareholders to vote on the Ordinary Resolution in relation to the Proposed Rights Issue of ICULS as set out in the Notice of EGM dated 30 January 2014 (the "Notice").

Prior to voting, the Chairman declared that he had pursuant to Article 87 of the Articles of Association of the Company, demanded that the Ordinary Resolution shall be determined by poll.

The polling process was administered by the representatives from the Share Registrar, Tricor Investor Services Sdn Bhd and the results of the poll were scrutinized by the auditors from BDO, Chartered Accountants.

The EGM was adjourned at 3.15 p.m. with the shareholders consent for the counting of votes, and was reconvened at the same venue at 3.45 p.m.

The poll results were announced as follows:-

	FOR		AGAINST	
	No. of Shares	%	No. of Shares	%
Ordinary resolution: Proposed Rights Issue of ICULS	71,920,622	99.993	4,888	0.007

The Chairman hereby declared:-

IT WAS RESOLVED THAT, subject to and conditional upon the approvals of all relevant authorities being obtained, approval be and is hereby given to the Directors of the Company ("Directors") to:

- (i) provisionally allot and issue by way of renounceable rights issue of irredeemable convertible unsecured loan stock ("ICULS") of RM100,000,000 in nominal value with coupon rate of 3.25% per annum on the nominal value of the ICULS at 100% of the nominal value of RM1.00 each for a tenure of eight (8) years ("Rights ICULS") on the basis of four (4) Rights ICULS of RM1.00 each in nominal value for every five (5) existing ordinary shares of RM1.00 each in ELK-Desa ("ELK-Desa Share(s)") held on an entitlement date to be determined later ("Entitlement Date"), to disregard fractional entitlements under the Proposed Rights Issue of ICULS and to deal with the aggregate of such fractions as the Directors of the Company may at their discretion deem fit and expedient and in the best interest of the Company and to deal with the excess Rights ICULS not subscribed by the other entitled shareholders in the manner as detailed in Section 2.1 of the Circular to shareholders of ELK-Desa dated 30 January 2014 ("Circular"), **AND THAT** the Rights ICULS so allotted and issued to the shareholders shall rank *pari passu* in all respects with the then all other unsubordinated and unsecured obligations of the Company subject only to those preferred by mandatory provisions of law;

ELK-DESA RESOURCES BERHAD

(Company No. 180164-X)

(Incorporated in Malaysia)

Extract of the Minutes of the EGM held on 21 February 2014 (continued)


- (ii) create and issue the ICULS at the conversion price of RM1.25 for every one (1) new ELK-Desa Share, (or such price adjusted in accordance with the trust deed) based on the indicative principal terms as set out in Appendix I of the Circular and the terms and conditions of a trust deed to be executed by the Company constituting the ICULS ("Trust Deed");
- (iii) allot and issue new ELK-Desa Shares arising from the conversion of the ICULS (including further ICULS arising from any adjustments under the provisions of the Trust Deed); and
- (iv) enter into and execute the Trust Deed constituting the ICULS and to do all acts, deed and things as Directors of the Company may deem fit or expedient in order to implement, finalise and give effect to the Trust Deed.

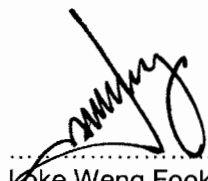
THAT such new ELK-Desa Shares to be issued arising from the full conversion of the ICULS shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing ELK-Desa Shares except that they will not be entitled to any dividends, rights, allotments and/or distributions, that may be declared, made or paid prior to the date of allotment of these new ELK-Desa Shares.

AND THAT the Directors of the Company be and are hereby empowered and authorised to do all such acts, deeds and things to execute, sign and deliver on behalf of the Company all such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as they may deem fit, necessary or expedient or appropriate in order to implement, finalise and/or give full effect to the Proposed Rights Issue of ICULS with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant authorities or deemed necessary by the Directors in the best interest of the Company."

Dated: 26 FEB 2014

CERTIFIED TRUE COPY


.....
Teoh Seng Hui
Chairman of the EGM


.....
Loke Weng Fook (MIA 6573)
Group Accountant and
Company Secretary

BACKGROUND INFORMATION ON ELK-DESA**1. HISTORY AND BUSINESS**

ELK-Desa (formerly known as Tekad Murni Sdn. Bhd.) was incorporated in Malaysia on 24 March 1989 under the Act. Subsequently on 13 October 2004, it changed its name to ELK-Desa Resources Sdn Bhd. ELK-Desa was converted into a public company limited by shares on 16 March 2012. It was listed on the Main Market of Bursa Securities on 18 December 2012.

It commenced business in cultivation of oil palm in year 1994 and became an indirect subsidiary of Unico-Desa in year 2000. Pursuant to an internal restructuring exercise in year 2003 by Unico-Desa, the oil palm business was sold to Unico-Desa. Subsequently, on 30 November 2004, ELK-Desa became a direct subsidiary of Unico-Desa.

On 16 February 2005, ELK-Desa ventured into the HP business via the acquisition of ELK-Desa Capital Sdn Bhd and its subsidiaries from its holding Company, Unico-Desa during an internal restructuring exercise.

As at LPD, the authorised and issued paid-up share capital of ELK-Desa is RM300,000,000 comprising 300,000,000 ordinary shares of RM1.00 each.

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

There has been no significant change in the principal activities of ELK-Desa Group since year 2005.

2. SHARE CAPITAL

As at LPD, the authorised and issued and paid-up share capital of ELK-Desa are as follows:

	No. of Ordinary Shares	Par value RM	Total RM
Authorised	300,000,000	1.00	300,000,000
Issued and fully paid-up	125,000,000	1.00	125,000,000

3. CHANGES IN SHARE CAPITAL FOR THE PAST THREE (3) YEARS PRIOR TO THE LPD**3.1 Authorised share capital**

The changes in authorised share capital of ELK-Desa for the past three (3) years prior to the LPD are as follows:

Date of creation	No. of shares created	Par value RM	Total RM	Authorised share capital (Cumulative) RM
20 March 2012	250,000,000	1.00	250,000,000	300,000,000

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3.2 Issued and paid-up share capital

The changes in the issued and paid-up share capital of ELK-Desa for the past three (3) years prior to the LPD are as follows:

Date	No. of shares created	Par value RM	Description/Consideration	Issued and paid-up share capital (Cumulative) RM
3 October 2012	50,000,000	1.00	Bonus issue	100,000,000
14 December 2012	25,000,000	1.00	Public issue in conjunction with the listing of ELK-Desa	125,000,000

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4. SUBSTANTIAL SHAREHOLDERS

The proforma effects of the Rights Issue of ICULS on our substantial shareholders' shareholdings, based on our Record of Substantial Shareholders as at the LPD are as follows:

Minimum Scenario

Substantial shareholders	Existing as at LPD				(I) After the Rights Issue of ICULS				(II) After (I) and assuming full conversion of ICULS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Teoh Hock Chai @ Tew Hock Chai	1,250,000	1.00	(¹) 30,600,000	24.48	1,250,000	1.00	(¹) 30,600,000	24.48	2,050,000	1.00	(¹) 109,800,000	53.56
ELK Group Sdn Bhd	-	-	(²) 30,600,000	24.48	-	-	(²) 30,600,000	24.48	-	-	(²) 109,800,000	53.56
Eng Lee Kredit	30,600,000	24.48	-	-	30,600,000	24.48	-	-	109,800,000	53.56	-	-
Unico Holdings Berhad	29,593,136	23.67	-	-	29,593,136	23.67	-	-	29,593,136	14.44	-	-
Dr. Yeong Cheong Thye @ Yeong Yue Chai	-	-	(³) 8,547,992	6.84	-	-	(³) 8,547,992	6.84	-	-	(³) 8,547,992	4.17
Amity Corporation Sdn Bhd	8,547,992	6.84	-	-	8,547,992	6.84	-	-	8,547,992	4.17	-	-

Notes:

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

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

(³) Deemed interested by virtue of his interest in Amity Corporation Sdn Bhd pursuant to Section 6A of the Act.

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Maximum Scenario

Substantial shareholders	(I)				(II)							
	Existing as at LPD		After the Rights Issue of ICULS		After (I) and assuming full conversion of ICULS							
	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares				
Teoh Hock Chai @ Tew Hock Chai	1,250,000	1.00	(1) 30,600,000	24.48	1,250,000	1.00	(1) 30,600,000	24.48	2,050,000	1.00	(1) 50,184,000	24.48
ELK Group Sdn Bhd	-	-	(2) 30,600,000	24.48	-	-	(2) 30,600,000	24.48	-	-	(2) 50,184,000	24.48
Eng Lee Kredit	30,600,000	24.48	-	-	30,600,000	24.48	-	-	50,184,000	24.48	-	-
Unico Holdings Berhad	29,593,136	23.67	-	-	29,593,136	23.67	-	-	48,532,742	23.67	-	-
Dr. Yeong Cheong Thye @ Yeong Yue Chat	-	-	(3) 8,547,992	6.84	-	-	(3) 8,547,992	6.84	-	-	(3) 14,018,706	6.84
Amity Corporation Sdn Bhd	8,547,992	6.84	-	-	8,547,992	6.84	-	-	14,018,706	6.84	-	-

Notes:

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

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

(3) Deemed interested by virtue of his interest in Amity Corporation Sdn Bhd pursuant to Section 6A of the Act.

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5. DIRECTORS

5.1 Details of our Directors

The details of our Directors as at the LPD are as follows:

Name/ (Designation)	Age	Nationality	Occupation	Address
Teoh Hock Chai @ Tew Hock Chai (<i>Non-Independent Non-Executive Chairman</i>)	68	Malaysian	Director	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor
Lim Keng Chin (<i>Executive Director</i>)	69	Malaysian	Director	No. 44, Jalan SS20/4 Damansara Utama 47400 Petaling Jaya Selangor
Teoh Seng Hui (<i>Non-Independent Non-Executive Director</i>)	42	Malaysian	Director	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor
Teoh Seng Kar (<i>Non-Independent Non-Executive Director</i>)	35	Malaysian	Director	No. 20, Jalan Perkasa 6 Taman Maluri, Cheras 55100 Kuala Lumpur
Ng Soon Lai @ Ng Siek Chuan (<i>Independent Non-Executive Director</i>)	59	Malaysian	Director	No. 20, Jalan Setiamurni 6 Bukit Damansara 50490 Kuala Lumpur
Loong Foo Ching (<i>Independent Non-Executive Director</i>)	63	Malaysian	Director	No. 58, Jalan Desa Mesra Taman Desa 58100 Kuala Lumpur
Yee Kin Lan (<i>Independent Non-Executive Director</i>)	62	Malaysian	Director	No. 31, Jalan Radin 1 Taman Sri Endah, Seri Petaling 57000 Kuala Lumpur
Toh Jyh Wei (<i>Independent Non-Executive Director</i>)	29	Malaysian	Director	No. 1, Jalan Setiabakti 10 Bukit Damansara 50490 Kuala Lumpur

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5.2 Directors shareholdings

The proforma effects of the Rights Issue of ICULS on our Directors' direct and indirect shareholdings in our Company as at LPD are as follows:

Minimum Scenario

Directors	Existing as at LPD				(I) After the Rights Issue of ICULS				(II) After (I) and assuming full conversion of ICULS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Teoh Hock Chai @ Tew Hock Chai	1,250,000	1.00	(1) 30,600,000	24.48	1,250,000	1.00	(1) 30,600,000	24.48	2,050,000	1.00	(1) 109,800,000	53.56
Lim Keng Chin	500,000	0.40	-	-	500,000	0.40	-	-	-	-	-	-
Teoh Seng Hui	-	-	-	-	-	-	-	-	-	-	-	-
Teoh Seng Kar	-	-	-	-	-	-	-	-	-	-	-	-
Ng Soon Lai @ Ng Siew Chuan	-	-	-	-	-	-	-	-	-	-	-	-
Loong Foo Ching	-	-	-	-	-	-	-	-	-	-	-	-
Yee Kin Lan	-	-	-	-	-	-	-	-	-	-	-	-
Toh Jyh Wei	-	-	-	-	-	-	-	-	-	-	-	-

Note:

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

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Maximum Scenario

Substantial shareholders	Existing as at LPD		(I) After the Rights Issue of ICULS		(II) After (I) and assuming full conversion of ICULS	
	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
	%	%	%	%	%	%
Teoh Hock Chai @ Tew Hock Chai	1,250,000	(1) 30,600,000	1,250,000	(1) 30,600,000	2,050,000	(1) 50,184,000
	1.00	24.48	1.00	24.48	1.00	24.48
Lim Keng Chin	500,000	-	500,000	-	820,000	-
	0.40	-	0.40	-	0.40	-
Teoh Seng Hui	-	-	-	-	-	-
Teoh Seng Kar	-	-	-	-	-	-
Ng Soon Lai @ Ng Siek Chuan	-	-	-	-	-	-
Loong Foo Ching	-	-	-	-	-	-
Yee Kin Lan	-	-	-	-	-	-
Toh Jyh Wei	-	-	-	-	-	-

Note:

(1) Deemed interested by virtue of his interest in ELK Group Sdn Bhd and Eng Lee Krediti pursuant to Section 64 of the Act.

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6. SUBSIDIARIES AND ASSOCIATES

Details of the subsidiaries of ELK-Desa are as follows:

Name	Place / Date of incorporation	Principal activities	Effective equity interest (%)	Issued and paid-up share capital (RM'000)
ELK-Desa Capital Sdn Bhd	Malaysia / 19 October 1981	HP financing	100%	80,000
Subsidiaries of ELK-Desa Capital Sdn Bhd				
ELK-Desa Risk Agency Sdn Bhd	Malaysia / 31 March 1981	Insurance agent	100%	1,065
ELK-Desa Marketing Sdn Bhd	Malaysia / 22 May 1997	Used motor vehicles trader	100%	25
Subsidiary of ELK-Desa Marketing Sdn Bhd				
ELK-Desa Development Sdn Bhd	Malaysia / 18 August 1982	Dormant	100%	25

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

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7. PROFIT AND DIVIDEND RECORD

ELK-Desa was listed on the Main Market of Bursa Securities on 18 December 2012. As such, our Group's audited consolidated financial statements that are available are for the past two (2) financial years up to FYE 31 March 2013 and the latest unaudited consolidated financial statements for the FPE 31 December 2013, as tabulated below:

	← Audited →		Unaudited 9-months FPE
	FYE 31 March 2012 RM'000	FYE 31 March 2013 RM'000	
Revenue	38,604	40,958	35,008
Other income	427	543	792
EBITDA	24,746	22,573	18,906
Less:			
Depreciation	(199)	(230)	(205)
Amortisation	-	-	-
Results of operating activities after depreciation and amortisation before interest expense	24,547	22,343	18,701
Add:			
Interest income	113	219	555
Less:			
Finance cost	(3,136)	(3,067)	(2,303)
PBT	21,524	19,495	16,953
Taxation	(5,581)	(5,622)	(4,348)
PAT	15,943	13,873	12,605
Number of Shares in issue	125,000,000	125,000,000	125,000,000
PBT margin (%) ⁽¹⁾	55.76	47.60	48.43
PAT margin (%) ⁽²⁾	41.30	33.87	36.00
EPS (sen) ⁽³⁾			
- Basic (sen)	15.94	12.95	10.08
- Diluted (sen)	15.94	12.95	10.08
Dividend rate (sen)	-	6.50	-

Notes:

- ⁽¹⁾ PBT margin for the financial year is calculated by dividing the PBT for the financial year by the revenue for the financial year.
- ⁽²⁾ Net profit margin for the financial year is calculated by dividing the PAT after minority interest for the financial year by the revenue for the financial year.
- ⁽³⁾ EPS for the financial year is calculated by dividing the PAT for the financial year by the weighted average number of ordinary shares during the financial year.

Commentary on the financial performance

FYE 31 March 2013 vs FYE 31 March 2012

The Group's revenue increased by 6% from RM38.60 million to RM40.96 million due to an increase in the hire purchase portfolio. Impairment allowance for the full financial year remains relatively unchanged when compared to the previous year despite the increase in the hire purchase portfolio. Other expenses were higher mainly due to increase in staff cost and additional administrative expenses incurred for being a public listed company. As a result, the Group's profit before listing expenses and tax increased by 2% from RM21.52 million to RM21.87 million. After accounting for the listing expenses, the profit before tax decreased to RM19.50 million.

Nine (9)-months FPE 31 December 2013 vs FPE 31 December 2012

The Group's revenue increased by 15% from RM30.48 million to RM35.01 million due to an increase in the hire purchase portfolio. Other income increased from RM247,518 to RM792,392 mainly due to higher fixed deposit interest. There was slight decrease of the profit before listing expenses and tax from RM17.09 million to RM16.95 million due to increase in impairment allowance and other expenses. PBT increased by 12% from RM15.08 million to RM16.95 million due to the RM2.01 million listing expenses incurred in the third quarter of the previous financial year.

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8. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of ELK-Desa Shares traded on Bursa Securities for the past twelve (12) months preceeding the date of the AP are as follows:

	High RM	Low RM
2013		
March	1.27	1.22
April	1.31	1.25
May	1.38	1.24
June	1.41	1.33
July	1.57	1.34
August	1.59	1.37
September	1.51	1.36
October	1.51	1.39
November	1.52	1.48
December	1.53	1.48
2014		
January	1.58	1.53
February	1.59	1.51

Last transacted market price of ELK-Desa Shares on 13 December 2013, being the day prior to the date of announcement of the Rights Issue of ICULS RM1.50

Last transacted market price of ELK-Desa Shares on 26 February 2014, being the latest practicable date prior to the issuance of this AP RM1.51

Last transacted market price of ELK-Desa Shares on 13 March 2014, being the last trading day prior to the ex-date for the Rights Issue of ICULS RM1.45

(Source: Bloomberg)

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA AND ITS SUBSIDIARIES AS AT 31 MARCH 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



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 1008 Jalan Sultan Ismail
 50250 Kuala Lumpur
 Malaysia

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AND ITS SUBSIDIARIES AS AT 31 MARCH 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

(Prepared for inclusion in the Abridged Prospectus of ELK-Desa Resources Berhad)

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

Date: 3 March 2014
 Our ref: BDO/AC/LHV

Dear Sirs

ELK-DESA RESOURCES BERHAD (“ELK-DESA” OR “THE COMPANY”) AND ITS SUBSIDIARIES (“THE GROUP”)

Report on the Compilation of Pro Forma Consolidated Statements of Financial Position

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 March 2013. The Pro Forma Consolidated Statements of Financial Position which are set out in Appendix 1 (which we have stamped for the purpose of identification), have been compiled by the Directors of the Company for inclusion in the Abridged Prospectus to be dated 18 March 2014 in connection with the renounceable rights issue of irredeemable convertible unsecured loan stock (“ICULS”) of RM1.00 nominal value each of RM100,000,000 and with a coupon rate of 3.25% per annum on the nominal value of the ICULS for a tenure of eight (8) years (“Rights ICULS”) on the basis of four (4) Rights ICULS of RM1.00 each in nominal value for every five (5) existing ordinary shares of RM1.00 each in ELK-Desa (“ELK-Desa Share(s)”) held on an entitlement date to be determined later (“Entitlement Date”) (“Rights Issue of ICULS”).

The applicable criteria on the basis on which the Directors of the Company have compiled the Pro Forma Consolidated Statements of Financial Position are described in Notes 3 and 4 of Appendix 1 and are specified in Appendix 4 of the Prospectus Guidelines - Abridged Prospectus issued by the Securities Commission.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors, for illustrative purposes only, to show the effects of the Rights Issue of ICULS on the Audited Consolidated Statement of Financial Position of the Group as at 31 March 2013 had the Rights Issue of ICULS been effected at that date. As part of this process, information about the Group’s consolidated financial position has been extracted by the Directors from the Group’s Audited Consolidated Statement of Financial Position as at 31 March 2013.

The Director’s Responsibility for the Pro Forma Consolidated Statements of Financial Position

It is the sole responsibility of the Directors of the Company to prepare the Pro Forma Consolidated Statements of Financial Position on the basis set out in Notes 3 and 4 of Appendix 1.

BDO (AF 0206) Chartered Accountants, a Malaysian Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Our Responsibilities

It is our responsibility to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position have been properly compiled by the Directors on the basis set out in Notes 3 and 4 of Appendix 1.

We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*”, issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in Notes 3 and 4 of Appendix 1.

For the purposes of this engagement, we are not responsible for updating or reissuing any report or opinion on any financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such report or opinion beyond that owed to those to whom those report or opinion were addressed by us at the dates of their issue.

The purpose of including the Pro Forma Consolidated Statements of Financial Position in the Abridged Prospectus of the Company is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in Notes 3 and 4 of Appendix 1, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion:

- (i) the Pro Forma Consolidated Statements of Financial Position have been properly compiled on the basis set out in Notes 3 and 4 of Appendix 1, using the audited financial statements of the Group as at 31 March 2013 which are prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group; and
- (ii) the adjustments made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Pro Forma Consolidated Statements of Financial Position.

Other Matter

This letter is issued for the sole purpose of inclusion in the Abridged Prospectus in connection with the Rights Issue of ICULS. It is not to be reproduced, or used or relied upon or circulated, quoted or otherwise referred to for any other purposes, including but not limited to the sale and purchase of securities, nor is it to be filed with or referred to in whole or in part in the Abridged Prospectus or any other document without our prior written consent. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon this letter, other than for the Rights Issue of ICULS described above.

Yours faithfully,

BDO

BDO
AF: 0206
Chartered Accountants
Kuala Lumpur, Malaysia

A handwritten signature in black ink, appearing to read 'Chan Wai Leng'. The signature is fluid and cursive, with a small flourish at the end.

Chan Wai Leng
2893/08/15(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

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2013 AND THE NOTES THEREON

1. INTRODUCTION

The Pro Forma Consolidated Statements of Financial Position of the Group, for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only, in connection with the renounceable rights issue of irredeemable convertible unsecured loan stock ("ICULS") of RM1.00 nominal value each of RM100,000,000 and with a coupon rate of 3.25% per annum on the nominal value of the ICULS for a tenure of eight (8) years ("Rights ICULS") on the basis of four (4) Rights ICULS of RM1.00 each in nominal value for every five (5) existing ordinary shares of RM1.00 each in ELK-Desa ("ELK-Desa Share(s)") held on an entitlement date to be determined later ("Entitlement Date") ("Rights Issue of ICULS").

The Pro Forma Consolidated Statements of Financial Position together with the notes thereon have been prepared for illustrative purposes only, to show the effects of the Rights Issue of ICULS on the Audited Consolidated Statement of Financial Position of the Group as at 31 March 2013, had these transactions been effected on that date. Further such information does not purport to predict the Group's future financial position.

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited Consolidated Statement of Financial Position as at 31.3.2013	Pro Forma I After Adjustment for the Rights Issue of ICULS	Pro Forma II After Pro Forma I and Adjustment for Full Conversion of ICULS
	RM	RM	RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1,374,987	1,374,987	1,374,987
Hire-purchase receivables	128,695,119	128,695,119	128,695,119
Deferred tax assets	2,422,943	7,280,226	2,422,943
Total non-current assets	132,493,049	137,350,332	132,493,049
CURRENT ASSETS			
Inventories	971,219	971,219	971,219
Trade receivables	214,850	214,850	214,850
Hire-purchase receivables	62,874,863	62,874,863	62,874,863
Other receivables	345,178	345,178	345,178
Tax recoverable	359	359	6,240,359
Cash and cash equivalents	31,387,436	130,087,436	104,087,436
Total current assets	95,793,905	194,493,905	174,733,905
TOTAL ASSETS	228,286,954	331,844,237	307,226,954

Stamped for
the purpose of
identification only.

03 MAR 2014

BDO (AF0206)
Chartered Accountants
Kuala Lumpur

永聯資源有限公司

ELK-DESA RESOURCES BERHAD (180164-X)

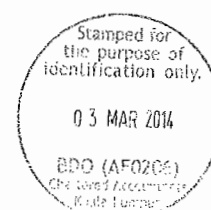
15-17, Jalan Brunei Utara, Off Jalan Pudu, 55100 Kuala Lumpur, Malaysia.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2013 AND THE NOTES THEREON

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Audited Consolidated Statement of Financial Position as at 31.3.2013	Pro Forma I	Pro Forma II
		After Adjustment for the Rights Issue of ICULS	After Pro Forma I and Adjustment for Full Conversion of ICULS
	RM	RM	RM
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	9 125,000,000	125,000,000	205,000,000
Share premium	9 2,820,736	2,820,736	22,820,736
Retained earnings	9 31,037,215	31,037,215	9,977,215
ICULS - equity component	9 -	83,318,605	-
TOTAL EQUITY	158,857,951	242,176,556	237,797,951
LIABILITIES			
NON-CURRENT LIABILITIES			
Block discounting payables	16,829,485	16,829,485	16,829,485
Term loans	17,038,000	17,038,000	17,038,000
Deferred tax liability	-	-	-
ICULS - liability component	8 -	20,238,678	-
Total non-current liabilities	33,867,485	54,106,163	33,867,485
CURRENT LIABILITIES			
Trade payables	11,324,266	11,324,266	11,324,266
Other payables	1,184,771	1,184,771	1,184,771
Block discounting payables	14,406,279	14,406,279	14,406,279
Term loans	6,168,000	6,168,000	6,168,000
Bank overdrafts	967,720	967,720	967,720
Current tax liabilities	1,510,482	1,510,482	1,510,482
Total current liabilities	35,561,518	35,561,518	35,561,518
TOTAL LIABILITIES	69,429,003	89,667,681	69,429,003
TOTAL EQUITY AND LIABILITIES	228,286,954	331,844,237	307,226,954
Number of ordinary shares	125,000,000	125,000,000	205,000,000
Net Assets	158,857,951	242,176,556	237,797,951
Net Assets per ordinary share	1.27	1.94	1.16



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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2013 AND THE NOTES THEREON

3. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position have been prepared based on the Audited Consolidated Financial Statements of the Group as at 31 March 2013 prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group.

3.1 Valuation of Rights Issue of ICULS

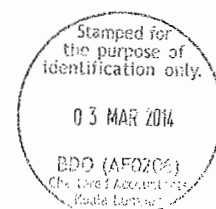
The Rights Issue of ICULS is segregated into equity and liability components. The following fair value of the liability component of the Rights Issue of ICULS is arrived at by discounting the coupon payments over the tenure of 8 years at a discount rate of 5.60%, the average cost of debts of the Group and after allocation of transaction costs proportionately based on the equity and liability component of the ICULS.

	RM
Liability component of the ICULS	<u>20,238,678</u>

The fair value of the equity component of the Rights Issue of ICULS is determined based on the proceeds from the issuance of the Rights Issue of ICULS, net of transaction costs and the ICULS liability component plus the deferred tax asset arising on the liability component.

	RM
Proceeds from ICULS	100,000,000
Deferred tax asset arising on the liability component #	<u>4,857,283</u>
	104,857,283
Less:	
Transaction costs ("Estimated expenses")	1,300,000
ICULS - liability portion	<u>20,238,678</u>
ICULS - equity portion	<u>83,318,605</u>

The deferred tax asset is computed based on the statutory tax rate of 24% on the liability portion.



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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2013 AND THE NOTES THEREON

4. EFFECTS OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

4.1 Pro Forma I

Pro Forma I is stated after the incorporation of the Rights Issue of ICULS of RM100,000,000 nominal value of the ICULS.

The estimated expenses of RM1,300,000 are allocated to the liability and equity components of the ICULS proportionately which amounted to RM266,568 and RM1,033,432 respectively.

4.2 Pro Forma II

Pro Forma II is stated after Pro Forma I and after the full conversion of 100,000,000 ICULS on the 8th year at the conversion price of RM1.25 for each ordinary share of RM1.00 each.

Pursuant to the conversion of the 100,000,000 ICULS, 80,000,000 new ELK-Desa Shares will be issued and this will increase the issued and paid-up capital and share premium accounts by RM80,000,000 and RM20,000,000 respectively.

5 DEFERRED TAX ASSETS

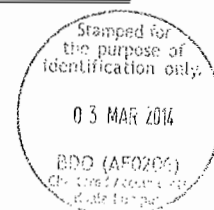
The movements of deferred tax assets are as follows:

	RM
As at 31 March 2013	2,422,943
Issuance of ICULS	4,857,283
	7,280,226
Reversal of deferred tax asset upon conversion of ICULS	(4,857,283)
	2,422,943

6 TAX RECOVERABLE

The movements of tax recoverable are as follows:

	RM
As at 31 March 2013/ As per Pro Forma I	359
Reduction of tax payable arising from interest expense of RM26 million	6,240,000
	6,240,359



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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD
AS AT 31 MARCH 2013 AND THE NOTES THEREON**

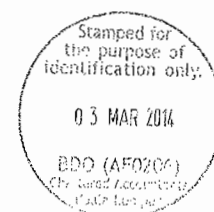
7 CASH AND CASH EQUIVALENTS

The movements of cash and cash equivalents are as follows:

	RM
As at 31 March 2013	31,387,436
Issuance of ICULS	100,000,000
Estimated expenses	<u>(1,300,000)</u>
As per Pro Forma I	130,087,436
Settlement of ICULS liability upon conversion	<u>(26,000,000)</u>
As per Pro Forma II	<u>104,087,436</u>

8 ICULS - LIABILITY COMPONENT

	RM
As at 31 March 2013	-
Issuance of ICULS	<u>20,238,678</u>
As per Pro Forma I	20,238,678
Unwinding of discount upon conversion	5,761,322
Settlement of ICULS liability upon conversion	<u>(26,000,000)</u>
As per Pro Forma II	<u>-</u>



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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2013 AND THE NOTES THEREON

9. SHARE CAPITAL, SHARE PREMIUM, RETAINED EARNINGS AND ICULS - EQUITY COMPONENT

The movements of the issued and paid-up share capital, share premium, retained earnings and ICULS - equity component are as follows:-

	Number of ordinary shares	Par value RM	Share capital RM	Share premium RM	Retained earnings RM	ICULS - equity component RM	Total RM
Audited Consolidated Statement of Financial Position as at 31.3.2013	125,000,000	1.00	125,000,000	2,820,736	31,037,215	-	158,857,951
Issuance of ICULS	-	1.00	-	-	-	78,461,322	78,461,322
Deferred tax asset arising on the liability component	-	1.00	-	-	-	4,857,283	4,857,283
As per Pro Forma I	125,000,000	1.00	125,000,000	2,820,736	31,037,215	83,318,605	242,176,556
Full conversion of ICULS	80,000,000	1.00	80,000,000	20,000,000	(16,681,395)	(83,318,605)	-
Unwinding of discount upon conversion	-	1.00	-	-	(5,761,322)	-	(5,761,322)
Reversal of deferred tax asset upon conversion of ICULS	-	1.00	-	-	(4,857,283)	-	(4,857,283)
Reduction of tax payable arising from interest expense	-	1.00	-	-	6,240,000	-	6,240,000
As per Pro Forma II	205,000,000	1.00	205,000,000	22,820,736	9,977,215	-	237,797,951



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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2013 AND THE NOTES THEREON

10. UTILISATION OF PROCEEDS

The gross proceeds from the Rights Issue of ICULS are expected to be utilised in the following manner:-

	RM
Business expansion - hire-purchase disbursements*	80,700,000
Repayment of existing bank borrowings*	18,000,000
Estimated expenses*	1,300,000
	100,000,000
Total	100,000,000

* *Subsumed within cash and cash equivalents.*

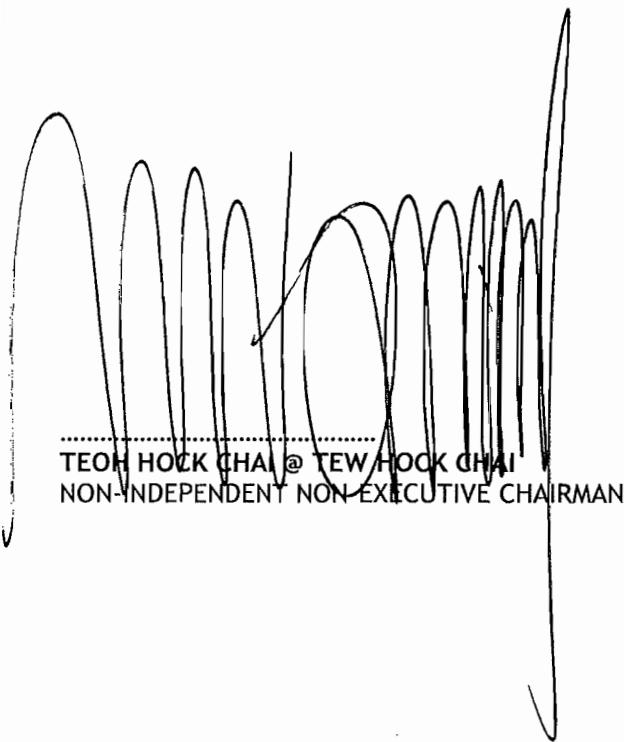


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APPROVAL BY THE BOARD OF DIRECTORS OF ELK-DESA RESOURCES BERHAD ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2013 IN CONNECTION WITH THE RIGHTS ISSUE OF ICULS.

We, on behalf of the Board of Directors hereby approve and adopt the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 March 2013 in connection with the Rights Issue of ICULS.



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




.....
LIM KENG CHIN
EXECUTIVE DIRECTOR



**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 MARCH 2013 TOGETHER
WITH THE AUDITOR'S REPORT THEREON**

CERTIFIED TRUE COPY


.....
LOH YEE FOOK CA(M), ACMA, CGMA
Company Secretary (MIA 6573)

ELK-DESA RESOURCES BERHAD (180164 - X)
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MARCH 2013

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

<u>CONTENTS</u>	<u>PAGE</u>
DIRECTORS' REPORT	1 - 6
STATEMENT BY DIRECTORS	7
STATUTORY DECLARATION	7
INDEPENDENT AUDITORS' REPORT	8 - 10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	11 - 12
STATEMENT OF FINANCIAL POSITION	13
STATEMENTS OF COMPREHENSIVE INCOME	14 - 15
STATEMENTS OF CHANGES IN EQUITY	16 - 18
STATEMENTS OF CASH FLOWS	19 - 20
NOTES TO THE FINANCIAL STATEMENTS	21 - 78

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	<u>13,873,454</u>	<u>12,237,179</u>
Profit attributable to: Owners of the parent	<u>13,873,454</u>	<u>12,237,179</u>

DIVIDEND

No dividend has been paid, proposed or declared since the end of the previous financial year.

The Directors proposed a first and final single tier tax exempt dividend of 6.5 sen per ordinary share amounting to RM8,125,000 in respect of the financial year ended 31 March 2013, which is subject to the approval of members at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, will be accounted for as an appropriation of retained earnings in the next financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

Pursuant to the authority given by the shareholder of the Company at the Extraordinary General Meeting held on 3 October 2012, the issued and paid-up share capital of the Company was increased from RM50,000,000 to RM100,000,000 by way of bonus issue of 50,000,000 new ordinary shares of RM1.00 each from retained profits on the basis of one (1) new ordinary share for every one (1) existing share held.

ISSUE OF SHARES AND DEBENTURES (continued)

On 18 December 2012, the Company was listed on Main Market of Bursa Malaysia Securities Berhad and made a public issue of 25,000,000 ordinary shares at RM1.16 each ('Public Issue'). The total proceeds from the Public Issue is RM29,000,000.

The newly issues shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

There were also no issues of debentures during the financial year.

OPTION AND RESERVES OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are:

Teoh Hock Chai @ Tew Hock Chai	
Lim Keng Chin	
Teoh Seng Hui	
Teoh Seng Kar	
Ng Soon Lai @ Ng Siek Chuan	(appointed on 20 September 2012)
Loong Foo Ching	(appointed on 20 September 2012)
Yee Kin Lan	(appointed on 12 October 2012)
Tham Wai Hoong	(appointed on 12 October 2012)
Toh Jyh Wei	(appointed on 12 October 2012)

In accordance with Article 112 of the Company's Articles of Association, Mr. Teoh Seng Hui retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Ng Soon Lai @ Ng Siek Chuan, Mr. Loong Foo Ching, Mr. Yee Kin Lan, Mr. Tham Wai Hoong and Ms. Toh Jyh Wei, who were appointed during the year, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 March 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	--- Number of ordinary shares of RM1.00 each ---			Balance as at 31.3.2013
	Balance as at 1.4.2012	Acquired	Disposed	
<u>Direct interests</u>				
Teoh Hock Chai @ Tew Hock Chai	-	1,250,000	-	1,250,000
Lim Keng Chin	-	500,000	-	500,000
<u>Indirect interest</u>				
Teoh Hock Chai @ Tew Hock Chai	50,000,000	84,439,931	(100,000,000)*	34,439,931

* *Deemed interest acquired and disposed of which arose from the bonus issue and distribution of dividend in specie in connection with the demerger and listing exercise of the Company, and open market purchase.*

By virtue of his interests in shares in the substantial shareholders, ELK Group Sdn. Bhd., Eng Lee Kredit Sdn. Bhd. and Eng Lee Capital Sdn. Bhd., all of which are companies incorporated in Malaysia, Teoh Hock Chai @ Tew Hock Chai is deemed to have interests in the Company to the extent of the substantial shareholders' interest therein, in accordance with Section 6A of the Companies Act, 1965.

By virtue of his interests in the ordinary shares of the Company, Teoh Hock Chai @ Tew Hock Chai is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any beneficial interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the transactions entered into in the ordinary course of business with companies in which certain Directors of the Company have substantial financial interests as disclosed in Note 34 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**(I) AS AT THE END OF THE FINANCIAL YEAR**

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the recognition of listing expenses of the Group and of the Company amounting to RM2,373,478 as disclosed in Note 27 to the financial statements.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; and
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY
(continued)**

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

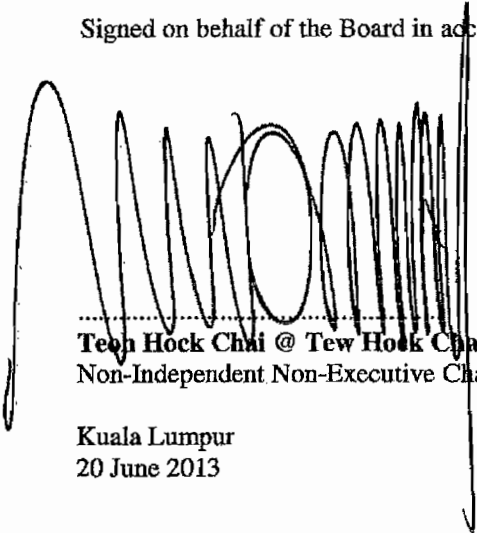
SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.



.....
Teoh Hock Chai @ Tew Hock Chai
Non-Independent Non-Executive Chairman

Kuala Lumpur
20 June 2013



.....
Lim Keng Chin
Executive Director

ELK-DESA RESOURCES BERHAD (180164 - X)

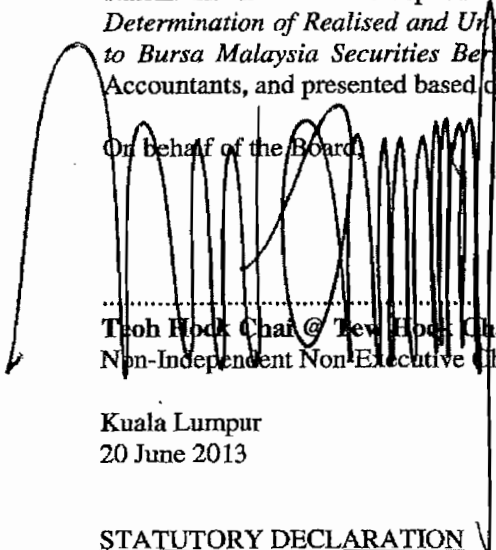
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 11 to 77 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 40 on page 78 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board



Teoh Hok Chai @ Tew Hok Chai
Non-Independent Non-Executive Chairman

Kuala Lumpur
20 June 2013




Lim Keng Chin
Executive Director

STATUTORY DECLARATION

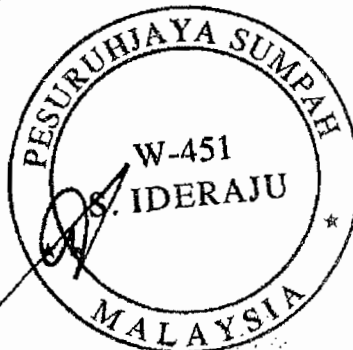
I, Loke Weng Fook, being the officer primarily responsible for the financial management of ELK-Desa Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 78 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
20 June 2013)



Loke Weng Fook

Before me:-



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Malaysia

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELK-DESA RESOURCES BERHAD

Report on the Financial Statements

We have audited the financial statements of ELK-Desa Resources Berhad, which comprise statements of financial position as at 31 March 2013 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 77.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ELK-DESA RESOURCES BERHAD (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 40 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ELK-DESA RESOURCES BERHAD (continued)**

Other Matters

As stated in Note 3 to the financial statements, ELK-Desa Resources Berhad adopted Malaysian Financial Reporting Standards on 1 April 2012 with a transition date of 1 April 2011. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 March 2012 and 1 April 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended 31 March 2012 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 March 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2012 do not contain misstatements that materially affect the financial position as at 31 March 2013 and financial performance and cash flows for the year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO

BDO

AF : 0206

Chartered Accountants

Kuala Lumpur

20 June 2013

A handwritten signature in black ink, appearing to read 'Chan Wai Leng'.

Chan Wai Leng

2893/08/13 (J)

Chartered Accountant

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

	NOTE	31.3.2013 RM	Group 31.3.2012 RM	1.4.2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	7	1,374,987	1,461,239	1,278,667
Hire-purchase receivables	9	128,695,119	121,145,045	111,026,356
Deferred tax assets	10	2,422,943	2,477,599	2,428,193
		132,493,049	125,083,883	114,733,216
Current assets				
Inventories	11	971,219	900,052	760,299
Trade receivables	12	214,850	116,600	221,560
Hire-purchase receivables	9	62,874,863	59,817,849	53,093,874
Other receivables, deposits and prepayments	13	345,178	933,032	302,170
Amount owing by former holding company	14	-	53,267	-
Current tax assets		359	2,979	9,560
Cash and cash equivalents	16	31,387,436	714,962	1,754,325
		95,793,905	62,538,741	56,141,788
TOTAL ASSETS		228,286,954	187,622,624	170,875,004

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013 (continued)**

	NOTE	31.3.2013 RM	Group 31.3.2012 RM	1.4.2011 RM
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	17	125,000,000	50,000,000	50,000,000
Reserves	18	33,857,951	67,163,761	51,220,582
TOTAL EQUITY		158,857,951	117,163,761	101,220,582
LIABILITIES				
Non-current liabilities				
Block discounting payables - secured	19	16,829,485	15,226,772	12,985,770
Term loans	20	17,038,000	23,206,000	29,374,000
		33,867,485	38,432,772	42,359,770
Current liabilities				
Trade payables	21	11,324,266	9,961,469	8,252,448
Other payables and accruals	22	1,184,771	481,415	433,930
Block discounting payables - secured	19	14,406,279	14,103,023	10,430,440
Term loans	20	6,168,000	6,168,000	5,126,000
Bank overdrafts - secured	23	967,720	186,381	2,844,670
Current tax liabilities		1,510,482	1,125,803	207,164
		35,561,518	32,026,091	27,294,652
TOTAL LIABILITIES		69,429,003	70,458,863	69,654,422
TOTAL EQUITY AND LIABILITIES		228,286,954	187,622,624	170,875,004

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

	NOTE	31.3.2013 RM	Company 31.3.2012 RM	1.4.2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	7	3,847	-	-
Investments in subsidiaries	8	95,000,000	95,000,000	60,000,000
		95,003,847	95,000,000	60,000,000
Current assets				
Other receivables, deposits and prepayments	13	4,500	734,768	-
Amount owing by a subsidiary	15	19,316,500	7,850,000	43,600,000
Current tax assets		-	162	8,953
Cash and cash equivalents	16	29,697,023	20,212	34,999
		49,018,023	8,605,142	43,643,952
TOTAL ASSETS		144,021,870	103,605,142	103,643,952
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	17	125,000,000	50,000,000	50,000,000
Reserves	18	18,659,057	53,601,142	53,640,252
TOTAL EQUITY		143,659,057	103,601,142	103,640,252
LIABILITIES				
Current liabilities				
Other payables and accruals	22	345,300	4,000	3,700
Current tax liabilities		17,513	-	-
		362,813	4,000	3,700
TOTAL LIABILITIES		362,813	4,000	3,700
TOTAL EQUITY AND LIABILITIES		144,021,870	103,605,142	103,643,952

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

		Group		Company	
	NOTE	2013 RM	2012 RM	2013 RM	2012 RM
Revenue	24	40,957,860	38,604,166	15,000,000	-
Other income		543,481	427,231	166,561	-
Cost of inventories sold	25	(36,654)	(10,075)	-	-
Depreciation of property, plant and equipment	7	(229,646)	(198,864)	(133)	-
Impairment allowance	27	(6,569,329)	(6,389,027)	-	-
Other expenses		(12,103,651)	(7,773,430)	(2,889,074)	(39,099)
Finance costs	26	<u>(3,066,835)</u>	<u>(3,136,284)</u>	-	(11)
Profit/(Loss) before taxation	27	19,495,226	21,523,717	12,277,354	(39,110)
Taxation	28	<u>(5,621,772)</u>	<u>(5,580,538)</u>	<u>(40,175)</u>	-
Profit/(Loss) for the financial year		13,873,454	15,943,179	12,237,179	(39,110)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss)		<u>13,873,454</u>	<u>15,943,179</u>	<u>12,237,179</u>	<u>(39,110)</u>
Profit/(Loss) attributable to: Owners of the parent		<u>13,873,454</u>	<u>15,943,179</u>	<u>12,237,179</u>	<u>(39,110)</u>
Total comprehensive income/(loss) attributable to: Owners of the parent		<u>13,873,454</u>	<u>15,943,179</u>	<u>12,237,179</u>	<u>(39,110)</u>

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (continued)

		Group	
	NOTE	2013 RM	2012 RM
Earnings per ordinary share attributable to owners of the parent (sen)			
Basic earnings per share	29	<u>12.95</u>	<u>15.94</u>
Diluted earnings per share	29	<u>12.95</u>	<u>15.94</u>
Dividend per ordinary share in respect of the financial year, tax exempt (sen)			
- Final (proposed)	30	<u>6.50</u>	<u>-</u>

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

Group	NOTE	Share capital RM	Share premium RM	Capital reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 April 2011		50,000,000	-	23,000,000	28,220,582	101,220,582
Effects of the adoption of MFRS 1	39	-	-	(23,000,000)	23,000,000	-
Restated balance as at 1 April 2011		50,000,000	-	-	51,220,582	101,220,582
Profit for the financial year		-	-	-	15,943,179	15,943,179
Total comprehensive income		-	-	-	15,943,179	15,943,179
Balance as at 31 March 2012		50,000,000	-	-	67,163,761	117,163,761

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (continued)**

	NOTE	Share capital RM	Share premium RM	Capital reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 April 2012		50,000,000	-	-	67,163,761	117,163,761
Profit for the financial year		-	-	-	13,873,454	13,873,454
Total comprehensive income		-	-	-	13,873,454	13,873,454
Transactions with owners						
Ordinary shares issued pursuant to:						
- bonus issue	17	50,000,000	-	-	(50,000,000)	-
- public issue	17	25,000,000	4,000,000	-	-	29,000,000
Share issue expenses		-	(1,179,264)	-	-	(1,179,264)
Total transactions with owners		75,000,000	2,820,736	-	(50,000,000)	27,820,736
Balance as at 31 March 2013		125,000,000	2,820,736	-	31,037,215	158,857,951

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (continued)**

Company	NOTE	Share capital RM	Share premium RM	Retained earnings RM	Total equity RM
Balance as at 1 April 2011		50,000,000	-	53,640,252	103,640,252
Effects of the adoption of MFRS 1	39	-	-	-	-
Restated balance as at 1 April 2011		50,000,000	-	53,640,252	103,640,252
Loss for the financial year		-	-	(39,110)	(39,110)
Total comprehensive loss		-	-	(39,110)	(39,110)
Balance as at 31 March 2012		50,000,000	-	53,601,142	103,601,142
Profit for the financial year		-	-	12,237,179	12,237,179
Total comprehensive income		-	-	12,237,179	12,237,179
Transactions with owners:					
Ordinary shares issued pursuant to:					
- bonus issue	17	50,000,000	-	(50,000,000)	-
- public issue	17	25,000,000	4,000,000	-	29,000,000
Share issue expenses		-	(1,179,264)	-	(1,179,264)
Total transactions with owners		75,000,000	2,820,736	(50,000,000)	27,820,736
Balance as at 31 March 2013		125,000,000	2,820,736	15,838,321	143,659,057

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

	NOTE	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		19,495,226	21,523,717	12,277,354	(39,110)
Adjustments for:					
Depreciation of property, plant and equipment	7	229,646	198,864	133	-
Property, plant and equipment written off		8,279	-	-	-
Dividend income from a subsidiary		-	-	(15,000,000)	-
Impairment allowance	9(f)	6,569,329	6,389,027	-	-
Interest expense		3,064,243	3,132,485	-	11
Interest income		(218,518)	(113,151)	(166,561)	-
Listing expenses		2,373,478	-	2,373,478	-
Operating profit/(loss) before working capital changes		31,521,683	31,130,942	(515,596)	(39,099)
Increase in inventories		(71,167)	(139,753)	-	-
Increase in hire-purchase receivables		(17,176,417)	(23,231,691)	-	-
(Increase)/Decrease in trade receivables		(98,250)	104,960	-	-
Decrease/(Increase) in other receivables, deposits and prepayments		587,854	(630,862)	730,268	(734,768)
Increase in trade payables		1,362,797	1,709,021	-	-
Increase in other payables and accruals		703,356	47,485	341,300	300
Cash generated from/(used in) operations		16,829,856	8,990,102	555,972	(773,567)
Tax (paid)/refunded		(5,179,817)	(4,704,724)	(22,500)	8,791
Net cash from/(used in) operating activities		11,650,039	4,285,378	533,472	(764,776)

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (continued)**

	NOTE	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayment from/(Advances to) former holding company		53,267	(53,267)	-	-
Purchase of property, plant and equipment	7	(223,247)	(434,703)	(3,980)	-
Proceeds from disposal of property, plant and equipment		71,574	53,267	-	-
Interest received		218,518	113,151	166,561	-
Dividend received from a subsidiary		-	-	15,000,000	-
(Advances to)/Repayment from a subsidiary		-	-	(11,466,500)	750,000
Net cash from/(used in) investing activities		120,112	(321,552)	3,696,081	750,000
CASH FLOW FROM FINANCING ACTIVITIES					
Net repayment of term loans		(6,168,000)	(5,126,000)	-	-
Net drawdown of block discounting payables		1,898,657	5,916,916	-	-
Proceeds from public issue of shares	17	29,000,000	-	29,000,000	-
Share issue and listing expenses paid		(3,552,742)	-	(3,552,742)	-
Interest paid		(3,056,931)	(3,135,816)	-	(11)
Net cash from/(used in) financing activities		18,120,984	(2,344,900)	25,447,258	(11)
Net increase/(decrease) in cash and cash equivalents		29,891,135	1,618,926	29,676,811	(14,787)
Cash and cash equivalents as at beginning of financial year		528,581	(1,090,345)	20,212	34,999
Cash and cash equivalents as at end of financial year	16	30,419,716	528,581	29,697,023	20,212

The accompanying notes form an integral part of the financial statements.

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2013****1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad on 18 December 2012.

The registered office and principal place of business of the Company is located at 15-17, Jalan Brunei Utara, Off Jalan Pudu Imbi, 55100 Kuala Lumpur.

The consolidated financial statements for the financial year ended 31 March 2013 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 20 June 2013.

2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 11 to 77 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia.

These are the Group and the Company's first financial statements prepared in accordance with MFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ('FRSs') in Malaysia.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statements of financial position as at 1 April 2011 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for the financial year ended 2012 in these financial statements have been restated to give effect to these changes, if any, and Note 39 to the financial statements discloses the impact of the transition to MFRSs on the Group and Company's reported financial position, financial performance and cash flows for the financial year ended.

However, Note 40 to the financial statements set out on page 78 has been prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.