Unless otherwise stated, all terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus ("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 STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your ELK-Desa Shares, 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 should be addressed to our Share Registrar, Tricor Investor Services Sdn Bhd (Company No. 118401-V), Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur (effective from 21 September 2015).

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 Friday, 25 September 2015. The Documents are not intended to be and will not be issued, circulated or distributed, and the Rights Issue 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 to which this AP relates 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 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. It shall be the sole responsibility of the Entitled Shareholders and/or their renouncee(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 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 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 Shares 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 renouncee(s) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction in which the Entitled Shareholders and/or their renouncee(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 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 has been obtained from our shareholders at the EGM held on 21 August 2015. Approval has been obtained from Bursa Securities via its letter dated 8 July 2015 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue. The listing of and quotation for the Rights Shares on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue. The listing of and quotation for the Rights Shares 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 renouncee(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 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, 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.

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 UP TO 62,500,000 NEW ORDINARY SHARES OF RM1.00 EACH IN ELK-DESA RESOURCES BERHAD ("ELK-DESA SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING ELK-DESA SHARES HELD AS AT 5.00 P.M. ON FRIDAY, 25 SEPTEMBER 2015 AT AN ISSUE PRICE OF RM1.20 PER RIGHTS SHARE ("RIGHTS ISSUE")

Principal Adviser, Managing Underwriter and Underwriter

midf INVESTMENT
MIDF AMANAH INVESTMENT BANK BERHAD (23878-X)

Underwriter

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

IMPORTANT RELEVANT DATES AND TIME		
Entitlement Date	:	Friday, 25 September 2015 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of rights	:	Tuesday, 6 October 2015 at 5.00 p.m.
Transfer of provisional allotment of rights	:	Friday, 9 October 2015 at 4.00 p.m.
Acceptance and payment	:	Thursday, 15 October 2015 at 5.00 p.m.*
Excess application and payment	:	Thursday, 15 October 2015 at 5.00 p.m.*

**or such later date and time as our Board may decide and announce no less than two (2) Market Days before the stipulated date and time*

This Abridged Prospectus is dated 25 September 2015

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 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 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 or any statutory modification, amendment or re-enactment thereof for the time being in force
"Amity Corporation"	:	Amity Corporation Sdn Bhd (74000-D)
"AP"	:	This abridged prospectus dated 25 September 2015
"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
"Closing Date"	:	15 October 2015 at 5.00 p.m., being the last date and time for the acceptance and payment for the Rights Shares in accordance with this AP and the RSF or such later date and time as the Board may decide and announce no less than two (2) Market Days before the stipulated date and time
"CMSA"	:	Capital Markets and Services Act, 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force
"Director(s)"	:	A director of the Group, whether in an executive or non-executive capacity
"Documents"	:	This AP together with the NPA and RSF
"Dr. Yeong"	:	Dr. Yeong Cheong Thye @ Yeong Yue Chai
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Eng Lee Kredit"	:	Eng Lee Kredit Sdn Bhd (10458-A)
"ELK-Desa" or "Company"	:	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 25 September 2015, 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
"EPS"	:	Earnings per share

"Excess Rights Shares"	:	Rights Share(s) which are not taken up or not validly taken up by the Entitled Shareholders and/or their renouncee(s) prior to the Excess Rights Shares Application
"Excess Rights Shares Application(s)	:	Application(s) for Excess Rights Shares in excess of an Entitled Shareholder's entitlement under the Rights Issue as set out in Section 3.8 of this AP
"Foreign Addressed Shareholder(s)"	:	Foreign shareholder(s) 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
"FPE"	:	Financial period ended/ending as the case may be
"FYE"	:	Financial year ended/ending as the case may be
"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
"ICULS"	:	ELK-Desa's existing irredeemable convertible unsecured loan stock 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, the issue date of which is 15 April 2014 as constituted by the Trust Deed
"Irrevocable Undertaking"	:	Irrevocable written undertaking by the Undertaking Shareholders to subscribe fully to his/its respective entitled Rights Shares under the Rights Issue
"JF Apex"	:	JF Apex Securities Berhad (47680-X)
"LPD"	:	4 September 2015, 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
"Maximum Scenario"	:	Assuming all the Treasury Shares are resold on Bursa Securities prior and up to the Entitlement Date
"MIDF Investment" or "Principal Adviser" or "Managing Underwriter"	:	MIDF Amanah Investment Bank Berhad (23878-X)
"Minimum Scenario"	:	Assuming all the Treasury Shares are retained within the Company as at the Entitlement Date
"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
"PAT"	:	Profit after taxation

DEFINITIONS *(Cont'd)*

"PBT"	:	Profit before taxation
"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"	:	Renounceable rights issue of up to 62,500,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing ELK-Desa Shares held on the Entitlement Date
"Rights Share(s)"	:	Up to 62,500,000 new ordinary shares of RM1.00 each in ELK-Desa to be issued pursuant to the Rights Issue
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSF"	:	Rights Subscription Form pursuant to the Rights Issue
"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 or any statutory modification, amendment or re-enactment thereof for the time being in force
"Share Registrar"	:	Tricor Investor Services Sdn Bhd (Company No. 118401-V)
"TERP"	:	Theoretical ex-right price
"THC"	:	Mr. Teoh Hock Chai @ Tew Hock Chai
"Treasury Shares"	:	3,000,000 ELK-Desa Shares held in ELK-Desa as treasury shares as at 11 September 2015
"Trustee"	:	Malaysian Trustees Berhad (21666-V)
"Trust Deed"	:	The document constituting the ICULS executed between ELK-Desa and Malaysian Trustees Berhad dated 28 February 2014
"Undertakings"	:	Letters of irrevocable undertaking from THC and Eng Lee Kredit dated 8 June 2015 respectively, Zhongxin Capital dated 22 June 2015 and Dr. Yeong and Amity Corporation dated 6 August 2015 respectively to subscribe in full for its/his entitlements under the Rights Issue
"Underwriters"	:	MIDF Investment and JF Apex, collectively
"Undertaking Shareholders"	:	Eng Lee Kredit, THC, Zhongxin Capital, Dr. Yeong and Amity Corporation, collectively
"Underwriting Agreement"	:	Underwriting agreement dated 4 September 2015 entered into between ELK-Desa, MIDF Investment and JF Apex
"Underwritten Portion"	:	40,670,658 remaining Rights Shares to be issued pursuant to the Rights Issue which are not subject to the Undertakings
"VWAMP"	:	Volume weighted average market price

"Zhongxin Capital"	:	Zhongxin Capital Sdn Bhd (833940-V)

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 renouncee(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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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/ (Designation)	Address	Nationality	Occupation
Teoh Hock Chai @ Tew Hock Chai *(Non-Independent Non-Executive Chairman)*	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor	Malaysian	Chairman
Teoh Seng Hui *(Group Executive Director)*	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor	Malaysian	Group Executive Director
Lim Keng Chin *(Non-Independent Non-Executive Director)*	No. 44, Jalan SS20/4 Damansara Utama 47400 Petaling Jaya Selangor	Malaysian	Company Director
Teoh Seng Kar *(Non-Independent Non-Executive Director)*	No. 25, Jalan Bukit Seputeh 3 Seputeh Heights, 58000 Kuala Lumpur	Malaysian	Company Director
Ng Soon Lai @ Ng Siek Chuan *(Independent Non-Executive Director)*	No. 20, Jalan Setia Murni 6 Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Loong Foo Ching *(Independent Non-Executive Director)*	No. 58, Jalan Desa Mesra Taman Desa 58100 Kuala Lumpur	Malaysian	Advocate & Solicitor
Yee Kin Lan *(Independent Non-Executive Director)*	No. 31, Jalan Radin 1 Taman Sri Endah, Seri Petaling 57000 Kuala Lumpur	Malaysian	Company Director
Toh Jyh Wei *(Independent Non-Executive Director)*	No. 1, Jalan Setiabakti 10 Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Ng Soon Lai @ Ng Siek Chuan	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	:	Tricor Investor Services Sdn Bhd (Company No. 118401-V) Effective from 21 September 2015: Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel: 603-2783 9299 Fax: 603- 2783 9222
AUDITORS AND REPORTING ACCOUNTANTS	:	BDO (AF 0206) Chartered Accountants Level 8, BDO @ Menara CenTARa 360 Jalan Tuanku Abdul Rahman 50100 Kuala Lumpur Tel: 603-2616 2888 Fax: 603-2616 3190
SOLICITORS FOR THE RIGHTS ISSUE	:	Shook Lin & Bok 20th Floor, AmBank Group Building 55 Jalan Raja Chulan 50200 Kuala Lumpur Tel: 603-2031 1788 Fax: 603-2031 1775

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
PRINCIPAL ADVISER AND MANAGING UNDERWRITER	:	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
UNDERWRITERS	:	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 JF Apex Securities Berhad (47680-X) 6th Floor, Menara Apex, Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel: 603-7620 1118 Fax: 603-7620 6388
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

25 September 2015

Board of Directors

Mr. Teoh Hock Chai @ Tew Hock Chai (Non-Independent Non-Executive Chairman)
Mr. Teoh Seng Hui (Group Executive Director)
Mr. Lim Keng Chin (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 UP TO 62,500,000 ELK-DESA SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING ELK-DESA SHARES HELD AS AT 5.00 P.M. ON FRIDAY, 25 SEPTEMBER 2015 AT AN ISSUE PRICE OF RM1.20 PER RIGHTS SHARE

1. INTRODUCTION

On 8 June 2015, MIDF Investment, on behalf of our Board, announced that we proposed to undertake the Rights Issue.

On 8 July 2015, MIDF Investment, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 8 July 2015, approved the listing of and quotation for up to 62,500,000 Rights Shares, 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 Main Market Listing Requirements pertaining to the implementation of the Rights Issue;	To be complied
(ii)	ELK-Desa and MIDF Investment to inform Bursa Securities upon the completion of the Rights Issue;	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 is completed; and	To be complied
(iv)	To incorporate the comments from Bursa Securities in respect of the circular to shareholders.	Complied

Subsequently, on 21 August 2015, MIDF Investment had, on behalf of our Board, announced that our shareholders had approved the ordinary resolution in relation to the Rights Issue as set out in the notice of EGM dated 23 July 2015. A certified true extract of the ordinary resolution pertaining to the Rights Issue passed at the said EGM is set out in Appendix I of this AP.

On 4 September 2015, MIDF Investment had, on behalf of our Board, announced that our Company had entered into the Underwriting Agreement.

On 9 September 2015, MIDF Investment had, on behalf of our Board, announced that the Entitlement Date has been fixed on 25 September 2015 at 5.00 p.m. along with the other relevant dates pertaining to the Rights Issue.

The listing of and quotation for the Rights Shares 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 renouncee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

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 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 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 STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Details of the Rights Issue

In accordance with the terms of the Rights Issue as approved by Bursa Securities and our shareholders at our Company's EGM held on 21 August 2015 and subject to the terms of the Documents, the Rights Issue entails a renounceable rights issue of up to 62,500,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing ELK-Desa Shares held on the Entitlement Date at an issue price of RM1.20 per Rights Share based on the issued and paid-up share capital of ELK-Desa of RM125,000,000 comprising 125,000,000 ELK-Desa Shares, which includes the Treasury Shares as at the LPD.

As at the LPD, ELK-Desa has outstanding ICULS of RM100,000,000 in nominal value which were issued on 15 April 2014. Based on the Trust Deed for the ICULS, the conversion period for the ICULS will commence on 15 April 2016, being the second (2nd) anniversary of the date of the issuance of the ICULS up to and including the maturity date, 14 April 2022, being the last Market Day prior to the eighth (8th) anniversary of the date of the issuance of the ICULS.

For the avoidance of doubt, the number of Rights Shares to be issued will not take into consideration any new ELK-Desa Shares that may be issued pursuant to the conversion of the ICULS as the ICULS are not expected to be converted before the Entitlement Date.

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The actual number of Rights Shares to be issued pursuant to the Rights Issue will be determined based on the issued and paid-up share capital of ELK-Desa as at the Entitlement Date, after taking into consideration the treatment of the Treasury Shares prior to the Entitlement Date, i.e. whether the Treasury Shares should continue to be retained within our Company or should be cancelled, distributed as dividends, or resold on Bursa Securities. For illustrative purposes, the number of Rights Shares to be issued pursuant to the Rights Issue based on the Minimum Scenario and the Maximum Scenario as at 11 September 2015 is as follows:

Minimum Scenario:	61,000,000 Rights Shares
Maximum Scenario:	62,500,000 Rights Shares

For the avoidance of doubt, any Treasury Shares which are retained within our Company will have no participation rights in the Rights Issue.

The Entitled Shareholders may subscribe for their respective entitlements of the Rights Shares in full or in part and/or renounce their entitlements for the Rights Shares as the Rights Issue is intended to be undertaken on a renounceable basis. Any unsubscribed Rights Shares which are renounced, not validly taken up or are not allotted for any reason whatsoever, shall be first offered to the other Entitled Shareholders and/or their renouncee(s) under the Excess Rights Shares Application(s), and if undersubscribed, will be subscribed by the Underwriters. It is the intention of our Board to allocate the Excess Rights Shares in a fair and equitable manner on a basis to be determined by our Board and announced later by our Company.

Any fractional entitlements under the Rights Issue will be disregarded and shall be dealt with in such manner as our Board shall in its absolute discretion think expedient or in the interests of our Company, including, inter alia, in a manner so as to minimise the number of odd lots of Rights Shares arising therefrom.

As the Rights Shares are prescribed securities, the respective CDS Accounts of the Entitled Shareholders will be duly credited with the number of provisionally allotted Rights Shares, for which they are entitled to subscribe in full or in part under the terms of the Rights Issue. 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 Shares, as well as to apply for Excess Rights Shares if the Entitled Shareholders choose to do so. The Rights Shares 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 and if undersubscribed, will be subscribed by the Underwriters.

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 Shares to be issued and allotted pursuant to the Rights Issue will be credited directly into the respective CDS Accounts of the successful applicants who have subscribed for such Rights Shares. No physical share certificates will be issued to the Entitled Shareholders and/or their renouncee(s) (if applicable).

Notices of allotment will be despatched to the Entitled Shareholders and/or their renouncee(s) (if applicable) within eight (8) Market Days from the last day for acceptance of and payment for the Rights Shares or such other period as may be prescribed by Bursa Securities. The Rights Shares to be issued pursuant to the Rights Issue 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 Shares by Bursa Securities.

If you do not wish to participate in the Rights Issue, you do not need to take any action.

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2.2 Basis of determining and justification for the issue price of the Rights Shares

Our Board has fixed the issue price of the Rights Shares at RM1.20 per Rights Share after taking into consideration of the following:

(a) the par value of the ELK-Desa Shares at RM1.00;

(b) the TERP of RM1.38 based on the five (5)-day VWAMP of the ELK-Desa Shares up to and including 5 June 2015, being the last trading day prior to the initial announcement on 8 June 2015; and

(c) the funding requirements of ELK-Desa.

Based on the issue price of RM1.20 per Rights Share, it represents a discount of approximately 13.04% to the TERP of RM1.38 based on the five (5)-day VWAMP of ELK-Desa Shares up to and including 5 June 2015 of RM1.47, being the Market Day prior to the date of initial announcement on 8 June 2015 on the Rights Issue.

Our Board is of the opinion that the justifications set out above and the discount given are appropriate and sufficiently attractive to entice the Entitled Shareholders to subscribe for the Rights Shares.

2.3 Ranking of the Rights Shares

All the Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the existing ELK-Desa Shares, except that the respective registered holders of the Rights Shares will not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid prior to the allotment and issue of the Rights Shares.

2.4 Listing of and quotation for the Rights Shares

Bursa Securities had, vide its letter dated 8 July 2015, granted its approval for the listing of and quotation for up to 62,500,000 Rights Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions disclosed in Section 1 of this AP.

The listing of and quotation for the Rights Shares are expected to be completed by the fourth (4th) quarter of calendar year 2015.

2.5 Details of other corporate proposals

Save for the Rights Issue, our Board has confirmed that as at the LPD, our Company does not have any other intended corporate proposal which has been approved by regulatory authorities and is pending implementation.

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

3.1 General

As an Entitled Shareholder of our Company, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue (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 Shares into your CDS Account and the RSF to enable you to subscribe for the Rights Shares provisionally allotted to you, as well as to apply for Excess Rights Shares 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 Shares are prescribed securities pursuant to Section 14(5) of the SICDA. Therefore, all dealings in the provisionally allotted Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renouncee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications for the Rights Shares.

3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the Rights Shares is 5.00 p.m. on Thursday, 15 October 2015, 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 no 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 Shares 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.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES 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 SHARES 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 THEREIN CAREFULLY. THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS AP.

If you wish to accept the Rights Shares 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)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Tel: 603-2783 9299
Fax: 603- 2783 9222

(Effective from 21 September 2015)

so as to arrive no later than 5.00 p.m. on Thursday, 15 October 2015, being the last time and date for acceptance of and payment (or such later date and time as our Board may decide and announce no 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 Shares standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of provisionally allotted Rights Shares standing to the credit of more than one (1) CDS Account. If successful, the Rights Shares subscribed by you will be credited into the respective CDS Account(s) where the provisionally allotted Rights Shares are standing to the credit.

The minimum number of Rights Shares that can be subscribed for and accepted is one (1) Rights Share. However, you should take note that a trading board lot comprises 100 ELK-Desa Shares. Fractions of a Rights Shares arising from the Rights Issue 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 Shares, 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 Shares 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 SHARES 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 Thursday, 15 October 2015, being the last time and date for acceptance and payment, (or such later date and time as our Board may decide and announce no 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.

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. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, THE RIGHTS SHARES 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 RIGHTS SHARES 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 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 RIGHTS SHARES.

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

If acceptance of and payment for the Rights Shares 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 Thursday, 15 October 2015, being the last time and date for acceptance and payment (or such later date and time as our Board may decide and announce no 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 Shares are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares to applicants applying for the Excess Rights Shares 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.

3.5 Procedures for part acceptance by Entitled Shareholders

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

WHEN YOU ACCEPT ONLY PART OF YOUR PROVISIONALLY ALLOTTED RIGHTS SHARES, YOU WILL AUTOMATICALLY BE ACCEPTING THE RIGHTS SHARES IN MULTIPLES OF ONE (1) RIGHTS SHARE. IN DETERMINING THE ENTITLEMENT TO THE PROVISIONAL ALLOTMENT OF RIGHTS SHARES UNDER THE RIGHTS ISSUE, ANY FRACTIONAL ENTITLEMENTS UNDER THE RIGHTS ISSUE 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 Shares 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 Shares that has not been accepted or renounced will be made available to the applicants for Excess Rights Shares.

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

The provisional allotment of Rights Shares is renounceable and will be traded on Bursa Securities commencing 28 September 2015 up to and including 6 October 2015. As such, you and/or your renouncee(s) (if applicable) may sell/transfer all or part of your entitlement to the Rights Shares.

As the provisionally allotted Rights Shares are prescribed securities, you and/or your renouncee(s) (if applicable) who wish to sell/transfer all or part of your entitlements to the Rights Shares 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 Shares (in accordance with the Rules of Bursa Depository) without first having to request for a split of the provisionally allotted Rights Shares standing to the credit of your CDS Account. To sell/transfer all or part of your provisionally allotted Rights Shares, you and/or your renouncee(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 Shares (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 Shares (in accordance with the Rules of Bursa Depository).

In selling/transferring all or part of your provisionally allotted Rights Shares, you and/or your renouncee(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 renouncee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares standing to the credit of your CDS Account that are available for settlement of the sale/transfer.

Renouncee(s) of the provisional Rights Shares 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 renouncee(s) (if applicable) have sold/transferred only part of your provisionally allotted Rights Shares, you may still accept the balance of the entitlements of the Rights Shares 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 Shares applied for to our Share Registrar in accordance with the instructions set out in Section 3.4 of this AP.

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 SHARES WILL AUTOMATICALLY BE DISPOSING OR TRANSFERRING THEIR ENTITLEMENTS TO THE RIGHTS SHARES IN THE PROPORTION OF ONE (1) RIGHTS SHARE. THEY CANNOT RETAIN THE PROVISIONALLY ALLOTTED RIGHTS SHARES 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 renouncee

As a renouncee, the procedures for acceptance, selling or transferring of provisionally allotted Rights Shares, applying for the Excess Rights Shares 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.

Renouncees who wish to accept the provisionally allotted Rights Shares 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 Shares

If you wish to apply for additional Rights Shares 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 Shares applied for), to our Share Registrar at the address set out in Section 3.4 above, no later than 5.00 p.m. on Thursday, 15 October 2015, being the last time and date for acceptance and payment (or such later date and time as our Board may decide and announce no less than two (2) Market Days before the stipulated date and time).

Payment for the Excess Rights Shares 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 shall be made payable to "**ELK-DESA EXCESS RIGHTS SHARES 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.

It is the intention of our Board to allot the Excess Rights Shares, 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 Shares, 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 Shares, 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 Shares, taking into consideration the quantum of their respective excess application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares 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 in the Section 3.8 item (i) to item (iv) is achieved. Our Board also reserves the right to accept any Excess Rights Shares Application, in full or in part, without assigning any reason in respect thereof.

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 SHARES. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, THE RIGHTS SHARES 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 SHARES 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 SHARES 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 SHARES.

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 of application monies

In respect of unsuccessful or partially successful Excess Rights Shares 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 Shares.

Further, as set out in Section 6.3.2 below, the Rights Issue 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. In addition, as stated in Section 9 below, our Company has procured the written Undertakings from the Undertaking Shareholders.

In the event that the Rights Issue is not successful, the application monies will be refunded to Entitled Shareholders and/or their renouncee(s) (if applicable) who have applied and paid for the subscription of the Rights Shares. 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 Shares 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 renouncee(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 Shares 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 Shares 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 Shares 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 Shares.

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 Shares shall mean consent to receive such Rights Shares as deposited securities which will be credited directly into your CDS Account. No shares certificates will be issued. Instead, the Rights Shares 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 Shares, or such other period as may be prescribed by Bursa Securities.

Any person who intends to subscribe for the Rights Shares as a renouncee by purchasing the provisional allotment of Rights Shares from an Entitled Shareholder will have his Rights Shares credited directly as prescribed securities into his/her CDS Account. The Excess Rights Shares, if allotted to the successful applicant who applied for Excess Rights Shares 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 Shares has been credited, you cannot use a single RSF for subscription of all these provisional allotment of the Rights Shares. Separate RSF(s) must be used for separate CDS Accounts. If successful, the Rights Shares that you subscribed for will be credited into the CDS Accounts where the provisional allotment of the Rights Shares is standing to the credit. You may not request for the Rights Shares 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 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 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 Shares and the subscription for or the acquisition of the Rights Shares 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 Shares from any such application by foreign Entitled Shareholders and/or their renouncee(s) (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 on 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 Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur (effective from 21 September 2015) 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 and the Documents comply with the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which the Documents relate 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 Shares 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 and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue and would not be in breach of the laws of any jurisdiction. We will further assume that you had accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

The foreign Entitled Shareholders and/or their renouncee(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 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, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are or might be subject. The foreign Entitled Shareholders and/or their renouncee(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 would result in the contravention of any laws of such countries or jurisdictions in which the Entitled Shareholders and/or their renouncee(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 renouncee(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 renouncee(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 renouncee(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 renouncee(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 Shares relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights Shares available for excess application by the other Entitled Shareholders and/or their renouncee(s) (if applicable).

Each person, by accepting the delivery of this AP, the NPA and the RSF, accepting any provisionally allotted Rights Shares by signing any of the forms accompanying this AP or subscribing for or acquiring the Rights Shares 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, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are or might be subject;

(ii) the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) have complied with the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are or might be subject in connection with the acceptance or renunciation;

(iii) the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance of renunciation of the provisionally allotted Rights Shares, be in breach of the laws of any country or jurisdiction to which that person is or might be subject;

(iv) the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are aware that the Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the foreign Entitled Shareholders and/or their renouncee(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 renouncee(s) (if applicable) deem necessary in connection with the decision of the foreign Entitled Shareholder and/or their renouncee(s) (if applicable) to subscribe for or purchase the Rights Shares; and

(vi) the foreign Entitled Shareholders and/or their renouncee(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 Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

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 SHARES 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

The Rights Issue is undertaken to raise funds for the purposes as stated in Section 5 of this AP.

After due consideration of various methods of fund raising, our Board is of the view that the Rights Issue is currently the most appropriate avenue of fund raising after taking into consideration amongst others, the following reasons:

(i) the Rights Issue will provide the shareholders with an opportunity to further increase their equity participation in our Company without diluting the existing shareholders' equity interest, assuming all the Entitled Shareholders fully subscribe for their respective entitlements under the Rights Issue;

(ii) the Rights Issue will enable ELK-Desa to raise funds without incurring interest cost compared to bank borrowings, for the purpose of hire purchase disbursements and to partially repay bank borrowings; and

(iii) the Rights Issue will enable ELK-Desa to strengthen its financial position with enhanced shareholders' funds and reduced gearing level.

5. UTILISATION OF PROCEEDS

Based on the issue price of RM1.20 per Rights Share, the total gross proceeds that are expected to be raised from the Rights Issue under the Minimum Scenario and Maximum Scenario shall be utilized in the following manner:

Details of utilisation	Expected timeframe for utilisation of proceeds from the completion of the Rights Issue	Minimum Scenario RM'000	Maximum Scenario RM'000
Partial repayment of bank borrowings [(1)]	Within twelve (12) months	20,000	20,000
Hire purchase disbursements [(2)]	Within twelve (12) months	51,400	53,200
Defraying estimated expenses for the Rights Issue [(3)]	Within three (3) months	1,800	1,800
		73,200	75,000

Notes:

(1) As at the LPD, the total borrowings of ELK-Desa Group stood at approximately RM45.42 million. Our Company intends to utilise part of the proceeds raised from the Rights Issue to repay existing bank borrowings which are due for repayment in the next twelve (12) months.

For illustrative purposes, based on the ELK-Desa Group's effective interest rate of approximately 5.40% per annum, the repayment of RM20 million bank borrowings is expected to result in interest cost savings of approximately RM1.1 million per annum for future financial years.

(2) The allocated amount will be utilised for the purpose of hire purchase disbursements by ELK-Desa Capital Sdn Bhd, a wholly owned subsidiary of ELK-Desa to fund its hire purchase financing business.

(3) Include fees payable for the professional services in connection with the Rights Issue. Any surplus or shortfall of funds for the payment of actual expenses in relation to the Rights Issue will be adjusted accordingly from the proceeds to be utilised for hire purchase disbursements.

6. RISK FACTORS

You and/or your renouncee(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.

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 maker 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 1,000 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 and insurance agency 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 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.

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.

6.1.3 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 the Group has sourced working capital from local financial institutions, our borrowing cost may be affected by fluctuations in interest rates. As at the LPD, our Group's working capital that was sourced externally (excluding ICULS liability) was RM28.0 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 2013 to 31 March 2015, our long term bank borrowings reduced from 61% to 44% of the total bank borrowings. The proportion of fixed interest and floating interest rate borrowings is 56:44 in FYE 31 March 2013, 83:17 in FYE 31 March 2014 and 86:14 in FYE 31 March 2015.

During the past three (3) years, the Group has made scheduled repayments of its term loans (floating rate) without sourcing for new term loans, which resulted in an overall reduction in the proportion of floating rate borrowings. For FYE 31 March 2013 and FYE 31 March 2014, the Group has increased its block discounting payables (fixed rate). There was no further drawdown of block discounting payables (fixed rate) in FYE 31 March 2015.

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 RM55,405 higher or lower, arising mainly from lower or higher interest expense on floating rate instruments. Based on the FYE 31 March 2015 net profits of approximately RM18.8 million, this would translate to an impact to the net profit of approximately 0.29%.

6.2 Risks relating to operation and business

6.2.1 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 no 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. 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.

6.2.2 Dependency on management information system

Our Group being in the HP business has more than 25,000 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.

6.2.3 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 our 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 our 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.

6.2.4 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.

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, if any, 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.

6.2.5 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 1,000 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.

6.2.6 Dependency on our Directors and key management team

To a large extent, the continuing success of our Group is dependent on our 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.

6.2.7 Dependency on financial institutions

For the FPE 30 June 2015, our total HP receivables stood at RM270.9 million. The Group's HP operations are mainly financed by borrowings from financial institutions, proceeds from the issuance of ICULS and cash flow from operating activities. The Group's interest bearing borrowings (excluding ICULS) are approximately RM55.4 million, RM68.5 million, RM38.7 million and RM31.4 million as at the FYE 31 March 2013, FYE 31 March 2014, FYE 31 March 2015 and FPE 30 June 2015 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 are 8.63 times of our total borrowings (excluding ICULS) as at 30 June 2015.

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.

6.3 Risks relating to the Rights Issue

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 volatility of ELK-Desa Shares, the prospects and operating results of our Group and the future outlook of the HP industry.

The issue price of the Rights Shares at RM1.20 per Rights Share was arrived at, after taking into consideration, amongst others, the par value of the ELK-Desa Shares at RM1.00 and the TERP of RM1.38 based on the five (5)-day VWAMP of the ELK-Desa Shares up to and including 5 June 2015, being the last trading day prior to the initial announcement on 8 June 2015 on the Rights Issue.

Notwithstanding that, there is no assurance that the Rights Shares will trade above the issue price for the Rights Shares or TERP that meets the specific investment objectives or targets of any subscriber of the Rights Shares upon or subsequent to the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

6.3.2 Failure or delay in the completion of the Rights Issue

The Rights Issue 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;

(ii) the Undertaking Shareholders, who have provided the Undertaking as set out in Section 9 of this AP, do not fulfill or are not able to fulfill their obligations; and

(iii) the Underwriters as set out in Section 9 of this AP who have entered into the Underwriting Agreement are not able to fulfill their obligation for whatsoever reason.

In the event of failure in the completion of the Rights Issue, all application monies received pursuant to the Rights Issue will be refunded to our Entitled Shareholders and/or their renouncee(s) (if applicable) who have subscribed for the Rights Shares in accordance with Section 243 of the CMSA except for the costs of purchasing the provisional allotment of the Rights Shares and any expenses associated therewith.

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

In the event that the Rights Issue is cancelled and the Rights Shares have been validly allotted to the Entitled Shareholders and/or their renouncee(s) (if applicable), a return of monies to the Entitled Shareholders and/or their renouncee(s) (if applicable) can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation requires the approval of our shareholders by way of a special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be recovered within a short period of time or at all under such circumstances.

6.3.3 Potential dilution

Entitled Shareholders who do not or are not able to accept their provisional Rights Shares will have their proportionate ownership and voting interests in our Company reduced, and the percentage of our enlarged issued and paid-up ordinary share capital represented by their shareholdings in our Company will also be reduced accordingly.

6.3.4 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 growth of 4.9% in the second quarter of 2015 (1Q 2015: 5.6%), driven mainly by private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1% (1Q 2015: 1.2%).

The private sector remained the key driver of growth during the quarter. Private consumption expanded at a more moderate rate of 6.4% (1Q 2015: 8.8%) as households adjust to the implementation of the Goods and Services Tax (GST). Private investment grew more moderately by 3.9% (1Q 2015: 11.7%), due to a decline in spending on machinery and equipment, especially in the transportation segment, and slower investment in dwelling services. Growth in public investment turned negative in the second quarter (-8.0%; 1Q 2015: 0.5%), attributed mainly to the near completion of a few projects by public enterprises, which more than offset the positive growth of capital expenditure by the Federal Government. Meanwhile, public consumption recorded a higher growth of 6.8% (1Q 2015: 4.1%) following the stronger expansion in supplies and services expenditure amid sustained growth in emoluments.

On the supply side, the major economic sectors registered more moderate growth during the quarter. The lower growth in the services sector was the outcome of a slower expansion in most sub-sectors while the moderation in manufacturing sector was due to the more modest performance in export oriented industries. Growth in the mining sector was affected mainly by the lower production of natural gas. The construction sector also recorded lower growth due to a moderation in real activity in the residential, non-residential and civil engineering sub-sectors. The agriculture sector turned around to record positive growth amid higher production of palm oil.

(Source: Quarterly Bulletin, Second Quarter 2015, Bank Negara 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 this industry which our Company focuses on. Hence, the overview and outlook of the general hire purchase industry for new motor vehicles are used to provide a general indication of the hire purchase industry for used motor vehicles.

In 2014, the household loan disbursed for the purchase of passenger cars decreased by 7.4% to RM43.7 billion. The total outstanding hire purchase loans granted for the purchase of passenger cars stood at RM146.5 billion as at December 2014, which is approximately 2.3% increase from RM143.2 billion as at December 2013.

In 2015, the household loan disbursed for the purchase of passenger cars from January to July increased by 7.5% to RM27.5 billion as compared to the previous corresponding period. The total outstanding hire purchase loans granted for the purchase of passenger cars stood at RM155.1 billion as at July 2015.

(Source: Bank Negara Malaysia, Monthly Statistical Bulletin of the month of July 2015)

The sales of new motor vehicles (or Total Industry Volume ("TIV")) in 2014 grew 1.6% to 666,465 units eclipsing the previous 2013 sales record of 655,793 units. This is a new all-time high record achievement for the local automotive industry.

The TIV achieved had been on the upward trend since 2012 when the TIV achieved then was 627,753 units. However the growth rate achieved in 2014 (i.e. 1.6%) was much lower than the growth rates achieved during the previous two years (i.e. 4.5% in 2013 and 4.6% in 2012).

On a year-on-year (y-o-y) basis, except for January 2014, vehicles sales were consistently higher during the first six month of 2014 compared to a similar period in 2013. However, the y-o-y TIV started to decline from July till October. As a result, the third quarter of 2014 was the lowest TIV achieved on a quarterly basis.

On a quarterly basis, the TIV for the fourth quarter of 2014 was the highest registering a total sales of 174,160 units whilst the third quarter of 2014 at 159,163 units was the lowest TIV achieved on a quarterly basis.

(Source: Market Review for 2014 and Outlook for 2015, Malaysian Automotive Association)

7.3 Future prospects of ELK-Desa

While the domestic economy is expected to grow at a slower pace after the implementation of the Goods and Services Tax ("GST") and lower earnings in the commodity related sectors, the Group is not likely to experience any slowdown in the demand for second hand cars financing for the FYE 31 March 2016 as the business segment that the Group is currently operating in, is still relatively small as compared to the overall auto financing industry.

Downside credit risk remains as concern for ELK-Desa as it may take a longer time for consumers and businesses to adjust to the newly implemented GST regime. However, this impact may be mitigated by the Group's continuous strong emphasis on close monitoring and efficient debt recoveries as well as follow-up mechanism.

ELK-Desa will continue to strategically operate in the underserved niche market and focus on the small value second hand car financing. The business strategy will also be constantly reviewed to ensure that the Group continues to stay relevant in the industry and at the same time keep credit risk exposure at a reasonable level. This steady growth in hire purchase portfolio without compromising asset quality will be vital to achieving business sustainability for ELK-Desa.

While strong emphasis is placed in growing its core business in hire purchase financing, albeit at a steady pace, the Group is committed to create additional income source from a new business segment other than the current core business of hire purchase financing in order to enhance shareholder value.

To achieve this, recently the Group has hired experienced management to manage the business operations of this new venture in furniture trading business and intends to grow this business steadily. However, the furniture trading business is not expected to contribute significantly to the Group's financial performance as it is still in its infancy stage.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

The pro forma effects of the Rights Issue on our Company's issued and paid-up share capital, NA per share, gearing, earnings and EPS, substantial shareholders' shareholdings and convertible securities are set out below:

8.1 Share capital

The pro forma effects of the Rights Issue on the issued and paid-up share capital of our Company are as set out below:

	Minimum Scenario		Maximum Scenario	
	No. of ELK-Desa Shares ('000)	RM ('000)	No. of ELK-Desa Shares ('000)	RM ('000)
Issued and paid-up share capital as at the LPD	125,000	125,000	125,000	125,000
Less: Treasury Shares	(3,000)	(3,000)	-	-
	122,000	122,000	125,000	125,000
To be issued pursuant to the Rights Issue	61,000	61,000	62,500	62,500
Enlarged issued and paid-up share capital	**183,000**	**183,000**	**187,500**	**187,500**

8.2 NA per share and gearing

The number of Rights Shares to be issued pursuant to the Rights Issue based on the Pro Forma I and the Pro Forma II as at 31 March 2015 is as follows:

Pro Forma I: Assuming all the Treasury Shares are retained within the Company
Pro Forma II: Assuming all the Treasury Shares are resold in the open market

Based on the audited consolidated financial statements of ELK-Desa for the FYE 31 March 2015, the pro forma effects of the Rights Issue on the NA per share and gearing of the ELK-Desa Group are as follows:

	Audited as at 31 March 2015	Pro Forma I After the Rights Issue	Pro Forma II After the Rights Issue
	RM'000	RM'000	RM'000
Share capital	125,000	187,465	187,500
Share premium	2,821	[(a)]14,714	[(a)]14,721
Retained earnings	48,734	[(b)]47,534	[(b)]47,534
ICULS - equity component	83,284	83,284	83,284
Treasury shares	(102)	(102)	[(d)](0)
Shareholders' equity/ NA	**259,737**	**332,895**	**333,039**
No. of shares ('000)	125,000	[(c)]187,395	[(d)]187,500
NA per share (RM)	2.08	1.78	1.78
Total borrowings	57,053	57,053	57,053
Total borrowings (excluding ICULS-liability portion)[(e)]	38,717	38,717	38,717
Gearing (times)	0.22	0.17	0.17
Gearing (times) (excluding ICULS-liability portion)[(e)]	0.15	0.12	0.12

Notes:

(a) After deducting the estimated expenses of RM600,000 which are directly attributable to the issuance of Rights Shares pursuant to the Rights Issue.

(b) After deducting the remaining estimated expenses of RM1,200,000 which are related to the Rights Issue.

(c) Assuming none of the Treasury Shares are resold.

(d) Assuming the 70,000 Treasury Shares as at 31 March 2015 are resold in the open market at cost.

(e) Excluding the ICULS-liability portion of RM18.34 million. The liability component of the ICULS is recognised initially at fair value. Subsequent to initial recognition, the liability component of ICULS is measured at amortised cost using the effective interest method at the end of each reporting period until extinguished on conversion or maturity of the ICULS.

The details of the Pro Forma Consolidated Statements of Financial Position of ELK-Desa Group as at 31 March 2015 together with the Reporting Accountants' Letter are set out in Appendix III.

8.3 Earnings and EPS

The Rights Issue is not expected to have an immediate material effect on the earnings of the ELK-Desa Group for the FYE 31 March 2016 as the Rights Issue is only expected to be completed in the fourth (4^{th}) quarter of 2015. Nonetheless, the Rights Issue is expected to contribute positively to the future earnings of the ELK-Desa Group when the benefits of utilisation of proceeds are realised.

However, the EPS of the ELK-Desa Group shall be correspondingly diluted as a result of the increase in the number of ELK-Desa Shares in issue pursuant to the issuance of the Rights Shares.

Based on the audited consolidated financial statements of ELK-Desa for the FYE 31 March 2015, the pro forma effects of the Rights Issue on the EPS of the ELK-Desa Group are as follows:

	Audited as at 31 March 2015	Minimum Scenario After the Rights Issue	Maximum Scenario After the Rights Issue
	RM'000	RM'000	RM'000
Earnings	18,798	18,798	18,798
No. of shares ('000)	125,000	[a]183,000	[b]187,500
EPS (sen)			
- Basic (sen)	15.04	[c]10.27	[c]10.02
- Diluted (sen)	10.14	[c]7.88	[c]7.74

Notes:

(a) Assuming none of the Treasury Shares are resold.

(b) Assuming all Treasury Shares are resold in the open market.

(c) Based on FYE 31 March 2015 without taking into consideration on the potential interest cost savings of approximately RM1.1 million as disclosed in the note (i) of Section 5 of this AP, profits to be generated from the proceeds of the Rights Issue and other expenses related to the Rights Issue.

8.4 Convertible securities

As at the LPD, ELK-Desa does not have any other existing convertible securities save for the ICULS which are only convertible into ELK-Desa Shares from 15 April 2016 onwards, being the second (2^{nd}) anniversary of the date of the issue of the ICULS up to and including the maturity date of 14 April 2022.

In accordance with the provisions of the Trust Deed, the Rights Issue will give rise to an adjustment to the conversion price of the ICULS. The existing conversion price of the ICULS of RM1.25 will be adjusted to RM1.18. The new conversion price of the ICULS shall take effect on the next Market Day following the Entitlement Date ("Effective Date") pursuant to the provisions in the Trust Deed.

The notice setting out the details of the adjustment to the conversion price of the ICULS will be despatched to the holders of the ICULS within twenty one (21) days from the Effective Date. The details of the adjustment have been announced on 9 September 2015.

9. SHAREHOLDERS' UNDERTAKINGS AND UNDERWRITING AGREEMENT

The Rights Issue will be undertaken on a full subscription basis as there will be full underwriting arrangement on the balance of the Rights Shares that are not subject to Undertakings. The full subscription basis is determined based on the funding requirements of our Group after taking into consideration the proposed utilisation of the total gross proceeds that are expected to be raised from the Rights Issue as set out in Section 5 of this AP.

Pursuant to the Rights Issue, the Undertaking Shareholders have provided their respective Irrevocable Undertakings as detailed below:

	Direct shareholdings		Rights Shares to be subscribed pursuant to the Undertakings			
			Minimum Scenario		Maximum Scenario	
	No. of Shares(1)	% of the issued and paid-up share capital(1)	No. of Shares	% of the total Rights Shares(2)	No. of Shares	% of the total Rights Shares(3)
THC	2,665,883	2.19	1,332,941	2.19	1,332,941	2.13
Eng Lee Kredit	30,600,000	25.08	15,300,000	25.08	15,300,000	24.48
Zhongxin Capital	974,810	0.80	487,405	0.80	487,405	0.78
Dr. Yeong	870,000	0.71	435,000	0.71	435,000	0.70
Amity Corporation	8,547,992	7.01	4,273,996	7.01	4,273,996	6.84
Total	**43,658,685**	**35.79**	**21,829,342**	**35.79**	**21,829,342**	**34.93**

Notes:

(1) Based on the direct shareholdings and the issued and paid-up share capital of 122,000,000 as at 11 September 2015 excluding the Treasury Shares.

(2) Based on the total number of 61,000,000 Rights Shares to be issued pursuant to the Rights Issue.

(3) Based on the total number of 62,500,000 Rights Shares to be issued pursuant to the Rights Issue.

The Undertaking Shareholders have each provided a written confirmation that it/he has sufficient financial resources to subscribe in full for its/his entitlement as mentioned above under the Rights Issue. As the Principal Adviser to ELK-Desa in respect of the Rights Issue, MIDF Investment has verified the abovementioned confirmations made by the Undertaking Shareholders.

We had on 4 September 2015 entered into the Underwriting Agreement with the Managing Underwriter and the Underwriters, for the Underwriters to underwrite the remaining portion of the Rights Shares, for which no undertaking was obtained from the Undertaking Shareholders, comprising up to 40,670,658 Rights Shares, representing approximately 65.07% of the total Rights Shares to be issued under the Maximum Scenario in the following proportions:

Underwriters	No. of underwritten Rights Shares	Value of the underwritten Rights Shares (RM)	Percentage of total underwritten Rights Shares
MIDF Investment	20,335,329	24,402,395	50%
JF Apex	20,335,329	24,402,395	50%
	40,670,658	48,804,790	100%

The underwriting commission payable to the Underwriters is 1.00% of the value of the Underwritten Portion (being the Underwritten Portion multiplied by the issue price of RM1.20 per Rights Share). We will also pay the Managing Underwriter an arranger fee of 0.25% of the value of the Underwritten Portion (being the Underwritten Portion multiplied by the issue price of RM1.20 per Rights Share). The underwriting commission payable to the Underwriters, the arranger fee payable to the Managing Underwriter and all other costs in relation to the Underwriting Agreement will be fully borne by our Company.

The Undertakings together with the Underwritten Portion will constitute the full subscription level of up to 62,500,000 Rights Shares under the Rights Issue.

After taking into consideration the Undertakings and the Underwritten Portion, our Company confirms that the abovementioned subscription of the Rights Shares will not give rise to any consequence of mandatory general offer obligation pursuant to the Malaysian Code on Take-overs and Mergers, 2010.

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

10.1 Working Capital

Our Board is of the opinion that after taking into account the proceeds from the Rights Issue, existing cash and bank balances, available banking facilities and our projected cash generated from operations, our Group will have sufficient working capital to meet operational requirements over the period of twelve (12) months from the date of issuance of this AP.

10.2 Borrowings

As at LPD, the total outstanding borrowings of our Group (excluding ICULS liability) are approximately RM28.0 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)	14,477	10,675	25,152
Variable rate interest-bearing borrowings(2)	2,808	0	2,808
Total	**17,285**	**10,675**	**27,960**

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 2015 and for the subsequent financial period up to the LPD.

10.3 Material Commitments and Contingent Liabilities

Save and except for the corporate guarantees given by our Company to licensed banks for credit facilities granted to a subsidiary with a limit of RM97.5 million, our 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.

11. TERMS AND CONDITIONS

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

12. 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

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT THE EGM HELD ON 21 AUGUST 2015

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT OUR EGM HELD ON 21 AUGUST 2015.

ELK-DESA RESOURCES BERHAD
(Company No. 180164-X)
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 21 AUGUST, 2015.

IT WAS RESOLVED:-

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 62,500,000 NEW ORDINARY SHARES OF RM1.00 EACH ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) 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")

(i) 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 provisionally allot and issue by way of renounceable rights issue of up to 62,500,000 new ordinary shares of RM1.00 each ("Rights Share(s)") at the issue price of RM1.20 per Rights Share on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM1.00 each in ELK-Desa ("ELK-Desa Share(s)") held on an entitlement date to be determined later, to disregard fractional entitlements under the Proposed Rights Issue and to deal with the aggregate of such fractions as the Directors of the Company may at their absolute discretion deem fit and expedient and in the best interests of the Company and to deal with the excess Rights Shares not subscribed by the entitled shareholders in the manner as detailed in Section 2.1 of the Circular to shareholders of ELK-Desa dated 23 July 2015 ("Circular"), AND THAT the Rights Shares so allotted and issued to the shareholders shall rank pari passu in all respects with the existing ELK-Desa Shares, except that the respective registered holders of the Rights Shares will not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid prior to the allotment and issue of the Rights Shares, AND THAT the Directors be and are hereby authorised to enter into any underwriting agreement for the underwriting of the said Rights Shares with such parties and upon such terms and conditions as the Directors may decide;

(ii) **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 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 interests of the Company.

CERTIFIED TRUE COPY:

....
TEOH SENG HUI
CHAIRMAN OF THE MEETING

....
LOKE WENG FOOK (MIA 6573)
GROUP ACCOUNTANT AND
COMPANY SECRETARY

DATED: 14 SEP 2015

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BACKGROUND INFORMATION ON ELK-DESA

1. HISTORY AND BUSINESS

The Company 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 ceased its oil palm business in year 2003. On 16 February 2005, ELK-Desa ventured into the HP business via the acquisition of ELK-Desa Capital Sdn Bhd.

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, as an insurance agency and trading of furniture.

Other than the Group's recent venture into the furniture trading business in April 2015, there has been no significant change in the principal activities of the ELK-Desa Group since year 2005.

Further details on our subsidiaries are set out in Section 5 of this Appendix II.

2. SHARE CAPITAL

2.1 Authorised, issued and paid-up share capital

As at the LPD, the authorised, issued and paid-up share capitals 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

2.2 Changes in authorised, issued and paid-up share capital

(i) Authorised share capital

There is no change in authorised share capital of ELK-Desa for the past three (3) years prior to the LPD.

(ii) 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

3. SUBSTANTIAL SHAREHOLDERS

The pro forma effects of the Rights Issue on the direct and indirect shareholdings of our Company's substantial shareholders as at 11 September 2015 are as follows:

Minimum Scenario

	Before the Rights Issue				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%(1)	No. of Shares ('000)	%(1)	No. of Shares ('000)	%(2)	No. of Shares ('000)	%(2)
THC	2,666	2.19	31,575(4)	25.88	3,999	2.19	47,362(4)	25.88
ELK Group Sdn Bhd	-	-	30,600(5)	25.08	-	-	45,900(5)	25.08
Eng Lee Kredit	30,600	25.08	-	-	45,900	25.08	-	-
Dr. Yeong	870	0.71	8,548(6)	7.01	1,305	0.71	12,822(6)	7.01
Amity Corporation	8,548	7.01	-	-	12,822	7.01	-	-

Maximum Scenario

	Before the Rights Issue				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%(1)	No. of Shares ('000)	%(1)	No. of Shares ('000)	%(3)	No. of Shares ('000)	%(3)
THC	2,666	2.19	31,575(4)	25.88	3,999	2.13	47,362(4)	25.26
ELK Group Sdn Bhd	-	-	30,600(5)	25.08	-	-	45,900(5)	24.48
Eng Lee Kredit	30,600	25.08	-	-	45,900	24.48	-	-
Dr. Yeong	870	0.71	8,548(6)	7.01	1,305	0.70	12,822(6)	6.84
Amity Corporation	8,548	7.01	-	-	12,822	6.84	-	-

Notes:

(1) *Based on the substantial shareholders' shareholdings and the issued and paid-up share capital of 122,000,000 as at 11 September 2015 excluding the Treasury Shares.*

(2) *Assuming the total number of Rights Shares to be issued pursuant to the Rights Issue is 61,000,000.*

(3) *Assuming the total number of Rights Shares to be issued pursuant to the Rights Issue is 62,500,000.*

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

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

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

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4. DIRECTORS

4.1 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 *(Non-Independent Non-Executive Chairman)*	70	Malaysian	Chairman	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor
Teoh Seng Hui *(Group Executive Director)*	43	Malaysian	Group Executive Director	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor
Lim Keng Chin *(Non-Independent Non-Executive Director)*	70	Malaysian	Company Director	No. 44, Jalan SS20/4 Damansara Utama 47400 Petaling Jaya Selangor
Teoh Seng Kar *(Non-Independent Non-Executive Director)*	37	Malaysian	Company Director	No. 25, Jalan Bukit Seputeh 3, Seputeh Heights, 58000 Kuala Lumpur
Ng Soon Lai @ Ng Siek Chuan *(Independent Non-Executive Director)*	61	Malaysian	Company Director	No. 20, Jalan Setia Murni 6 Bukit Damansara 50490 Kuala Lumpur
Loong Foo Ching *(Independent Non-Executive Director)*	65	Malaysian	Advocate & Solicitor	No. 58, Jalan Desa Mesra Taman Desa 58100 Kuala Lumpur
Yee Kin Lan *(Independent Non-Executive Director)*	63	Malaysian	Company Director	No. 31, Jalan Radin 1 Taman Sri Endah, Seri Petaling 57000 Kuala Lumpur
Toh Jyh Wei *(Independent Non-Executive Director)*	31	Malaysian	Company Director	No. 1, Jalan Setiabakti 10 Bukit Damansara 50490 Kuala Lumpur

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4.2 Directors shareholdings

The pro forma effects of the Rights Issue on the direct and indirect shareholdings of our Company's directors as at the 11 September 2015 are as follows:

Minimum Scenario

	Before the Rights Issue				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%[1]	No. of Shares ('000)	%[1]	No. of Shares ('000)	%[2]	No. of Shares ('000)	%[2]
THC	2,666	2.19	31,575[4]	25.88	3,999	2.19	47,362[4]	25.88
Teoh Seng Hui	-	-	-	-	-	-	-	-
Lim Keng Chin[5]	503	0.41	-	-	754	0.41	-	-
Teoh Seng Kar[5]	29	0.02	-	-	44	0.02	-	-
Ng Soon Lai @ Ng Siek Chuan	-	-	-	-	-	-	-	-
Loong Foo Ching	-	-	-	-	-	-	-	-
Yee Kin Lan	-	-	-	-	-	-	-	-
Toh Jyh Wei	-	-	-	-	-	-	-	-

Maximum Scenario

	Before the Rights Issue				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%[1]	No. of Shares ('000)	%[1]	No. of Shares ('000)	%[3]	No. of Shares ('000)	%[3]
THC	2,666	2.19	31,575[4]	25.88	3,999	2.13	47,362[4]	25.26
Teoh Seng Hui	-	-	-	-	-	-	-	-
Lim Keng Chin[5]	503	0.41	-	-	754	0.40	-	-
Teoh Seng Kar[5]	29	0.02	-	-	44	0.02	-	-
Ng Soon Lai @ Ng Siek Chuan	-	-	-	-	-	-	-	-
Loong Foo Ching	-	-	-	-	-	-	-	-
Yee Kin Lan	-	-	-	-	-	-	-	-
Toh Jyh Wei	-	-	-	-	-	-	-	-

Notes:

(1) *Based on the directors' shareholdings and the issued and paid-up share capital of 122,000,000 as at 11 September 2015 excluding the Treasury Shares.*

(2) *Assuming the total number of Rights Shares to be issued pursuant to the Rights Issue is 61,000,000.*

(3) *Assuming the total number of Rights Shares to be issued pursuant to the Rights Issue is 62,500,000.*

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

(5) *Assuming that the Directors subscribe in full for their respective entitlements under the Rights Issue.*

5. 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)
ELK-Desa Capital Sdn Bhd	Malaysia / 19 October 1981	HP financing	100	80,000,000
ELK-Desa Furniture Sdn Bhd	Malaysia / 18 February 2015	Trading of furniture	100	2,000,000
Subsidiaries of ELK-Desa Capital Sdn Bhd				
ELK-Desa Risk Agency Sdn Bhd	Malaysia / 31 March 1981	Insurance agent	100	1,064,696
ELK-Desa Marketing Sdn Bhd	Malaysia / 22 May 1997	Dormant	100	25,000
Subsidiary of ELK-Desa Marketing Sdn Bhd				
ELK-Desa Development Sdn Bhd (In members' voluntary winding up)	Malaysia / 18 August 1982	Dormant	100	25,000

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

6. PROFIT AND DIVIDEND RECORD

The following table sets out a summary of our Group's audited consolidated financial statements for the past three (3) financial years up to FYE 31 March 2015 and the latest unaudited consolidated financial statements for the FPE 30 June 2015 and the corresponding period for FPE 30 June 2014:

	Audited			Unaudited	
	FYE 31 March 2013	FYE 31 March 2014	FYE 31 March 2015	FPE 30 June 2014	FPE 30 June 2015
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	40,958	48,391	57,615	13,888	14,014
Other income	543	930	2,679	724	509
Cost of inventories sold	(37)	-	-	-	-
Depreciation of property, plant and equipment	(230)	(284)	(332)	(79)	(93)
Impairment allowance	(6,569)	(12,022)	(16,744)	(3,580)	(3,477)
Other expenses	(12,104)	(11,385)	(13,548)	(3,431)	(3,646)
Finance costs	(3,067)	(3,198)	(4,183)	(1,219)	(780)
PBT	19,494	22,432	25,487	6,303	6,527
Taxation	(5,622)	(6,031)	(6,689)	(1,603)	(1,604)
PAT	13,872	16,401	18,798	4,700	4,923
Profit attributable to the owners of the Company	13,872	16,401	18,798	4,700	4,923
EBITDA	22,573	25,296	27,716	6,952	6,963

	Audited			Unaudited	
	FYE 31 March 2013	FYE 31 March 2014	FYE 31 March 2015	FPE 30 June 2014	FPE 30 June 2015
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT margin (%) [(1)]	47.60	46.35	44.23	45.38	46.57
PAT margin (%) [(2)]	33.87	33.89	32.62	33.84	35.13
Number of Shares in issue	125,000,000	125,000,000	125,000,000	125,000,000	125,000,000
EPS (sen) [(3)]					
- Basic (sen)	12.95	13.12	15.04	3.76	3.94
- Diluted (sen)	12.95	13.12	10.14	2.65	2.60
Dividend per share (sen)	6.50	7.50	7.50	-	-

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 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 2014 compared with FYE 31 March 2013

Revenue increased by 18% from RM40.96 million in FYE 31 March 2013 to RM48.39 million in FYE 31 March 2014 due to an increase in the hire purchase portfolio. Other income increased from RM0.54 million in FYE 31 March 2013 to RM0.93 in FYE 31 March 2014 million mainly due to higher fixed deposit interest.

As the disposal income of the low and middle income group was affected by the rising prices and cost of living, the Group had experienced a slower recovery in the hire purchase receivables. The potential downside credit risk resulting from prolonged delay in installment payments by the hirers, together with a general decline in used car prices and higher cost of debts recovery, had resulted in higher impairment allowance for FYE 31 March 2014.

PBT increased by 15% from RM19.50 million in FYE 31 March 2013 to RM22.43 million in FYE 31 March 2014 due to the one off listing expenses of RM2.37 million incurred in FYE 31 March 2013. PBT margin decreased to 46.35% mainly due to the higher impairment allowance for FYE 31 March 2014.

FYE 31 March 2015 compared with FYE 31 March 2014

Revenue increased by 19% from RM48.39 million in FYE 31 March 2014 to RM57.61 million in FYE 31 March 2015 due to an increase in the hire purchase portfolio. Other income increased from RM0.93 million in FYE 31 March 2014 to RM2.68 million in FYE 31 March 2015 mainly due to higher fixed deposit interest. However, the effects of prolonged delay in installment payments by the hirers, together with a general decline in used car prices and higher cost of debts recovery, had resulted in higher impairment allowance for FYE 31 March 2015.

PBT increased by 14% from RM22.43 million in FYE 31 March 2014 to RM25.49 million in FYE 31 March 2015 due to an increase in hire purchase portfolio and higher fixed deposit interest during the financial year. PBT margin decreased to 44.23% mainly due to the higher impairment allowance for FYE 31 March 2015.

FPE 30 June 2015 compared with FPE 30 June 2014

Revenue increased marginally to RM14.01 million in FPE 30 June 2015 on the back of a slower growth in the hire purchase portfolio. This is in line with the Group's strategy to tighten its hire purchase disbursement policy in terms of the criteria used to assess the hire purchase loan applications since FYE 31 March 2014.

Other income decreased by 30% to RM0.51 million in FPE 30 June 2015 due to lower fixed deposit interest.

Other expenses increased by 6% to RM3.65 million in FPE 30 June 2015 whereas impairment allowance decreased marginally by 3% despite an increase in hire purchase portfolio.

As a result of lower borrowings, the Group's finance cost decreased by 36% from RM1.22 million in FPE 30 June 2014 to RM0.78 million in FPE 30 June 2015.

PBT increased by 4% to RM6.53 million. PBT margin increased to 46.57% mainly due to the lower finance cost during the financial period.

7. 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
2014		
September	1.65	1.48
October	1.52	1.42
November	1.55	1.47
December	1.45	1.39
2015		
January	1.48	1.40
February	1.46	1.40
March	1.41	1.37
April	1.46	1.39
May	1.46	1.42
June	1.49	1.41
July	1.47	1.40
August	1.45	1.38

Last transacted market price of ELK-Desa Shares on 5 June 2015, being the Market Day prior to the date of announcement of the Rights Issue	RM1.48
Last transacted market price of ELK-Desa Shares on 4 September 2015, being the latest practicable date prior to the issuance of the AP	RM1.43
Last transacted market price of ELK-Desa Shares on 21 September 2015, being the last trading day prior to the ex-date for the Rights Issue	RM1.35

(Source: Bloomberg)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AND ITS SUBSIDIARIES AS AT 31 MARCH 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

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

Date: 14 September 2015

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

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 2015. 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 25 September 2015 in connection with the renounceable rights issue of up to 62,500,000 new ordinary shares of RM1.00 each ("Rights Share(s)") on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM1.00 each in ELK-Desa ("ELK-Desa Share(s)" or "Shares(s)") to be held on 25 September 2015 ("Rights Issue").

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 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 on the Audited Consolidated Statement of Financial Position of the Group as at 31 March 2015 had the Rights Issue 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 2015.

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

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 transaction 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 provides 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.

BDO

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, based on the audited financial statements of the Group as at 31 March 2015 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 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. 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 purpose of the Rights Issue described above.

Yours faithfully,

BDO

BDO
AF: 0206
Chartered Accountants

Chan Wai Leng
2893/08/17(J)
Chartered Accountant

永聯資源有限公司
ELK-DESA RESOURCES BERHAD (180164-X)
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Tel: 03-21457000 Fax: 03-21458258

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2015 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 up to 62,500,000 new ordinary shares of RM1.00 each ("Rights Share(s)") on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM1.00 each in ELK-Desa ("ELK-Desa Share(s)" or "Shares(s)") to be held on 25 September 2015 ("Rights Issue").

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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 on the Audited Consolidated Statement of Financial Position of the Group as at 31 March 2015, had these transactions been effected on that date. Further, such information does not purport to predict the Group's future financial position.

	Note	Audited Consolidated Statement of Financial Position as at 31 March 2015	Pro Forma I Assuming all the Treasury Shares are retained within the Company	Pro Forma II Assuming all the Treasury Shares are resold in the open market
		RM	RM	RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		5,799,451	5,799,451	5,799,451
Hire-purchase receivables		192,426,059	192,426,059	192,426,059
Deferred tax assets		6,924,265	6,924,265	6,924,265
Total non-current assets		**205,149,775**	**205,149,775**	**205,149,775**
CURRENT ASSETS				
Inventories		934,707	934,707	934,707
Trade receivables		104,850	104,850	104,850
Hire-purchase receivables		76,460,430	76,460,430	76,460,430
Other receivables		354,685	354,685	354,685
Cash and bank balances	5	52,643,593	125,801,593	125,945,326
Total current assets		**130,498,265**	**203,656,265**	**203,799,998**
TOTAL ASSETS		**335,648,040**	**408,806,040**	**408,949,773**

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14 SEP 2015
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2015 AND THE NOTES THEREON (CONTINUED)

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

	Note	Audited Consolidated Statement of Financial Position as at 31 March 2015	Pro Forma I Assuming all the Treasury Shares are retained within the Company	Pro Forma II Assuming all the Treasury Shares are resold in the open market
		RM	RM	RM
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	6	125,000,000	187,465,000	187,500,000
Share premium	6	2,820,736	(i)14,713,736	(i)14,720,736
Retained earnings	6	48,733,524	(ii)47,533,524	(ii)47,533,524
ICULS - equity component		83,283,772	83,283,772	83,283,772
Treasury shares	6	(101,733)	(101,733)	(iv) -
TOTAL EQUITY		259,736,299	332,894,299	333,038,032
LIABILITIES				
NON-CURRENT LIABILITIES				
Block discounting payables - secured		17,143,251	17,143,251	17,143,251
ICULS - liability component		18,336,712	18,336,712	18,336,712
Total non-current liabilities		**35,479,963**	**35,479,963**	**35,479,963**
CURRENT LIABILITIES				
Trade payables		12,938,634	12,938,634	12,938,634
Other payables		4,464,796	4,464,796	4,464,796
Block discounting payables - secured		16,032,879	16,032,879	16,032,879
Term loans		3,870,000	3,870,000	3,870,000
Bank overdrafts - secured		1,670,530	1,670,530	1,670,530
Current tax liabilities		1,454,939	1,454,939	1,454,939
Total current liabilities		**40,431,778**	**40,431,778**	**40,431,778**
TOTAL LIABILITIES		**75,911,741**	**75,911,741**	**75,911,741**
TOTAL EQUITY AND LIABILITIES		**335,648,040**	**408,806,040**	**408,949,773**
Number of ordinary shares		125,000,000	(iii)187,395,000	(iv)187,500,000
Net assets		259,736,299	332,894,299	333,038,032
Net assets per ordinary share		2.08	1.78	1.78

Notes:

(i) After deducting the estimated expenses of RM600,000 which are directly attributable to the issuance of Rights Shares pursuant to the Rights Issue.

(ii) After deducting the remaining estimated expenses of RM1,200,000 which are related to the Rights Issue.

(iii) Assuming none of the Treasury Shares are resold.

(iv) Assuming the 70,000 Treasury Shares as at 31 March 2015 are resold in the open market at cost.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2015 AND THE NOTES THEREON (CONTINUED)

3. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of the Group have been compiled based on the Audited Consolidated Financial Statements of the Group as at 31 March 2015, which were 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.

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

Pro Forma I

Assuming none of the 70,000 Treasury Shares costing RM101,733 as at 31 March 2015 are resold in the open market. The adjustments reflect the following:

a. the issuance of 62,465,000 Rights Shares will result in gross proceeds of RM74,958,000.

b. the recognition of RM62,465,000 and RM12,493,000 in the share capital and share premium accounts respectively.

c. the estimated expenses of RM600,000 which are directly attributable to the issuance of Rights Shares pursuant to the Rights Issue will be deducted from the share premium account.

d. the remaining estimated expenses of RM1,200,000 which are related to the Rights Issue will be charged to profit or loss.

Pro Forma II

Assuming the 70,000 Treasury Shares costing RM101,733 as at 31 March 2015 are resold in the open market at cost. The adjustments reflect the following:

a. the issuance of 62,500,000 Rights Shares, inclusive of an additional 35,000 Rights Shares arising from sale of the 70,000 Treasury Shares which will result in gross proceeds of RM75,000,000.

b. the recognition of RM62,500,000 and RM12,500,000 in the share capital and share premium accounts respectively.

c. the estimated expenses of RM600,000 which are directly attributable to the issuance of Rights Shares pursuant to the Rights Issue will be deducted from the share premium account.

d. the remaining estimated expenses of RM1,200,000 which are related to the Rights Issue will be charged to profit or loss.

e. the 70,000 Treasury Shares that are resold in open market at cost which will result in gross proceeds of RM101,733.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2015 AND THE NOTES THEREON (CONTINUED)

5. CASH AND BANK BALANCES

The movements in cash and bank balances of ELK-Desa are as follows:

Pro Forma I

Assuming none of the 70,000 Treasury Shares costing RM101,733 as at 31 March 2015 are resold in the open market.

	RM
As at 31 March 2015	52,643,593
Gross proceeds from Rights Issue	74,958,000
Estimated expenses incurred in relation to the Rights Issue	(1,800,000)
As per Pro Forma I	125,801,593

Pro Forma II

Assuming the 70,000 Treasury Shares costing RM101,733 as at 31 March 2015 are resold in the open market at cost.

	RM
As at 31 March 2015	52,643,593
Proceeds from resale of Treasury Shares in open market at cost	101,733
Gross proceeds from Rights Issue	75,000,000
Estimated expenses incurred in relation to the Rights Issue	(1,800,000)
As per Pro Forma II	125,945,326

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2015 AND THE NOTES THEREON (CONTINUED)

6. SHARE CAPITAL, SHARE PREMIUM, RETAINED EARNINGS, TREASURY SHARES AND ICULS - EQUITY COMPONENT

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

Pro Forma I

Assuming none of the 70,000 Treasury Shares costing RM101,733 as at 31 March 2015 are resold in the open market.

	Number of ordinary shares	Par value	Share capital	ICULS - equity component	Share premium	Treasury shares	Retained earnings	Total
		RM	RM	RM	RM	RM	RM	RM
Audited Consolidated Statement of Financial Position as at 31 March 2015	125,000,000*	1.00	125,000,000	83,283,772	2,820,736	(101,733)	48,733,524	259,736,299
Effect of issuance of new ELK-Desa shares arising from the Rights Issue	62,465,000	1.00	62,465,000	-	12,493,000	-	-	74,958,000
Estimated expenses incurred in relation to the Rights Issue	-	-	-	-	(600,000)	-	(1,200,000)	(1,800,000)
As per Pro Forma I	187,465,000*	1.00	187,465,000	83,283,772	14,713,736	(101,733)	47,533,524	332,894,299

* *Inclusive of 70,000 Treasury Shares as at 31 March 2015*

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2015 AND THE NOTES THEREON (CONTINUED)

6. SHARE CAPITAL, SHARE PREMIUM, RETAINED EARNINGS, TREASURY SHARES AND ICULS - EQUITY COMPONENT (continued)

Pro Forma II

Assuming the 70,000 Treasury Shares costing RM101,733 as at 31 March 2015 are resold in the open market at cost.

	Number of ordinary shares	Par value	Share capital	ICULS - equity component	Share premium	Treasury shares	Retained earnings	Total
		RM	RM	RM	RM	RM	RM	RM
Audited Consolidated Statement of Financial Position as at 31 March 2015	125,000,000	1.00	125,000,000	83,283,772	2,820,736	(101,733)	48,733,524	259,736,299
Resale of Treasury Shares in open market at cost	-	-	-	-	-	101,733	-	101,733
Effect of issuance of new ELK-Desa shares arising from the Rights Issue	62,500,000	1.00	62,500,000	-	12,500,000	-	-	75,000,000
Estimated expenses incurred in relation to the Rights Issue	-	-	-	-	(600,000)	-	(1,200,000)	(1,800,000)
As per Pro Forma II	187,500,000	1.00	187,500,000	83,283,772	14,720,736	-	47,533,524	333,038,032

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7. **UTLISATION OF PROCEEDS**

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

Pro Forma I

Assuming none of the 70,000 Treasury Shares costing RM101,733 as at 31 March 2015 are resold in the open market.

	RM
Partial repayment of bank borrowings*	20,000,000
Hire purchase disbursements*	53,158,000
Defraying estimated expenses for the Rights Issue	1,800,000
As per Pro Forma I	74,958,000

* *Subsumed within cash and bank balances.*

Pro Forma II

Assuming the 70,000 Treasury Shares costing RM101,733 as at 31 March 2015 are resold in the open market at cost.

	RM
Partial repayment of bank borrowings*	20,000,000
Hire purchase disbursements*	53,200,000
Defraying estimated expenses for the Rights Issue	1,800,000
As per Pro Forma II	75,000,000

* *Subsumed within cash and bank balances.*

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Company No:
180164 - X

CERTIFIED TRUE COPY

LOKE WENG 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 2015

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

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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 2015.

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 and 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	18,796,390	17,371,459
Attributable to:		
Owners of the parent	18,796,390	17,371,459

DIVIDEND

Dividend paid, proposed or declared since the end of the previous financial year were as follows:

	RM
First and final single tier exempt dividend of approximately 7.5 sen per ordinary share, paid on 23 September 2014 in respect of the financial year ended 31 March 2014	9,375,023

The Directors propose a first and final single tier tax exempt dividend of 7.5 sen per ordinary share in respect of the financial year ended 31 March 2015, 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.

OPTIONS OVER UNISSUED SHARES

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

ISSUE OF SHARES AND DEBENTURES

On 15 April 2014, the Company issued 100,000,000 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 the Company. The salient terms of the ICULS are set out in Note 17 to the financial statements.

There was no other issue of shares or debentures during the financial year.

TREASURY SHARES

Pursuant to an ordinary resolution passed at the Annual General Meeting held on 13 August 2014, the shareholders of the Company authorised the Directors to repurchase the Company's own shares based on the following terms:

(i) The number of ordinary shares to be purchased and/or held shall not exceed 10% of its existing issued and paid up ordinary share capital of the Company;

(ii) The amount to be utilised for the repurchase of shares by the Company shall not exceed the total retained earnings and share premium of the Company; and

(iii) The Directors may retain the ordinary shares so purchased as treasury shares and may resell such treasury shares in a manner they deem fit in accordance with the Companies Act, 1965 and the applicable guidelines of Bursa Malaysia Securities Berhad.

The total consideration paid, including transaction costs, of RM101,733 was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The Company has the right to cancel, resell and/or distribute the treasury shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased had been sold or cancelled during the financial year.

The number of ordinary shares as at 31 March 2015 after deducting the treasury shares is 124,930,000 ordinary shares. Further relevant details are disclosed in Note 19 to the financial statements.

DIRECTORS

The Directors who have held for 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
Loong Foo Ching
Yee Kin Lan
Toh Jyh Wei

DIRECTORS (continued)

In accordance with Article 112 of the Company's Articles of Association, Ng Soon Lai @ Ng Siek Chuan and Loong Foo Ching retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Teoh Hock Chai @ Tew Hock Chai and Lim Keng Chin who have attained the age of seventy (70), retire in accordance with Section 129(2) of the Companies Act, 1965 in Malaysia at the forthcoming Annual General Meeting. Both Directors, being eligible, offer themselves for re-appointment and to hold office until the conclusion of the next Annual General Meeting of the Company.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and ICULS of the Company and of its related corporations during the financial year ended 31 March 2015 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 ---			
Shares in the Company	**Balance as at 1.4.2014**	**Acquired**	**Disposed**	**Balance as at 31.3.2015**
Direct interests				
Teoh Hock Chai @ Tew Hock Chai	1,250,000	1,415,883	-	2,665,883
Lim Keng Chin	500,000	2,900	-	502,900
Teoh Seng Kar	-	29,000	-	29,000
Indirect interest				
Teoh Hock Chai @ Tew Hock Chai	30,600,000	974,810	-	31,574,810

	--- Number of ICULS 2014/2022 of RM1.00 each ---			
ICULS in the Company	**Balance as at 1.4.2014**	**Acquired**	**Disposed**	**Balance as at 31.3.2015**
Direct interests				
Teoh Hock Chai @ Tew Hock Chai	-	1,000,000	-	1,000,000
Lim Keng Chin	-	400,000	-	400,000
Indirect interest				
Teoh Hock Chai @ Tew Hock Chai	-	55,488,662	-	55,488,662

By virtue of his interests in shares in the substantial shareholders, ELK Group Sdn. Bhd. and Eng Lee Kredit 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 in Malaysia.

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 ordinary shares and ICULS 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 except for the ICULS issued as disclosed in Note 17 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other 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 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.

(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;

(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.

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

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

(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.

(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

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

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 39 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

....
Teoh Seng Hui
Group Executive Director

Kuala Lumpur
8 June 2015

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 78 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 2015 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 40 to the financial statements on page 79 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 Hock Chai @ Tew Hock Chai	**Teoh Seng Hui**
Non-Independent Non-Executive Chairman	Group Executive Director

Kuala Lumpur
8 June 2015

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 79 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
8 June 2015

Loke Weng Fook

Before me:

PESURUHJAYA SUMPAH
W-451
S. ADERAJU
MALAYSIA

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360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
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 2015 of the Group and of the Company, and statements of profit or loss and other 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 78.

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.

BDO

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 2015 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 accounts 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 accounts 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.

BDO

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

Other Matters

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	**Chan Wai Leng**
AF : 0206	2893/08/15 (J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur
8 June 2015

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	5,799,451	1,977,608	3,051	3,449
Investments in subsidiaries	8	-	-	115,000,000	115,000,000
Hire-purchase receivables	9	192,426,059	171,498,927	-	-
Amount owing by a subsidiary	14	-	-	100,000,000	-
Deferred tax assets	10	6,924,265	2,619,030	4,400,811	-
		205,149,775	176,095,565	219,403,862	115,003,449
Current assets					
Inventories	11	934,707	1,028,243	-	-
Trade receivables	12	104,850	170,810	-	-
Hire-purchase receivables	9	76,460,430	69,877,108	-	-
Other receivables, deposits and prepayments	13	354,685	1,057,615	40,500	778,841
Amount owing by a subsidiary	14	-	-	276,027	28,250,000
Current tax assets		-	6,401	-	-
Cash and bank balances	15	52,643,593	4,244,827	40,543,041	3,604,823
		130,498,265	76,385,004	40,859,568	32,633,664
TOTAL ASSETS		335,648,040	252,480,569	260,263,430	147,637,113

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

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2015 (continued)

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	16	125,000,000	125,000,000	125,000,000	125,000,000
ICULS - equity component	17	83,283,772	-	83,283,772	-
Reserves	18	51,554,260	42,132,893	30,292,924	22,296,488
Treasury shares	19	(101,733)	-	(101,733)	-
TOTAL EQUITY		259,736,299	167,132,893	238,474,963	147,296,488
LIABILITIES					
Non-current liabilities					
ICULS - liability component	17	18,336,712	-	18,336,712	-
Block discounting payables - secured	20	17,143,251	36,263,661	-	-
Term loans	21	-	3,870,000	-	-
		35,479,963	40,133,661	18,336,712	-
Current liabilities					
Trade payables	22	12,938,634	14,263,327	-	-
Other payables and accruals	23	4,464,796	1,407,413	3,396,083	315,300
Block discounting payables - secured	20	16,032,879	20,536,165	-	-
Term loans	21	3,870,000	6,168,000	-	-
Bank overdrafts - secured	24	1,670,530	1,706,289	-	-
Current tax liabilities		1,454,939	1,132,821	55,672	25,325
		40,431,778	45,214,015	3,451,755	340,625
TOTAL LIABILITIES		75,911,741	85,347,676	21,788,467	340,625
TOTAL EQUITY AND LIABILITIES		335,648,040	252,480,569	260,263,430	147,637,113

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

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Revenue	25	57,614,581	48,391,069	16,000,000	12,000,000
Other income		2,678,949	930,215	3,831,166	519,447
Depreciation of property, plant and equipment	7	(332,392)	(284,755)	(398)	(398)
Impairment allowance		(16,744,125)	(12,022,089)	-	-
Other expenses		(13,548,227)	(11,385,311)	(611,342)	(626,758)
Finance costs	26	(4,183,377)	(3,198,153)	(1,221,079)	-
Profit before taxation	27	25,485,409	22,430,976	17,998,347	11,892,291
Taxation	28	(6,689,019)	(6,031,034)	(626,888)	(129,860)
Profit for the financial year		18,796,390	16,399,942	17,371,459	11,762,431
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		18,796,390	16,399,942	17,371,459	11,762,431
Profit attributable to:					
Owners of the parent		18,796,390	16,399,942	17,371,459	11,762,431
Total comprehensive income attributable to:					
Owners of the parent		18,796,390	16,399,942	17,371,459	11,762,431

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

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015 (continued)

		Group	
	Note	2015 RM	2014 RM
Earnings per ordinary share attributable to owners of the parent (sen)			
Basic earnings per share	29	15.04	13.12
Diluted earnings per share	29	10.14	13.12
Dividend per ordinary share in respect of the financial year, single tier tax exempt (sen):			
- Final (Declared)	30	7.50	-
- Final (Paid)	30	-	7.50
		7.50	7.50

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 2015

	Note	Share capital RM	ICULS - equity component RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total equity RM
Group							
Balance as at 1 April 2013		125,000,000	-	2,820,736	-	31,037,215	158,857,951
Profit for the financial year		-	-	-	-	16,399,942	16,399,942
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	16,399,942	16,399,942
Transactions with owners:							
Dividend paid	30	-	-	-	-	(8,125,000)	(8,125,000)
Total transactions with owners		-	-	-	-	(8,125,000)	(8,125,000)
Balance as at 31 March 2014		125,000,000	-	2,820,736	-	39,312,157	167,132,893
Profit for the financial year		-	-	-	-	18,796,390	18,796,390
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	18,796,390	18,796,390
Transactions with owners:							
Issuance of ICULS	17	-	83,283,772	-	-	-	83,283,772
Treasury shares, at cost	19	-	-	-	(101,733)	-	(101,733)
Dividend paid	30	-	-	-	-	(9,375,023)	(9,375,023)
Total transactions with owners		-	83,283,772	-	(101,733)	(9,375,023)	73,807,016
Balance as at 31 March 2015		125,000,000	83,283,772	2,820,736	(101,733)	48,733,524	259,736,299

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 2015 (continued)

	Note	Share capital RM	ICULS - equity component RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total equity RM
Company							
Balance as at 1 April 2013		125,000,000	-	2,820,736	-	15,838,321	143,659,057
Profit for the financial year		-	-	-	-	11,762,431	11,762,431
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	11,762,431	11,762,431
Transactions with owners:							
Dividend paid	30	-	-	-	-	(8,125,000)	(8,125,000)
Total transactions with owners		-	-	-	-	(8,125,000)	(8,125,000)
Balance as at 31 March 2014		125,000,000	-	2,820,736	-	19,475,752	147,296,488
Profit for the financial year		-	-	-	-	17,371,459	17,371,459
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	17,371,459	17,371,459
Transactions with owners:							
Issuance of ICULS	17	-	83,283,772	-	-	-	83,283,772
Treasury shares, at cost	19	-	-	-	(101,733)	-	(101,733)
Dividend paid	30	-	-	-	-	(9,375,023)	(9,375,023)
Total transactions with owners		-	83,283,772	-	(101,733)	(9,375,023)	73,807,016
Balance as at 31 March 2015		125,000,000	83,283,772	2,820,736	(101,733)	27,472,188	238,474,963

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 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		25,485,409	22,430,976	17,998,347	11,892,291
Adjustments for:					
Depreciation of property, plant and equipment	7	332,392	284,755	398	398
Property, plant and equipment written off	7	11,137	-	-	-
Loss/(Gain) on disposal of property, plant and equipment		5,713	(12,738)	-	-
Dividend income from a subsidiary		-	-	(16,000,000)	(12,000,000)
Net allowance made for the financial year	9(f)	17,738,222	12,745,133	-	-
Interest expense		4,181,189	3,196,437	1,221,079	-
Interest income		(2,284,002)	(617,090)	(3,831,166)	(519,447)
Operating profit/(loss) before working capital changes		45,470,060	38,027,473	(611,342)	(626,758)
Decrease/(Increase) in inventories		93,536	(57,024)	-	-
Increase in hire-purchase receivables		(45,248,676)	(62,551,186)	-	-
Decrease in trade receivables		65,960	44,040	-	-
Decrease/(Increase) in other receivables, deposits and prepayments		702,930	(712,437)	738,341	(774,341)
(Decrease)/Increase in trade payables		(1,324,693)	2,939,061	-	-
(Decrease)/Increase in other payables and accruals		(57,200)	222,642	(33,800)	(30,000)
Cash (used in)/generated from operations		(298,083)	(22,087,431)	93,199	(1,431,099)
Tax paid		(5,810,483)	(6,610,824)	(142,100)	(122,048)
Net cash used in operating activities		(6,108,566)	(28,698,255)	(48,901)	(1,553,147)

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 2015 (continued)

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	7	(4,193,585)	(929,638)	-	-
Proceeds from disposal of property, plant and equipment		22,500	55,000	-	-
Interest received		2,284,002	617,090	3,831,166	519,447
Dividend received from a subsidiary		-	-	16,000,000	12,000,000
Advances to a subsidiary		-	-	(72,026,027)	(28,933,500)
Fixed deposits placed with licensed bank with original maturity of more than three (3) months		(10,633,746)	-	(10,633,746)	-
Net cash used in investing activities		(12,520,829)	(257,548)	(62,828,607)	(16,414,053)
CASH FLOW FROM FINANCING ACTIVITIES					
Net repayment of term loans		(6,168,000)	(13,168,000)	-	-
Net repayment/(drawdown) of block discounting payables		(23,673,650)	25,596,288	-	-
Net proceeds from issuance of ICULS	17	98,658,736	-	98,658,736	-
Dividend paid		(9,375,023)	(8,125,000)	(9,375,023)	(8,125,000)
Purchase of treasury shares		(101,733)	-	(101,733)	-
Interest paid		(2,910,156)	(3,228,663)	-	-
Net cash from/(used in) financing activities		56,430,174	1,074,625	89,181,980	(8,125,000)
Net increase/(decrease) in cash and cash equivalents		37,800,779	(27,881,178)	26,304,472	(26,092,200)
Cash and cash equivalents as at beginning of financial year		2,538,538	30,419,716	3,604,823	29,697,023
Cash and cash equivalents as at end of financial year	15	40,339,317	2,538,538	29,909,295	3,604,823

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 2015

1. CORPORATE INFORMATION

ELK-Desa Resources Berhad ('the Company') is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

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

The consolidated financial statements for the financial year ended 31 March 2015 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 8 June 2015.

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 78 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. However, Note 40 to the financial statements set out on page 79 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.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

The preparation of these financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual agreements; and

(c) The voting rights of the Group and potential voting rights.

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

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

4.2 **Basis of consolidation (continued)**

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations

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

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

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

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

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

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

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

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

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

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.7 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

4.4 **Property, plant and equipment and depreciation**

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

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

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

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

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

Buildings	50 years
Computer equipment	3 years
Office equipment	10 years
Furniture and fittings	10 years
Signboard	10 years
Motor vehicles	10 years
Renovation	10 years

Freehold land has an unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write-down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

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

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases

Operating leases

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

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

4.6 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

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

4.7 Goodwill

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significant lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Impairment of non-financial assets

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

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

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

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

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

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

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

4.9 Inventories

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments

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

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

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

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

4.10 **Financial instruments (continued)**

(a) Financial assets (continued)

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and bank balances include cash and cash equivalents, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and fixed deposits pledged to financial institutions.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets (continued)

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

4.10 **Financial instruments (continued)**

(b) Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(c) Equity (continued)

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

(d) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until extinguished on conversion or maturity of the compound instrument. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except when the compound instrument is redeemed or repurchased before maturity.

Upon conversion of the convertible instrument into equity shares, the amount credited to share capital and share premium is the aggregate of the amounts classified within liability and equity components at the time of conversion. No gain or loss is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by receivables to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4.12 Borrowing costs

All borrowing costs are recognised to profit or loss in the period in which they are incurred.

4.13 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes such as withholding taxes and real property gains taxes payable on the disposal of properties.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profit and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

4.13 **Income taxes (continued)**

(b) Deferred tax (continued)

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised in the financial statements on deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4.14 **Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of the provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Provisions (continued)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.16 Employee benefits

(a) Short-term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Employee benefits (continued)

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

4.17 Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(i) Hire-purchase interest income

Hire-purchase interest income is recognised upon commencement of the hire-purchase agreement using a constant periodic rate of return over the period of the agreement.

(ii) Handling and processing fees

Handling and processing fees are recognised upon rendering of the services and on an accrual basis.

(iii) Insurance commission

Insurance commission is recognised on an accrual basis.

(iv) Overdue and service charges

Overdue and service charges are recognised on a receipt basis.

(v) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenue recognition (continued)

(vi) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods, and acceptance by customers.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

4.19 Operating segments

Operating segments are defined as components of the Group that:

(a) engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the Group's chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

4.20 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.21 Fair value measurements

The fair value of an asset or a liability except for lease transactions is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement method assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

4.21 **Fair value measurements (continued)**

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. **ADOPTION OF NEW MFRSs, AMENDMENT TO MFRSs AND IC INTERPRETATIONS**

5.1 **New MFRSs adopted during the financial year**

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

Title	**Effective Date**
Amendments to MFRS 10 *Consolidated Financial Statements: Investment Entities*	1 January 2014
Amendments to MFRS 12 *Disclosure of Interest in Other Entities: Investment Entities*	1 January 2014
Amendments to MFRS 127 *Separate Financial Statements (2011): Investment Entities*	1 January 2014
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21 *Levies*	1 January 2014

There is no material effect upon the adoption of these Amendments to MFRSs and IC Interpretation during the current financial year.

5. ADOPTION OF NEW MFRSs, AMENDMENT TO MFRSs AND IC INTERPRETATIONS (continued)

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2015

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to MFRSs *Annual Improvements 2010 – 2012 Cycle*	1 July 2014
Amendments to MFRSs *Annual Improvements 2011 – 2013 Cycle*	1 July 2014
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs *Annual Improvements to 2012-2014 Cycle*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
MFRS 15 *Revenue from Contracts with Customers*	1 January 2017
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018

The Group and the Company is in the process of assessing the impact of the adoption of these MFRSs and Amendments to MFRSs, since the effects would only be observable in future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period and at the end of the reporting period.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Critical judgements made in applying accounting policies

The following are critical judgements made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

(a) Contingent liabilities

The determination of the treatment of contingent liabilities is based on the Directors' and management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

(b) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

(c) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of the financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their rights to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation and useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in the market demands or service output of the assets. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to changes in the factors mentioned above. Changes in these factors could impact the useful lives and the residual values of the assets; therefore future depreciation charges could be revised.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(b) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses recoverability of receivables based on historical loss experience for assets with similar credit risk characteristics, historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(c) Impairment of assets

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying amount. This evaluation is subject to factors such as market performance, economic and political situation of the country.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value in use. Value in use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgement has also been used to determine the discount rate for cash flows and the future growth of the business.

(d) Impairment of investments in subsidiaries and amounts owing by subsidiaries

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment and assesses the impairment of receivables on the amounts owing by subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and amounts owing by subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement is also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(e) Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses based on interpretation of tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

(f) Deferred tax assets

Deferred tax assets are recognised on deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(g) Write down of slow moving or obsolete inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recoverable. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(h) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 37(c) to the financial statements. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(i) Fair value measurements

Financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree which the fair value inputs are observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures financial instruments at fair value as disclosed in Note 36 to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

Group 2015	Balance as at 1.4.2014 RM	Additions RM	Disposals RM	Written off RM	Balance as at 31.3.2015 RM
Cost					
Freehold land	-	1,800,000	-	-	1,800,000
Buildings	-	2,124,269	-	-	2,124,269
Computer equipment	484,131	83,910	-	-	568,041
Office equipment	391,854	37,100	-	(3,470)	425,484
Furniture and fittings	129,369	-	-	-	129,369
Signboard	26,360	-	-	(9,800)	16,560
Motor vehicles	693,201	148,306	(100,759)	-	740,748
Renovation	1,391,341	-	-	(4,530)	1,386,811
	3,116,256	4,193,585	(100,759)	(17,800)	7,191,282

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance as at 1.4.2014 RM	Charge for the financial year RM	Disposals RM	Written off RM	Balance as at 31.3.2015 RM
Accumulated depreciation					
Buildings	-	7,060	-	-	7,060
Computer equipment	399,886	73,403	-	-	473,289
Office equipment	142,869	41,047	-	(1,211)	182,705
Furniture and fittings	74,547	12,938	-	-	87,485
Signboard	13,588	1,935	-	(4,055)	11,468
Motor vehicles	150,603	57,024	(72,546)	-	135,081
Renovation	357,155	138,985	-	(1,397)	494,743
	1,138,648	332,392	(72,546)	(6,663)	1,391,831

Group 2014	Balance as at 1.4.2013 RM	Additions RM	Disposals RM	Balance as at 31.3.2014 RM
Cost				
Computer equipment	453,648	30,483	-	484,131
Office equipment	343,194	48,660	-	391,854
Furniture and fittings	128,662	707	-	129,369
Signboard	26,360	-	-	26,360
Motor vehicles	350,846	478,685	(136,330)	693,201
Renovation	1,020,238	371,103	-	1,391,341
	2,322,948	929,638	(136,330)	3,116,256

	Balance as at 1.4.2013 RM	Charge for the financial year RM	Disposals RM	Balance as at 31.3.2014 RM
Accumulated depreciation				
Computer equipment	336,676	63,210	-	399,886
Office equipment	106,244	36,625	-	142,869
Furniture and fittings	61,668	12,879	-	74,547
Signboard	10,952	2,636	-	13,588
Motor vehicles	200,556	44,115	(94,068)	150,603
Renovation	231,865	125,290	-	357,155
	947,961	284,755	(94,068)	1,138,648

7. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Company 2015	**Balance as at 1.4.2014 RM**	**Additions RM**	**Balance as at 31.3.2015 RM**
Cost			
Signboard	3,980	-	3,980

Accumulated depreciation	**Balance as at 1.4.2014 RM**	**Charge for the financial year RM**	**Balance as at 31.3.2015 RM**
Signboard	531	398	929

Company 2014	**Balance as at 1.4.2013 RM**	**Additions RM**	**Balance as at 31.3.2014 RM**
Cost			
Signboard	3,980	-	3,980

Accumulated depreciation	**Balance as at 1.4.2013 RM**	**Charge for the financial year RM**	**Balance as at 31.3.2014 RM**
Signboard	133	398	531

	Group		**Company**	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Carrying amount				
Freehold land	1,800,000	-	-	-
Buildings	2,117,209	-	-	-
Computer equipment	94,752	84,245	-	-
Office equipment	242,779	248,985	-	-
Furniture and fittings	41,884	54,822	-	-
Signboard	5,092	12,772	3,051	3,449
Motor vehicles	605,667	542,598	-	-
Renovation	892,068	1,034,186	-	-
	5,799,451	1,977,608	3,051	3,449

On 13 November 2014, a wholly owned subsidiary, ELK-Desa Capital Sdn. Bhd. ('ELK-Desa Capital') entered into a Sale and Purchase Agreement with a substantial shareholder, Eng Lee Kredit Sdn. Bhd. to acquire two (2) parcels of freehold land and two (2) buildings held under HS(M) 3897 Lot No. 629 and HS(M) 4363 Lot No. 630, Section 21, Jalan Goh Hock Huat, Mukim Bukit Raja, District of Klang, Selangor Darul Ehsan for a total purchase consideration of RM3,800,000. The acquisition of the new freehold land and buildings was completed on 13 February 2015.

8. INVESTMENTS IN SUBSIDIARIES

	Company 2015 RM	Company 2014 RM
Unquoted shares, at cost	115,000,000	115,000,000

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of Company	Interest in equity held by Company 2015 %	Company 2014 %	Subsidiary 2015 %	Subsidiary 2014 %	Principal activities
ELK-Desa Capital Sdn. Bhd.	100	100	-	-	Provision of hire-purchase financing
Subsidiaries of ELK-Desa Capital Sdn. Bhd.					
ELK-Desa Risk Agency Sdn. Bhd.	-	-	100	100	Insurance agent
ELK-Desa Marketing Sdn. Bhd. *	-	-	100	100	Dormant
Subsidiary of ELK-Desa Marketing Sdn. Bhd.					
ELK-Desa Development Sdn. Bhd. ^	-	-	100	100	Dormant

* During the financial year, ELK-Desa Marketing Sdn. Bhd. ceased the trading of used motor vehicles.

^ Subsidiary placed under members' voluntary winding up during the financial year.

On 28 November 2013, the Company subscribed for an additional 20,000,000 ordinary shares of RM1.00 each in ELK-Desa Capital Sdn. Bhd. ('ELK-Desa Capital') which was satisfied by the capitalisation of RM20,000,000 of the amount owing by ELK-Desa Capital. Consequently, there was no change in the effective equity interest held by the Company in ELK-Desa Capital.

9. HIRE-PURCHASE RECEIVABLES

	Group 2015 RM	Group 2014 RM
Gross hire-purchase receivables		
- not later than one (1) year	119,500,903	109,326,037
- later than one (1) year but not later than five (5) years	248,390,173	221,316,243
- later than five (5) years	4,830,698	7,203,932
	253,220,871	228,520,175
	372,721,774	337,846,212
Less: Unearned hire-purchase interest income	(92,914,292)	(85,160,824)
Net hire-purchase receivables	279,807,482	252,685,388
Less: Accumulated collective impairment allowance	(6,878,941)	(6,179,696)
Accumulated individual impairment allowance	(4,042,052)	(5,129,657)
	268,886,489	241,376,035

	Group 2015 RM	Group 2014 RM
Receivables are as follows:		
Current assets		
- not later than one (1) year	76,460,430	69,877,108
Non-current assets		
- later than one (1) year but not later than five (5) years	187,886,231	164,778,028
- later than five (5) years	4,539,828	6,720,899
	192,426,059	171,498,927
	268,886,489	241,376,035

(a) The credit terms of hire-purchase receivables of the Group are in accordance with the repayment schedules as contained in the hire-purchase agreements.

(b) Certain hire-purchase agreements of hire-purchase receivables with a carrying amount of RM53,956,122 (2014: RM85,530,933) are assigned to licensed banks for block discounting, term loan and bank overdrafts facilities as disclosed in Notes 20, 21 and 24 to the financial statements.

(c) The effective interest rate range from 12.9 % to 18.2% (2014: 12.2% to 18.2%) per annum.

(d) All hire-purchase receivables are denominated in Ringgit Malaysia ('RM').

9. **HIRE-PURCHASE RECEIVABLES (continued)**

(e) The ageing analysis of hire-purchase receivables of the Group are as follows:

Group	**Contractually**					
As at 31 March 2015	**Undue RM**	**Due RM**	**Net receivables RM**	**Individual impairment RM**	**Collective impairment RM**	**Net receivables after impairment RM**
Not past due	115,799,519	-	115,799,519	-	(2,894,988)	112,904,531
Past due:						
- 1 to 90 days	151,084,795	8,273,312	159,358,107	-	(3,983,953)	155,374,154
- more than 90 days	3,745,784	904,072	4,649,856	(4,042,052)	-	607,804
	154,830,579	9,177,384	164,007,963	(4,042,052)	(3,983,953)	155,981,958
	270,630,098	9,177,384	279,807,482	(4,042,052)	(6,878,941)	268,886,489
As at 31 March 2014						
Not past due	112,707,541	-	112,707,541	-	(2,817,689)	109,889,852
Past due:						
- 1 to 90 days	127,182,627	7,297,662	134,480,289	-	(3,362,007)	131,118,282
- more than 90 days	4,356,249	1,141,309	5,497,558	(5,129,657)	-	367,901
	131,538,876	8,438,971	139,977,847	(5,129,657)	(3,362,007)	131,486,183
	244,246,417	8,438,971	252,685,388	(5,129,657)	(6,179,696)	241,376,035

9. **HIRE-PURCHASE RECEIVABLES (continued)**

(e) The ageing analysis of hire-purchase receivables of the Group are as follows: (continued)

Hire-purchase receivables that are not due

These are the receivables that are contractually due on or after the last day of the financial year. These receivables amounted to RM115,799,519 (2014: RM112,707,541).

Hire-purchase receivables that are past due

These are the receivables where the hirer has failed to pay the hire-purchase instalment when contractually due one (1) or more days after the contractual due date.

Contractually undue receivables represent instalments that are due on or after the last day of the financial year which amounted to RM154,830,579 (2014: RM131,538,876).

Contractually due receivables represent instalments that are due before the last day of the financial year which amounted to RM9,177,384 (2014: RM8,438,971).

Hire-purchase receivables that are impaired

Receivables that are impaired amounted to RM10,920,993 (2014: RM11,309,353).

The Group first assesses the hire-purchase receivables on an individual basis to determine if there is an objective evidence for impairment. Factors to be considered include, but not limited to, the occurrence of financial difficulties of the hirers, their payment history and the likelihood of their vehicles being subject to repossession in accordance with the Hire-Purchase Act, 1967.

If no objective evidence on impairment exists for an individually assessed hire-purchase receivables, whether significant or not, the hire-purchase receivables with similar credit risk characteristics are grouped together and collectively assessed for impairment based on historical loss rate.

(f) The reconciliation of movement in the impairment losses are as follows:

	Group	
	2015	**2014**
	RM	**RM**
Balance as at 1 April	11,309,353	10,095,250
- Collective impairment allowance	699,245	1,278,683
- Individual impairment allowance	17,038,977	11,466,450
Net allowance made for the financial year (Note 27)	17,738,222	12,745,133
Write off for the financial year	(18,126,582)	(11,531,030)
Balance as at 31 March	10,920,993	11,309,353

(g) Information on financial risks of hire-purchase receivables is disclosed in Note 37 to the financial statements.

10. DEFERRED TAX ASSETS

(a) The deferred tax assets and liabilities are made up of the following:

	Note	Group 2015 RM	Group 2014 RM
Balance as at 1 April		2,619,030	2,422,943
Issuance of ICULS	17	4,855,252	-
Recognised in profit or loss:	28		
- current year		(557,052)	198,355
- under/(over)-provision in prior years		7,035	(2,268)
		(550,017)	196,087
Balance as at 31 March		6,924,265	2,619,030
Presented after appropriate offsetting:			
Deferred tax assets		7,021,850	2,714,245
Deferred tax liabilities		(97,585)	(95,215)
		6,924,265	2,619,030

	Note	Company 2015 RM	Company 2014 RM
Balance as at 1 April		-	-
Issuance of ICULS	17	4,855,252	-
Recognised in profit or loss:	28		
- current year		(454,441)	-
Balance as at 31 March		4,400,811	-

10. DEFERRED TAX ASSETS (continued)

(b) The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets of the Group

	Hire-purchase receivables RM	ICULS RM	Total RM
At 1 April 2014	2,714,245	-	2,714,245
Issuance of ICULS	-	4,855,252	4,855,252
Recognised in profit or loss	(93,206)	(454,441)	(547,647)
At 31 March 2015	2,621,039	4,400,811	7,021,850
At 1 April 2013	2,523,813	-	2,523,813
Recognised in profit or loss	190,432	-	190,432
At 31 March 2014	2,714,245	-	2,714,245

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Total RM
At 1 April 2014	(95,215)	(95,215)
Recognised in profit or loss	(2,370)	(2,370)
At 31 March 2015	(97,585)	(97,585)
At 1 April 2013	(100,870)	(100,870)
Recognised in profit or loss	5,655	5,655
At 31 March 2014	(95,215)	(95,215)

Deferred tax assets of the Company

	ICULS RM	Total RM
At 1 April 2014	-	-
Issuance of ICULS	4,855,252	4,855,252
Recognised in profit or loss	(454,441)	(454,441)
At 31 March 2015	4,400,811	4,400,811

The Company had no deferred tax in the previous financial year.

11. INVENTORIES

	Group	
	2015	2014
	RM	RM
At net realisable value		
Repossessed motor vehicles	934,707	1,028,243

(a) Inventories represent motor vehicles repossessed as a result of payments defaulted by the hire-purchase receivables. The inventories are held for subsequent disposals.

(b) The Group reversed RM350,272 (2014: RM340,701) in respect of inventories written down in the previous financial years that was subsequently not required as the Group was able to sell these inventories above their carrying amounts.

12. TRADE RECEIVABLES

(a) Trade receivables arose from the sales of repossessed motor vehicles.

(b) The average credit term offered by the Group in respect of trade receivables are 90 days (2014: 90 days) from date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(c) All trade receivables are denominated in RM.

(d) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2015	2014
	RM	RM
Neither past due nor impaired	104,850	170,400
Past due, not impaired:		
More than 90 days	-	410
	104,850	170,810

(e) Information on financial risks of trade receivables is disclosed in Note 37 to the financial statements

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Other receivables	102,773	31,593	-	163
Deposits	216,412	245,444	10,500	10,500
Loans and receivables	319,185	277,037	10,500	10,663
Prepayments	35,500	780,578	30,000	768,178
	354,685	1,057,615	40,500	778,841

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) Other receivables, deposits and prepayments of the Group and of the Company are denominated in RM.

(b) Information on financial risks of other receivables, deposits and prepayments is disclosed in Note 37 to the financial statements.

14. AMOUNT OWING BY A SUBSIDIARY

The amount owing by a subsidiary in non-current assets represents advances which are unsecured, bear interest at 3.25% per annum (2014: Nil) and repayable in the next two (2) years.

The amount owing by a subsidiary in current assets represents advances, which is unsecured and repayable on demand.

The amount owing by a subsidiary are denominated in RM.

Information on financial risks of amount owing by a subsidiary is disclosed in Note 37 to the financial statements.

15. CASH AND BANK BALANCES

Cash and bank balances included in the statements of cash flows comprise the following as at the end of the reporting period:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances	500,272	686,442	41,981	46,438
Fixed deposits with licensed banks	52,143,321	3,558,385	40,501,060	3,558,385
As stated in statements of financial position	52,643,593	4,244,827	40,543,041	3,604,823
Less:				
Bank overdrafts (Note 24)	(1,670,530)	(1,706,289)	-	-
Fixed deposits placed with a licensed bank with original maturity of more than three (3) months	(10,633,746)	-	(10,633,746)	-
As stated in statements of cash flows	40,339,317	2,538,538	29,909,295	3,604,823

(a) Bank balances are deposits held at call with licensed banks.

(b) Fixed deposits with licensed banks of the Group and of the Company have a maturity period of 7 days to 186 days (2014: 90 days) with interest ranging from 2.65% to 4.08% (2014: 2.30% to 3.35%) per annum.

(c) All cash and bank balances are denominated in RM.

(d) Information on financial risks of cash and bank balances is disclosed in Note 37 to the financial statements.

16. SHARE CAPITAL

	Group and Company			
	2015		2014	
	Number of shares	RM	Number of shares	RM
Ordinary shares of RM1.00 each:				
Authorised	300,000,000	300,000,000	300,000,000	300,000,000
Issued and fully paid	125,000,000	125,000,000	125,000,000	125,000,000

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

17. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ('ICULS')

On 15 April 2014, the Company issued 100,000,000 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 the Company.

The proceeds from the ICULS are primarily intended but not limited to be utilised for the expansion of hire purchase business and repayment of bank borrowings.

The salient terms of the ICULS are as follows:

(a) Coupon rate and payment

The ICULS shall bear a coupon interest rate of 3.25% per annum on the nominal value of the ICULS payable on an annual basis.

(b) 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 shares of the Company at the conversion price.

Any remaining ICULS not converted at the end of the conversion period shall be mandatorily converted into new shares of the Company at the conversion price on the maturity date. Any fractional new shares of the Company 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.

(c) Conversion price

The conversion price of the ICULS is RM1.25 for every one (1) new ordinary share of the Company.

(d) Conversion period

The ICULS shall be convertible into new shares of the Company 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.

17. **IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ('ICULS') (continued)**

The salient terms of the ICULS are as follows: (continued)

(e) Redemption

The ICULS will not be redeemable for cash. All outstanding ICULS will be mandatorily converted into new shares of the Company on the maturity date.

The amounts recognised in the statements of financial position of the Group and the Company are analysed as follows:

	Group and Company 2015 RM
Net proceeds received from issuance of ICULS	98,658,736
ICULS - equity component	(83,283,772)
Deferred tax assets	4,855,252
ICULS - liability component on initial recognition on 15 April 2014	20,230,216

	Group and Company 2015 RM
ICULS - liability component:	
At date of issuance	20,230,216
Amortisation of ICULS - liability component	(1,893,504)
As at 31 March 2015	18,336,712
ICULS - equity component:	
At date of issuance	83,283,772
Conversion to ordinary shares	-
As at 31 March 2015	83,283,772

As at 31 March 2015, none of the ICULS were converted.

18. **RESERVES**

	Group		**Company**	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Non-distributable:				
Share premium	2,820,736	2,820,736	2,820,736	2,820,736
Distributable:				
Retained earnings	48,733,524	39,312,157	27,472,188	19,475,752
	51,554,260	42,132,893	30,292,924	22,296,488

18. **RESERVES (continued)**

(a) Retained earnings

The Company is under the single tier system and as a result, there is no restriction on the Company to frank the payment of dividends out of its entire retained earnings as at the end of the reporting period.

19. **TREASURY SHARES**

Pursuant to an ordinary resolution passed at the Annual General Meeting held on 13 August 2014, the shareholders of the Company authorised the Directors to repurchase the Company's own shares based on the following terms:

(i) The number of ordinary shares to be purchased and/or held shall not exceed 10% of its existing issued and paid up ordinary share capital of the Company;

(ii) The amount to be utilised for the repurchase of shares by the Company shall not exceed the total retained earnings and share premium of the Company; and

(iii) The Directors may retain the ordinary shares so purchased as treasury shares and may resell such treasury shares in a manner they deem fit in accordance with the Companies Act, 1965 and the applicable guidelines of Bursa Malaysia Securities Berhad.

During the financial year, the Company repurchased its issued ordinary shares of RM1.00 each from the open market as summarised below:

	Number of shares units	Total consideration RM	Price per share Highest RM	Lowest RM	Average RM
Balance at 1 April 2014	-	-	-	-	-
Share repurchased during the financial year:					
February 2015	70,000	101,733	1.440	1.450	1.453
	70,000	101,733	1.440	1.450	1.453
Balance at 31 March 2015	70,000	101,733	1.440	1.450	1.453

The total consideration paid, including transaction costs, of RM101,733 was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The Company has the right to cancel, resell and/or distribute the treasury shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased had been sold or cancelled during the financial year.

The number of ordinary shares as at 31 March 2015 after deducting the treasury shares is 124,930,000 ordinary shares.

20. BLOCK DISCOUNTING PAYABLES - SECURED

	Group 2015 RM	Group 2014 RM
Gross block discounting payables:		
- not later than one (1) year	17,373,679	23,118,965
- later than one (1) year but not later than five (5) years	17,766,677	38,545,299
	35,140,356	61,664,264
Less: Undue block discounting interest expenses	(1,964,226)	(4,864,438)
Net block discounting payables	33,176,130	56,799,826
Repayable as follows:		
Current liabilities		
- not later than one (1) year	16,032,879	20,536,165
Non-current liabilities		
- later than one (1) year but not later than five (5) years	17,143,251	36,263,661
	33,176,130	56,799,826

(a) Block discounting payables of the Group are secured by:

(i) the assignments of certain hire-purchase agreements as disclosed in Note 9(b) to the financial statements; and

(ii) corporate guarantee by the Company.

(b) Block discounting payables of the Group bear interest ranging from 5.30% to 5.51% (2014: 5.30% to 5.51%) per annum.

(c) The tenure of the block discounting payables of the Group are repayable by equal monthly instalment of 36 to 60 months (2014: 36 to 60 months).

(d) All block discounting payables are denominated in RM.

(e) Information on financial risks of block discounting payables is disclosed in Note 37 to the financial statements.

21. TERM LOANS

	Group	
	2015	2014
	RM	RM
Term loan I repayable by 20 quarterly instalments of RM500,000 which commenced on 1 March 2011 - unsecured	1,500,000	3,500,000
Term loan II repayable by 23 quarterly instalments of RM1,042,000 which commenced on 29 September 2011 and a final instalment of RM1,034,000 - secured	2,370,000	6,538,000
	3,870,000	10,038,000
Repayable as follows:		
Current liabilities		
- not later than one (1) year	3,870,000	6,168,000
Non-current liabilities		
- later than one (1) year but not later than five (5) years	-	3,870,000
	3,870,000	10,038,000

(a) Term loan I of the Group is guaranteed by the Company.

(b) Term loan II of the Group is secured by the following:

(i) the assignments of certain hire-purchase agreements as disclosed in Note 9(b) to the financial statements; and

(ii) corporate guarantee by the Company.

(c) Term loans of the Group bear interest ranging from 5.35% to 5.85% (2014: 5.10% to 5.60%) per annum respectively.

(d) Term loans of the Group are denominated in RM.

(e) Information on financial risks of term loans is disclosed in Note 37 to the financial statements.

22. TRADE PAYABLES

	Group	
	2015	2014
	RM	RM
Dealers' retentions	9,268,355	8,898,493
Hire-purchase disbursement creditors	3,517,634	4,619,519
Other temporary clearing accounts	152,645	745,315
	12,938,634	14,263,327

22. TRADE PAYABLES (continued)

(a) The credit terms available to the Group in respect of trade payables is based on the terms of the agreements.

(b) Dealers' retentions represent amounts retained from cars dealers for hire-purchase applications referred. The dealers' retention will be refunded to the car dealers once the terms for the retention refund in accordance with the retention note have been fulfilled.

(c) Hire-purchase disbursement creditors represent hire-purchase disbursements that have not been disbursed to the car dealers. The hire-purchase disbursements will be disbursed to the car dealers upon the completion of all ownership transfer documents for the motor vehicles financed.

(d) All trade payables are denominated in RM.

(e) Information on financial risks of trade payables is disclosed in Note 37 to the financial statements.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Other payables	457,818	587,304	-	-
Accruals	4,006,978	820,109	3,396,083	315,300
	4,464,796	1,407,413	3,396,083	315,300

(a) All other payables and accruals are denominated in RM.

(b) Included in accruals is an amount which represents the coupon interest payable on the ICULS of RM3,114,583.

(c) Information on financial risks of other payables and accruals is disclosed in Note 37 to the financial statements.

24. BANK OVERDRAFTS - SECURED

(a) The bank overdrafts of the Group are secured by the followings:

  (i) the assignments of certain hire-purchase agreements as disclosed in Note 9(b) to the financial statements; and

  (ii) corporate guarantee by the Company.

(b) Bank overdrafts of the Group bear interest of 6.35% (2014: 6.10%) per annum.

(c) All bank overdrafts are denominated in RM.

(d) Information on financial risks of bank overdrafts is disclosed in Note 37 to the financial statements.

25. REVENUE

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Dividend income	-	-	16,000,000	12,000,000
Hire-purchase interest income	46,368,936	37,971,626	-	-
Handling and processing fees	6,051,450	6,350,400	-	-
Overdue and service charges	2,839,035	1,752,110	-	-
Insurance commission	2,355,160	2,316,933	-	-
	57,614,581	48,391,069	16,000,000	12,000,000

26. FINANCE COSTS

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Bank overdraft interest expense	2,194	1,291	-	-
Block discounting interest expense	2,535,484	2,289,812	-	-
Term loans interest expense	422,432	905,334	-	-
Credit card charges	2,088	1,166	-	-
Bank guarantee commission	100	550	-	-
Interest expense on ICULS	1,221,079	-	1,221,079	-
	4,183,377	3,198,153	1,221,079	-

27. PROFIT BEFORE TAXATION

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Profit before taxation is arrived at after charging:					
Auditors' remuneration					
Statutory audit					
- current year		65,000	59,000	20,000	18,000
- under-provision in prior year		6,000	-	2,000	-
Non-statutory audit		6,000	6,000	6,000	6,000
Depreciation of property, plant and equipment	7	332,392	284,755	398	398

27. PROFIT BEFORE TAXATION (continued)

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Profit before taxation is arrived at after charging: (continued)					
Loss on disposal of property, plant and equipment		5,713	-	-	-
Director's remuneration paid and payable to:					
Directors fees:					
- payable by the Company		254,000	290,000	254,000	290,000
Other emoluments:					
- paid by the Company		37,500	79,250	37,500	79,250
- paid by a subsidiary		1,220,890	586,370	-	-
Impairment allowance:					
- collective impairment allowance	9(f)	699,245	1,278,683	-	-
- individual impairment allowance	9(f)	17,038,977	11,466,450		
- bad debts recovered		(994,097)	(723,044)	-	-
		16,744,125	12,022,089	-	-
Interest expense on:					
- bank overdrafts		2,194	1,291	-	-
- block discounting		2,535,484	2,289,812	-	-
- term loans		422,432	905,334	-	-
- ICULS		1,221,079	-	1,221,079	-
Property, plant and equipment written off	7	11,137	-	-	-
Rental of:					
- premises		618,407	570,600	-	-
- showroom		38,000	48,000	-	-
- store		42,952	26,137	-	-
- computers		91,331	75,086	-	-
And crediting:					
Dividend income from a subsidiary		-	-	16,000,000	12,000,000
Gain on disposal of property, plant and equipment		-	12,738	-	-
Interest income on:					
- advances to a subsidiary		-	-	3,125,035	-
- fixed deposits		2,284,002	617,090	706,131	519,447

The estimated monetary value of benefits-in-kind received by the Directors of the Company otherwise than in cash from the Group amounted to RM18,357 (2014: RM9,814).

28. TAXATION

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Current tax expense based on profit for the financial year	6,164,077	6,238,282	176,495	129,860
Over-provision in prior years	(25,075)	(11,161)	(4,048)	-
	6,139,002	6,227,121	172,447	129,860
Deferred tax (Note 10)				
- current year	557,052	(198,355)	454,441	-
- (over)/under-provision in prior years	(7,035)	2,268	-	-
	550,017	(196,087)	454,441	-
	6,689,019	6,031,034	626,888	129,860

Malaysian income tax is calculated at the statutory tax rate of twenty-five percent (25%) (2014: 25%) of the estimated taxable profit for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Profit before taxation	25,485,409	22,430,976	17,998,347	11,892,291
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	6,371,352	5,607,744	4,499,587	2,973,072
Tax effects in respect of:				
Non-taxable income	-	(25,259)	(4,000,000)	(3,000,000)
Reversal of deferred tax assets on ICULS - liability component	(454,441)	-	(454,441)	-
Expenses not deductible for tax purpose	804,218	457,442	585,790	156,788
	6,721,129	6,039,927	630,936	129,860
Over-provision of income tax in prior years	(25,075)	(11,161)	(4,048)	-
(Over)/Under -provision of deferred tax in prior years	(7,035)	2,268	-	-
	6,689,019	6,031,034	626,888	129,860

29. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2015	2014
	RM	RM
Profit attributable to equity holders of the parent	18,796,390	16,399,942
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	125,000,000	125,000,000
Basic earnings per ordinary share (sen)	15.04	13.12

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2015	2014
	RM	RM
Profit attributable to equity holders of the parent	18,796,390	16,399,942
Interest expense on ICULS, net of tax	1,675,520	-
	20,471,910	16,399,942
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	125,000,000	125,000,000
Effect of dilution	76,931,507	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	201,931,507	125,000,000
Diluted earnings per ordinary share (sen)	10.14	13.12

30. DIVIDEND

	Group and Company			
	2015		2014	
	Dividend per share Sen	Amount of dividend RM	Dividend per share Sen	Amount of dividend RM
2013				
First and final single tier tax exempt dividend paid	-	-	6.5	8,125,000
2014				
First and final single tier tax exempt dividend paid	7.5	9,375,023	-	-
	7.5	9,375,023	6.5	8,125,000

The first and final single tier tax exempt dividend of 6.5 sen per ordinary share was in respect of the financial year ended 31 March 2013 and was declared after the financial year ended 31 March 2013 and paid to shareholders on 3 October 2013.

The first and final single tier tax exempt dividend of 7.5 sen per ordinary share was in respect of the financial year ended 31 March 2014 and was declared after the financial year ended 31 March 2014 and paid to shareholders on 23 September 2014.

The Directors propose a first and final single tier tax exempt dividend of 7.5 sen per ordinary share in respect of the financial year ended 31 March 2015, 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.

31. EMPLOYEE BENEFITS

	Group	
	2015 RM	2014 RM
Salaries, wages and bonus	7,302,515	5,876,417
Defined contribution plan	855,129	687,183
Other employee benefits	61,162	54,971
	8,218,806	6,618,571

Included in employee benefits is the remuneration of the Executive Director of the Company amounting to RM464,300 (2014: RM340,923).

32. COMMITMENTS

Operating lease commitments

The Group as lessee

The Group had entered into non-cancellable lease agreements for certain premises and computer equipments, resulting in future rental commitments which could, subject to certain terms in the agreements, be revised annually based on prevailing market rates. The Group has aggregate future minimum lease commitments as at the end of each reporting period as follows:

	Group	
	2015	2014
	RM	RM
- Not later than one (1) year	495,041	621,712
- Later than one (1) year but not later than five (5) years	233,076	800,779
	728,117	1,422,491

33. CONTINGENT LIABILITIES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Corporate guarantee given to licensed banks for credit facilities granted to a subsidiary				
- limit of guarantee	-	-	97,500,000	97,500,000
- amount utilised	-	-	40,680,886	73,408,552
Bank guarantees given to third parties in respect of services rendered to a subsidiary	10,000	60,000	-	-

The fair value of such financial corporate guarantee is negligible as the probability of the subsidiary defaulting on the financial facilities is remote.

34. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Company has a controlling related party relationship with its direct and indirect subsidiaries.

34. RELATED PARTY DISCLOSURES (continued)

(a) Identities of related parties (continued)

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 8 to the financial statements;

(ii) Key management personnel, which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling activities of the Group directly or indirectly; and

(iii) Affiliates, companies in which certain Directors who are also the substantial shareholders of the Company have substantial shareholdings interest.

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Dividend received from a subsidiary - ELK-Desa Capital Sdn. Bhd.	-	-	16,000,000	12,000,000
Interest received/receivable from a subsidiary - ELK-Desa Capital Sdn. Bhd.	-	-	3,125,035	-
Rental paid to a substantial shareholder - Eng Lee Kredit Sdn. Bhd.	504,407	456,600	-	-
Purchase of freehold land and buildings from a substantial shareholder - Eng Lee Kredit Sdn. Bhd.	3,800,000	-	-	-

The Directors of the Group and the Company are of the opinion that the above transactions were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

Information regarding outstanding balances arising from related party transactions as at the end of each reporting period is disclosed in Note 14 to the financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

34. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

The remuneration of the Directors of the Company during the financial year were as follows:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Non-Executive Directors				
- Directors fees	254,000	290,000	254,000	290,000
- Other emoluments	794,090*#	324,697*	37,500	79,250
	1,048,090	614,697	291,500	369,250
Executive Directors				
- Short term employee benefits	414,000	304,000	-	-
- Defined contribution plan	49,680	36,480	-	-
- Other employee benefits	620	443	-	-
	464,300	340,923	-	-

* Included in remuneration paid to a Non-Executive Director of the Company by virtue of his additional assignment of an executive function in the subsidiary.

During the financial year, one of the Director has been re-designated from Executive to Non-Executive.

35. OPERATING SEGMENTS

The Group is primarily involved in the provision of hire-purchase financing and other integrated services (i.e. insurance agents and trading of used motor vehicles) to its hire-purchase customers, principally in Malaysia, all of which are categorised under hire-purchase financing business.

The Chief Operating Decision Maker reviews the business performance of the Group as a whole and management monitors the operating results of its hire-purchase financing business together with other integrated services for the purpose of making decisions on resource allocation and performance assessment as the revenue and income generated from other integrated services are mainly dependent on the hire-purchase financing business. As the insurance and trading business is not material, no segmental analysis is prepared.

36. FINANCIAL INSTRUMENTS

(a) Capital management

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

The debts and equity balance will be adjusted accordingly in response to the changes in business and economic environment.

36. **FINANCIAL INSTRUMENTS (continued)**

(a) Capital management (continued)

No changes were made in the objectives, policies or processes during the financial years ended 31 March 2015 and 31 March 2014.

The Group monitors capital using a gearing ratio. This ratio is calculated as total debts divided by total equity. Total debts are calculated as total borrowings (including short term and long term borrowings as shown in the statement of financial position). Capital represents equity attributable to the owners of the parent.

	Group	
	2015	**2014**
	RM	**RM**
Total debts	57,053,372	68,544,115
Total equity	259,736,299	167,132,893
Gearing ratio	0.22	0.41

Other than maintaining a net worth of RM80 million, the Group is also required to maintain a maximum gearing ratio of 1.5 and a minimum security cover ratio of 1.67 to ensure compliance with the bank covenants of its borrowings and all other externally imposed capital requirements.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement during the financial year ended 31 March 2015.

(b) Financial instruments

(i) Categories of financial instruments

Group	**2015**	**2014**
	RM	**RM**
Financial assets		
Loans and receivables		
- Hire-purchase receivables	268,886,489	241,376,035
- Trade receivables	104,850	170,810
- Other receivables and deposits	319,185	277,037
Cash and bank balances	52,643,593	4,244,827
	321,954,117	246,068,709

36. **FINANCIAL INSTRUMENTS (continued)**

(b) Financial instruments (continued)

(i) Categories of financial instruments (continued)

Group	**2015**	**2014**
	RM	**RM**
Financial liabilities		
Other financial liabilities		
- ICULS - liability component	18,336,712	-
- Block discounting payables - secured	33,176,130	56,799,826
- Term loans	3,870,000	10,038,000
- Bank overdrafts - secured	1,670,530	1,706,289
- Trade payables	12,938,634	14,263,327
- Other payables and accruals	4,464,796	1,407,413
	74,456,802	84,214,855
Company		
Financial assets		
Loans and receivables		
- Amount owing by a subsidiary	100,276,027	28,250,000
- Other receivables and deposits	10,500	10,663
Cash and bank balances	40,543,041	3,604,823
	140,829,568	31,865,486
Financial liabilities		
Other financial liabilities		
- ICULS - liability component	18,336,712	-
- Other payables and accruals	3,396,083	315,300
	21,732,795	315,300

(c) Method and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables, current portion of amount owing by a subsidiary and borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

36. FINANCIAL INSTRUMENTS (continued)

(c) Method and assumptions used to estimate fair values (continued)

The fair values of financial assets and financial liabilities are determined as follows: (continued)

(ii) Hire-purchase receivables

The estimated market interest rate used for discounting contracted cash flows to determine the fair value of hire-purchase receivables are approximately equal to the effective interest rate used for computing the carrying amount of hire-purchase receivables.

(iii) Non-current amount owing by a subsidiary

The fair value of this financial instrument is estimated by discounting the expected future cash flows at market lending rates for similar types of lending or borrowing arrangements at the end of the reporting period. At the end of the reporting period, this amount is carried at amortised cost.

(iv) Block discounting payables

The fair values of block discounting payables are estimated by discounting the future contractual cash flows using the estimated borrowings rate applicable to the Group at the end of the reporting period for similar borrowings with similar duration and terms.

(v) Liability component of ICULS

The fair value for liability component of ICULS is estimated by discounting cash flows at the weighted average cost of debts of the Company.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values of hire purchase receivables, amount owing by a subsidiary, block discounting payables and liability component of ICULS have been generally derived using discounted cash flow approach.

36. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments not carried at fair value for which fair values are disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Group 2015	Fair values of financial instruments not carried at fair value				Total fair values	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
Financial assets						
Loans and receivables						
- Hire purchase receivables	-	-	268,886,489	268,886,489	268,886,489	268,886,489
Financial liabilities						
Other financial liabilities						
- Block discounting payables	-	-	33,173,839	33,173,839	33,173,839	33,176,130
- Term loans	-	3,870,000	-	3,870,000	3,870,000	3,870,000
- ICULS - liability component	-	-	18,336,712	18,336,712	18,336,712	18,336,712

36. **FINANCIAL INSTRUMENTS (continued)**

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments not carried at fair value for which fair values are disclosed, together with their fair values and carrying amounts shown in the statements of financial position. (continued)

Group 2014	Fair values of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair values RM	Carrying amount RM
Financial assets						
Loans and receivables						
- Hire purchase receivables	-	-	241,376,035	241,376,035	241,376,035	241,376,035
Financial liabilities						
Other financial liabilities						
- Block discounting payables	-	-	56,858,177	56,858,177	56,858,177	56,799,826
- Term loans	-	10,038,000	-	10,038,000	10,038,000	10,038,000

36. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments not carried at fair value for which fair values are disclosed, together with their fair values and carrying amounts shown in the statements of financial position. (continued)

Company 2015	**Fair values of financial instruments not carried at fair value**				**Total fair values**	**Carrying amount**
	Level 1	**Level 2**	**Level 3**	**Total**		
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Financial assets						
Loans and receivables						
- Amount owing by a subsidiary	-	-	100,000,000	100,000,000	100,000,000	100,000,000
Financial liabilities						
Other financial liabilities						
- ICULS - liability component	-	-	18,336,712	18,336,712	18,336,712	18,336,712

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management policy of the Group seeks to ensure that adequate financial resources are available for the development of the businesses of the Group whilst managing its risks. Financial risk management is carried out through risk review programmes, internal control system and adherence to the Group's financial risk management policies.

The Group is exposed mainly to credit risk, liquidity and cash flow risk and interest rate risk. The management reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Credit risk

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

The primary exposure of the Group to credit risk arises mainly through its hire-purchase receivables. The credit terms are in accordance with the repayment schedules as contained in the hire-purchase agreements. The Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Deposits with licensed financial institutions that are neither past due nor impaired are placed with or entered into with licensed financial institutions with high credit ratings and no history of default.

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk for the Group is represented by the carrying amount of each class of financial asset recognised in the statements of financial position.

Credit risk concentration profile

As at the end of the reporting period, the Group and the Company have no other significant concentration of credit risk except that the Company has an amount owing by a subsidiary of RM100,276,027 (2014: RM28,250,000).

Financial assets that are not due

Information regarding hire-purchase receivables that are not due is disclosed in Note 9(e) to the financial statements.

Financial assets that are past due

Information regarding hire-purchase receivables that are past due is disclosed in Note 9(e) to the financial statements.

Financial assets that are impaired

Information regarding hire-purchase receivables that are impaired is disclosed in Note 9(e) to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risks

The Group adopts a prudent liquidity risk management in maintaining sufficient levels of cash and cash equivalents to meet its working capital requirements. In addition, the Company also manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

Analysis of financial instruments by remaining contractual maturities

The tables below summarise the maturity profile of the Group and of the Company's liabilities at the end of each reporting period based on contractual undiscounted repayment obligations.

Group 2015	**Within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities				
Block discounting payables - secured	17,373,679	17,766,677	-	35,140,356
Term loans	3,957,868	-	-	3,957,868
Bank overdrafts - secured	1,670,530	-	-	1,670,530
Trade payables	12,938,634	-	-	12,938,634
Other payables and accruals	4,464,796	-	-	4,464,796
Total undiscounted financial liabilities	40,405,507	17,766,677	-	58,172,184

Group 2014	**Within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities				
Block discounting payables - secured	23,118,965	38,545,299	-	61,664,264
Term loans	6,578,671	3,957,868	-	10,536,539
Bank overdrafts - secured	1,706,289	-	-	1,706,289
Trade payables	14,263,327	-	-	14,263,327
Other payables and accruals	1,407,413	-	-	1,407,413
Total undiscounted financial liabilities	47,074,665	42,503,167	-	89,577,832

Company				
2015				
Financial liabilities				
Other payables and accruals	3,396,083	-	-	3,396,083
2014				
Financial liabilities				
Other payables and accruals	315,300	-	-	315,300

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates. The interest rate risk of the Group is related to the bank borrowings of the Group, fixed deposits with licensed banks and hire-purchase receivables. Interest rates exposure which arises from the borrowings of the Group is managed through the use of fixed and floating rate debts. The Group does not use derivative financial instruments to hedge this risk.

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the carrying amount of fixed rate financial instruments of the Group and of the Company are measured at amortised cost. Therefore, no sensitivity analysis for fixed rate instruments was prepared as the change in market interest rates at the end of the reporting period would not affect profit and loss.

Sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity of the profit after tax of the Group to a reasonably possible change in 100 basis points against interest rates of floating rate instruments, with all other variables held constant:

		Group	
		2015 RM Profit after tax	**2014 RM Profit after tax**
Term loans	- 100 basis points higher	(29,025)	(75,285)
	- 100 basis points lower	29,025	75,285
Bank overdrafts - secured	- 100 basis points higher	(12,529)	(12,797)
	- 100 basis points lower	12,529	12,797

The sensitivity was lower in 2015 as compared to 2014 because of a decrease in outstanding borrowings during the financial year.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following tables set out the carrying amounts, the effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

Group 2015	Note	Effective interest rate per annum %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
Fixed rates									
Hire-purchase receivables	9	12.90 - 18.20	76,460,430	65,626,967	57,268,616	43,001,261	21,989,387	4,539,828	268,886,489
Fixed deposits with licensed banks	15	2.65 - 4.08	52,143,321	-	-	-	-	-	52,143,321
Block discounting payables - secured	20	5.30 - 5.51	(16,032,879)	(12,758,726)	(4,377,910)	(6,615)	-	-	(33,176,130)
Floating rates									
Term loans	21	5.35 - 5.85	(3,870,000)	-	-	-	-	-	(3,870,000)
Bank overdrafts - secured	24	6.35	(1,670,530)	-	-	-	-	-	(1,670,530)
2014									
Fixed rates									
Hire-purchase receivables	9	12.20 - 18.20	69,877,108	57,595,982	48,463,935	36,862,706	21,855,405	6,720,899	241,376,035
Fixed deposits with licensed banks	15	2.30 - 3.35	3,558,385	-	-	-	-	-	3,558,385
Block discounting payables - secured	20	5.30 - 5.51	(20,536,165)	(17,694,928)	(13,852,558)	(4,709,597)	(6,578)	-	(56,799,826)
Floating rates									
Term loans	21	5.10 - 5.60	(6,168,000)	(3,870,000)	-	-	-	-	(10,038,000)
Bank overdrafts - secured	24	6.10	(1,706,289)	-	-	-	-	-	(1,706,289)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following tables set out the carrying amounts, the effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk: (continued)

Company	**Note**	**Effective interest rate annum %**	**Within 1 year RM**	**1 - 2 years RM**	**2 - 3 years RM**	**3 - 4 years RM**	**4 - 5 years RM**	**More than 5 years RM**	**Total RM**
2015									
Fixed rates									
Fixed deposits with licensed banks	15	2.65 - 4.08	40,501,060	-	-	-	-	-	40,501,060
Amount owing by a subsidiary	14	3.25	-	100,000,000	-	-	-	-	100,000,000
2014									
Fixed rates									
Fixed deposits with licensed banks	15	2.30 - 3.35	3,558,385	-	-	-	-	-	3,558,385

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 16 December 2013, the Group announced a proposed 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 in ELK-Desa ('ELK-Desa Share(s)') held on an entitlement date to be determined later ('Entitlement Date')('Proposed Rights Issue of ICULS').

On 6 January 2014, the Group submitted the following applications to:

(i) Securities Commission Malaysia ('SC') for the proposed issuance of the ICULS pursuant to the Proposed Rights Issue of ICULS under the Guidelines on Private Debt Securities; and

(ii) Bursa Malaysia Securities Berhad ('Bursa Securities') for the following:

(a) admission of the ICULS to the Official List of Main Market of Bursa Securities and listing of and quotation for the ICULS; and

(b) listing of and quotation for the new ELK-Desa Shares to be issued arising from the full conversion of the ICULS on the Main Market of Bursa Securities.

The application to Bursa Securities on 6 January 2014 was subsequently approved by Bursa Malaysia on 27 January 2014.

On 10 February 2014, the Group announced that the SC had, vide its letter dated 5 February 2014 (which was received on 10 February 2014), approved the Proposed Rights Issue of ICULS under subsection 214(1) of the Capital Markets & Services Act 2007.

On 14 March 2014, the Abridged Prospectus in relation to the Rights Issue of ICULS has been duly registered with the SC and lodged with the Registrar of Companies.

The Proposed Rights Issue of ICULS was approved by the members in the Extraordinary General Meeting held on 21 February 2014 and were listed and quoted to the Official List of Bursa Securities and the listing and quotation for the same on the Main Market of Bursa Securities on 18 April 2014.

The proceeds from the Proposed Rights Issue of ICULS are primarily intended but not limited to be utilised for the expansion of hire purchase business and repayment of bank borrowings.

(b) On 13 November 2014, a wholly owned subsidiary, ELK-Desa Capital Sdn. Bhd. ('ELK-Desa Capital') entered into a Sale and Purchase Agreement with a substantial shareholder, Eng Lee Kredit Sdn. Bhd. to acquire two (2) parcels of freehold land and two (2) buildings held under HS(M) 3897 Lot No. 629 and HS(M) 4363 Lot No. 630, Section 21, Jalan Goh Hock Huat, Mukim Bukit Raja, District of Klang, Selangor Darul Ehsan for a total purchase consideration of RM3,800,000. The acquisition of the new freehold land and buildings was completed on 13 February 2015.

(c) On 13 February 2015, the Company's indirect subsidiary, ELK-Desa Development Sdn. Bhd. was placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 in Malaysia.

39. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 1 April 2015, the Company acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in ELK-Desa Furniture Sdn. Bhd. for a total cash consideration of RM2 from a Director of the Company and a related party. Following the acquisition, ELK-Desa Furniture Sdn. Bhd. became a wholly owned subsidiary of the Company. ELK-Desa Furniture Sdn. Bhd. has an authorised share capital of RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each and its issued and paid up capital is RM2.00 divided into two (2) ordinary shares of RM1.00 each. On 28 April 2015, its paid up capital has been increased to RM2,000,000 via the issuance of 1,999,998 new shares at RM1.00 per share. The intended principal activity of ELK-Desa Furniture Sdn. Bhd. is trading of furniture.

(b) On 8 June 2015, the Company announced a proposed renounceable rights issue of up to 62,500,000 new ordinary shares of RM1.00 each ('Rights Share(s)') on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM1.00 each in the Company ('ELK-Desa Share(s)' or 'Share(s)') held on an entitlement date to be determined later ('Entitlement Date') ('Proposed Rights Issue').

The Proposed Rights Issue will be listed and traded on Bursa Securities and is subject to the approval of Bursa Securities and the shareholders at the forthcoming Extraordinary General Meeting to be held on a date to be determined later.

40. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	81,082,166	71,596,184	27,472,188	19,475,752
- Unrealised	2,523,454	2,619,030	-	-
	83,605,620	74,215,214	27,472,188	19,475,752
Less: Consolidation adjustments	(34,872,096)	(34,903,057)	-	-
Total retained earnings as per consolidation accounts	48,733,524	39,312,157	27,472,188	19,475,752

ELK-DESA®

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LOKE WENG FOOK CA(M), ACMA, CGMA
Company Secretary (MIA 6573)

ELK-DESA RESOURCES BERHAD

(Company No: 180164-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 JUNE 2015

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial period ended 30 June 2015

(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
Revenue	14,014,075	13,887,542	14,014,075	13,887,542
Other income	508,723	724,270	508,723	724,270
Depreciation of property, plant and equipment	(92,535)	(78,540)	(92,535)	(78,540)
Impairment allowance	(3,476,526)	(3,580,151)	(3,476,526)	(3,580,151)
Other expenses	(3,646,033)	(3,431,114)	(3,646,033)	(3,431,114)
Finance costs	(780,240)	(1,219,385)	(780,240)	(1,219,385)
Profit before taxation	6,527,464	6,302,622	6,527,464	6,302,622
Taxation	(1,603,637)	(1,602,640)	(1,603,637)	(1,602,640)
Profit for the financial period	4,923,827	4,699,982	4,923,827	4,699,982
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	4,923,827	4,699,982	4,923,827	4,699,982
Earnings per ordinary share - basic (sen)	3.94	3.76	3.94	3.76
Earnings per ordinary share - diluted (sen)	2.60	2.65	2.60	2.65

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2015)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015
(The figures have not been audited.)

	As at 30.06.2015 RM	As at 31.03.2015 RM
ASSETS		
Non-current assets		
Property, plant and equipment	5,746,666	5,799,451
Hire purchase receivables	193,142,710	192,426,059
Deferred tax assets	6,798,009	6,924,265
	205,687,385	205,149,775
Current assets		
Other assets	798,412	934,707
Trade receivables	36,950	104,850
Hire purchase receivables	77,789,151	76,460,430
Other receivables, deposits and prepayments	691,115	264,319
Fixed deposits	42,894,912	52,143,322
Cash and bank balances	749,393	500,272
	122,959,933	130,407,900
Total assets	328,647,318	335,557,675
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	125,000,000	125,000,000
Share premium	2,820,736	2,820,736
Retained earnings	44,287,604	48,733,527
ICULS - equity component	83,283,772	83,283,772
Treasury shares	(101,733)	(101,733)
Total equity	255,290,379	259,736,302
LIABILITIES		
Non-current liabilities		
Block discounting payables - secured	13,166,471	17,143,251
ICULS - liability component	17,810,645	18,336,712
	30,977,116	35,479,963
Current liabilities		
Trade payables	11,386,533	12,938,634
Other payables and accruals	2,103,257	4,374,429
Dividend payable	9,369,750	-
Block discounting payables - secured	15,158,072	16,032,879
Term loans	2,328,000	3,870,000
Bank overdrafts - secured	767,851	1,670,530
Current tax liabilities	1,266,360	1,454,938
	42,379,823	40,341,410
Total liabilities	73,356,939	75,821,373
TOTAL EQUITY AND LIABILITIES	328,647,318	335,557,675
Net assets per share	2.04	2.08

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2015)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 June 2015
(The figures have not been audited.)

	Share Capital RM	Share Premium RM	Retained Earnings RM	Treasury shares	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2014	125,000,000	2,820,736	39,312,159	-	-	167,132,895
Total comprehensive income	-	-	4,699,982	-	-	4,699,982
Issuance of ICULS			-	-	83,283,772	83,283,772
Balance as at 30 June 2014	**125,000,000**	**2,820,736**	**44,012,141**	**-**	**83,283,772**	**255,116,649**
Balance as at 1 April 2015	125,000,000	2,820,736	48,733,527	(101,733)	83,283,772	259,736,302
Total comprehensive income	-	-	4,923,827	-	-	4,923,827
Dividend for financial year ended 31 March 2015			(9,369,750)			(9,369,750)
Balance as at 30 June 2015	**125,000,000**	**2,820,736**	**44,287,604**	**(101,733)**	**83,283,772**	**255,290,379**

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2015)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial period ended 30 June 2015

(The figures have not been audited.)

	3 months ended	
	30.06.2015	**30.06.2014**
	RM	**RM**
Cash flows from operating activities		
Profit before taxation	6,527,464	6,302,622
Adjustment for :		
Depreciation of property, plant and equipment	92,535	78,540
Loss/(Gain) on disposal of property, plant and equipment	-	5,713
Net allowance made for the financial period	3,678,993	3,846,446
Interest expense	779,977	1,218,723
Interest income	(436,855)	(649,241)
Operation profit before working capital changes	10,642,114	10,802,803
Decrease/(Increase) in other assets	136,296	(317,829)
Decrease/(Increase) in hire purchase receivables	(5,724,365)	(18,603,363)
Decrease/(Increase) in trade receivables	67,900	(167,895)
Decrease/(Increase) in other receivables, deposits and prepayments	(426,797)	715,012
(Decrease)/Increase in trade payables	(1,552,101)	634,963
(Decrease)/Increase in other payables and accruals	166,329	203,495
	(7,332,738)	(17,535,617)
Cash used generated from/(used in) operations	3,309,376	(6,732,814)
Tax paid	(1,665,959)	(1,595,588)
Net cash from/(used in) operating activities	**1,643,417**	**(8,328,402)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(39,750)	(15,600)
Proceeds from disposal of property, plant and equipment	-	22,500
Interest received	436,855	649,241
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(12,260,077)	(7,218,703)
Net cash from/(used in) investing activities	**(11,862,972)**	**(6,562,562)**
Cash flows from financing activities		
Net repayment of term loans	(1,542,000)	(1,542,000)
Net (repayment)/drawdown of block discounting payables	(4,862,073)	(6,661,489)
Proceeds from issuance of ICULS	-	100,000,000
ICULS expenses paid	-	(1,341,264)
Interest paid	(3,733,059)	(869,342)
Net cash from/(used in) financing activities	**(10,137,132)**	**89,585,905**
Net increase/(decrease) in cash and cash equivalents during the financial period	**(20,356,687)**	**74,694,941**
Cash and cash equivalents as at beginning of financial year	40,151,234	2,538,538
Cash and cash equivalents as at end of financial period	**19,794,547**	**77,233,479**

ELK-DESA RESOURCES BERHAD **(Company No 180164-X)**
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 30 June 2015
(The figures have not been audited.)

	3 months ended	
	30.06.2015	30.06.2014
	RM	RM
Composition of cash and cash equivalents		
Deposits, cash and bank balances	43,644,305	84,452,182
Bank overdraft	(767,851)	-
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	(23,081,907)	(7,218,703)
	19,794,547	**77,233,479**

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2015)

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
Notes to the Interim Financial Statements
for the first quarter ended 30 June 2015

A1 Accounting Policies And Basis Of Preparation

The interim financial statements have been prepared in accordance with *MFRS 134: Interim Financial Reporting* and Chapter 9 Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with *IAS 34: Interim Financial Reporting*.

The interim financial statements are unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2015, which had been prepared in accordance with Malaysian Financial Reporting Standards (MFRS).

The accounting policies adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2015 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2015.

On 1 April 2015, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

Title		**Effective Date**
Amendments to MFRS 119	*Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to MFRSs	*Annual Improvements 2010 - 2012 Cycle*	1 July 2014
Amendments to MFRSs	*Annual Improvements 2011 - 2013 Cycle*	1 July 2014

Application of the above accounting standards, amendments and interpretations are not expected to have a material impact on the financial statements of the Group.

A2 Seasonal and Cyclical Factors

The Group's operations has not been materially impacted by any seasonal or cyclical factors for the financial period ended 30 June 2015.

A3 Unusual Items due to Their Nature, Size or Incidence

There were no unusual items that may affect the amount stated in the interim financial statements during the financial period ended 30 June 2015.

A4 Change in Estimates

There were no changes in estimates that had any material effect for the financial period ended 30 June 2015.

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
Notes to the Interim Financial Statements
for the first quarter ended 30 June 2015

A5 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuance, repurchases and repayment of debt and equity securities and share cancellations during the financial period ended 30 June 2015.

A6 Dividend Paid

There was no dividend paid during the financial period ended 30 June 2015.

A7 Segmental Reporting

No segmental analysis is prepared as the Group is primarily involved in the provision of hire purchase financing and other integrated services. Besides, all business activities are carried out in Malaysia.

A8 Subsequent Events

There was no material event subsequent to the current quarter, other than the events disclosed in Note B6.

A9 Changes in the Composition of the Group

Save as disclosed below, there were no changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the financial period ended 30 June 2015.

On 1 April 2015, the Company acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in ELK-Desa Furniture Sdn. Bhd., a newly incorporated company, for a total cash consideration of RM2. Following the acquisition, ELK-Desa Furniture Sdn. Bhd. became a wholly owned subsidiary of the Company.

On 28 April 2015, its paid up capital has been increased to RM2,000,000 via the issuance of 1,999,998 new shares at RM1.00 per share. The principal activity of ELK-Desa Furniture Sdn. Bhd. is trading of furniture.

For details of the above, please refer to the Company's announcement on both the Company and Bursa Malaysia website.

A10 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and assets for the Group as at 30 June 2015.

A11 Capital Commitments

There were no material capital commitments for the purchase of property, plant and equipment as at the end of the financial period ended 30 June 2015.

A12 Related Party Disclosures

There was no significant related party transaction during the financial period ended 30 June 2015.

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
Notes to the Interim Financial Statements
for the first quarter ended 30 June 2015

B1 Review Of Performance

Current Quarter Performance (FY2016-Q1 vs FY2015-Q1)

The Group's profit before tax increased by 4% to RM6.53 million.

In line with the Group's strategy to tighten its hire purchase disbursement policy, revenue increased marginally to RM14.01 million on the back of a slower growth in the hire purchase portfolio. Other income decreased by 30% to RM0.51 million due to lower fixed deposit interest.

Other expenses increased by 6% to RM3.65 million but were partially offset by lower impairment allowance despite an increase in hire purchase portfolio.

As a result of lower borrowings, the Group's finance cost decreased by 36% from RM1.22 million to RM0.78 million.

B2 Comparison of Results with Preceding Quarter

The Group's profit before tax for the current quarter of RM6.53 million was lower as compared to RM7.17 million of the immediate preceding quarter mainly due to lower hire purchase revenue and fixed deposit interest for the current quarter.

B3 Prospects and Outlook

The inflationary pressure on the prices of goods and cost of living on domestic consumers is a cause for concern. The Group's performance may be affected by any prolonged delay in installment payments by the hirers which will attribute to higher impairment allowances.

Managing the downside credit risk remains crucial for the Group. Hence, necessary measures have been in place to ensure efficient collection and stringent hire puchase disbursements.

While strong emphasis is placed in growing its core business in hire purchase financing, albeilt at a steady pace, the Group is committed to create additional income source in order to enhance shareholder value. The recent venture into the furniture trading business is not expected to contribute significantly to the Group's financial performance as it is still in its infancy stage.

The Board remains cautiously optimistic on the Group's performance for the current financial year.

B4 Profit Forecasts

The Group did not issue any profit forecasts for the period under review.

B5 Taxation

Tax charge for the quarter and financial period ended 30 June 2015 are set out below:

	3 months ended 30.6.2015
	RM
(a) Income Tax	1,477,381
(b) Deferred Taxation	126,256
	1,603,637

The effective tax rate of the Group for the financial period ended 30 June 2015 were higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
Notes to the Interim Financial Statements
for the first quarter ended 30 June 2015

B6 Status of Corporate Proposals Announced

On 8 June 2015, MIDF Amanah Investment Bank Berhad ("MIDF Investment"), on behalf of the Board, announced that the Company proposes to undertake a proposed renounceable rights issue of up to 62,500,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing ELK-Desa Shares held on the Entitlement Date ("Proposed Rights Issue").

On 25 June 2015, MIDF Investment, on behalf of the Board, announced that the Circular and listing application in relation to the Proposed Rights Issue had been submitted to Bursa Securities.

On 8 July 2015, MIDF Investment, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 8 July 2015, approved the listing and quotation of up to 62,500,000 Rights Shares, subject to the conditions disclosed in Section 8 of the Circular.

On 21 August 2015, the Proposed Rights Issue has been approved by shareholders at the Extraordinary General Meeting.

For details of the above corporate exercise, please refer to the Company's announcement on both the Company and Bursa Malaysia website.

Other than disclosed above, there are no other corporate proposals for the Group.

B7 Group Borrowings & Debt Securities

All borrowings and debt securities as at 30 June 2015 are secured except for the ICULS - liability component and one of the term loans amounting to RM1.0 million. The Group does not have any borrowings or debt securities that are denominated in foreign currency.

		As at 30.06.2015	As at 31.3.2015
Borrowings		**RM**	**RM**
Block Discounting Payables	- within 1 year	15,158,072	16,032,879
	- later than 1 year	13,166,471	17,143,251
		28,324,543	33,176,130
Term Loans	- within 1 year	2,328,000	3,870,000
	- later than 1 year	-	-
		2,328,000	3,870,000
Bank Overdraft	- within 1 year	767,851	1,670,530
Total Borrowings		31,420,394	38,716,660
Debt Securities			
ICULS - liability component	- later than 1 year	17,810,645	18,336,712

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
Notes to the Interim Financial Statements
for the first quarter ended 30 June 2015

B8 Changes in Material Litigation

There was no material litigation against the Group as at the reporting date.

B9 Dividend

There was no dividend proposed in the current quarter and the previous corresponding quarter.

B10 Earnings Per Share

Basic earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the financial year.

	Quarter ended 30.6.2015	Quarter ended 30.6.2014	Year to date ended 30.6.2015	Year to date ended 30.6.2014
Profit after taxation (RM)	4,923,827	4,699,982	4,923,827	4,699,982
Weighted average number of ordinary shares (units)	124,930,000	125,000,000	124,930,000	125,000,000
Basic earnings per ordinary share (sen)	3.94	3.76	3.94	3.76

Diluted earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares.

	Quarter ended 30.6.2015	Quarter ended 30.6.2014	Year to date ended 30.6.2015	Year to date ended 30.6.2014
Profit after taxation (RM)	4,923,827	4,699,982	4,923,827	4,699,982
Interest expense on ICULS, net of tax (RM)	412,690	401,782	412,690	401,782
Adjusted profit after tax (RM)	5,336,517	5,101,764	5,336,517	5,101,764
Weighted average number of ordinary shares (units)	124,930,000	125,000,000	124,930,000	125,000,000
Adjustment for potential dilutive shares (units)	80,000,000	67,692,308	80,000,000	67,692,308
Adjusted weighted average number of ordinary shares (units)	204,930,000	192,692,308	204,930,000	192,692,308
Diluted earnings per ordinary share (sen)	2.60	2.65	2.60	2.65

ELK-DESA RESOURCES BERHAD (Company No 180164-X)
Notes to the Interim Financial Statements
for the first quarter ended 30 June 2015

B11 Audit Report For The Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 31 March 2015 was not qualified.

B12 Notes to the Statement of Comprehensive Income

	3 months ended
	30.06.15
	RM
The comprehensive income is arrived at after charging/(crediting) the following:	
Interest income	(436,855)
Interest expense	779,977
Inventories written down	-
Reversal of inventories previously written down	-
Gain or loss on disposal of quoted or unquoted investments or properties	-
Impairment of assets	-
Foreign exchange gain or loss	-
Gain or loss on derivatives	NA
Exceptional items	-

B13 Retained Earnings

The following analysis of realised and unrealised retained earnings is prepared in accordance with the guidance issued by the Malaysian Institute of Accountants in the prescribed format by Bursa Malaysia Securities Berhad.

	As at 30.06.2015 RM	**As at 31.3.2015 RM**
Total retained earnings of the Company and its subsidiaries		
- Realised	86,017,557	81,082,170
- Unrealised	2,523,454	2,523,454
	88,541,011	83,605,624
Less: Consolidation adjustments	(44,253,407)	(34,872,097)
Total retained earnings as per consolidation accounts	44,287,604	48,733,527

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

Registered Office:

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

Date : 22 SEP 2015

To : The shareholders of ELK-Desa Resources Berhad ("ELK-Desa" or the "Company")

Dear Sir/Madam,

On behalf of the Board of Directors of ELK-Desa ("Board"), I wish to report that, after making due enquiries in relation to the interval between 31 March 2015, being the date to which the last audited consolidated financial statements of the Company and its subsidiaries company ("Group") have been made up, and up to the date of this letter, being a date no earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus ("AP"):

(i) in the opinion of the Board, the business of the Group has been satisfactorily maintained;

(ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) Save and except as disclosed in Section 10.3 of this AP, there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by any company within the Group;

(v) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/ or principal sums in relation to any borrowings in the Group since the last audited consolidated financial statements of the Group; and

(vi) save as disclosed in this AP, there has been no material changes in the published reserves or any unusual factor affecting the profits of the Group since the last audited consolidated financial statements of the Group.

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

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

FURTHER INFORMATION

1. SHARE CAPITAL

(i) Save for the Rights Shares pursuant to the Rights Issue, no securities in our Company will be issued or allotted on the basis of this AP later than twelve (12) months after the date of this AP.

(ii) As at the date of this AP, there is no founder, management or deferred shares in our Company. There is only one (1) class of shares, namely ordinary shares of RM1.00 each in our Company.

(iii) The Rights Shares will be subject to all provisions of the Memorandum and Articles of Association of the Company.

All the Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the existing ELK-Desa Shares, except that the respective registered holders of the Rights Shares will not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid prior to the allotment and issue of the Rights Shares.

(iv) The names, addresses and professions of our Board are set out under the section on Corporate Directory of this AP.

(v) Save for the Rights Shares to be issued pursuant to the Rights Issue to our Entitled Shareholders, no person has been or is entitled to be granted an option to subscribe for any securities of our Company.

(vi) Save for the ICULS which are convertible into ELK-Desa Shares from 15 April 2016 onwards, no securities of our Company have been issued or agreed to be issued as fully or partly paid-up in cash or otherwise than in cash within the two (2) years preceding the date of this AP.

2. REMUNERATION OF DIRECTORS

The provisions in our Company's Articles of Association in respect of the remuneration of our Directors are as follows:

Article	Provision
108.	The fees of the Directors shall be such fixed sum as shall from time to time be determined by ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that: (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover; (b) salaries and other emoluments payable to executive Directors pursuant to a contract service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover; (c) fees payable to Directors shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting; (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article	Provision
109.	The salary of any executive Director for his services shall be determined by the Directors and may be of any description but such salary may not include a commission on or percentage of turnover.
110.	The Directors shall be entitled to be reimbursed for all travelling, hotel or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committees established by the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors. The Directors shall also be entitled to receive any meeting allowances or fees for attending any Board's or committees' meetings, and such meeting allowances or fees shall be determined by the Directors and be by way of a fixed sum.
111.	If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him a fixed sum, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged provided that the special remuneration payable to: (a) executive Directors shall not include a commission on or a percentage of turnover; and (b) non-executive Directors shall not include a commission on or percentage of profits or turnover.

3. MATERIAL CONTRACTS

Save as disclosed below, neither we nor our subsidiaries has entered into any other material contract (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business of our Company or our subsidiaries during the two (2) years immediately preceding the date of this AP:

(i) the Underwriting Agreement dated 4 September 2015 between ELK-Desa, MIDF Investment and JF Apex in relation to the underwriting of 40,670,658 remaining Rights Shares to be issued pursuant to the Rights Issue which are not subject to the Undertakings at the commission rate of 1.00% of the value of the Underwritten Portion (being the Underwritten Portion multiplied by the issue price of RM1.20 per Rights Share) payable to the Underwriters respectively and an arranger fee of 0.25% of the value of the Underwritten Portion (being the Underwritten Portion multiplied by the issue price of RM1.20 per Rights Share) payable to the Managing Underwriter;

(ii) the Sale and Purchase Agreement dated 13 November 2014 between Eng Lee Kredit (as vendor) and ELK-Desa Capital Sdn Bhd (as purchaser) for the acquisition by ELK-Desa Capital Sdn Bhd of two (2) freehold adjoining intermediate and corner four (4) storey terrace shop offices bearing postal address of Nos. 56 and 58, Lorong Tapah, Off Jalan Goh Hock Huat, 41400 Klang, Selangor Darul Ehsan for a cash consideration of RM3.80 million which has been completed on 13 February 2015; and

(iii) the Trust Deed dated 28 February 2014 between ELK-Desa and the Trustee whereby the Trustee has agreed to act as the trustee for the benefit of the holders of the ICULS.

4. MATERIAL LITIGATION

Neither we nor our subsidiaries are engaged in any material litigation, claim and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Group and there are no proceedings, pending or threatened against us or any of our subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position and business of the Company or any of our subsidiaries during the two (2) years immediately preceding the date of this AP.

5. GENERAL

(i) The total expenses of or in connection with the Rights Issue including professional fees, fees payable to the relevant authorities, registration and other incidental expenses is estimated to be approximately RM1,800,000 which will be borne by our Company;

(ii) None of our Directors has any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within one (1) year from the date of this AP;

(iii) Save as disclosed in this AP, the financial condition and operations of our Group are not affected by any of the following:

(a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;

(b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source of funding;

(c) unusual, infrequent events or transactions or significant economic changes which materially affected the amount of reported income from our operations and the extent to which income was so affected;

(d) known trends or uncertainties which have had, or that our Group reasonably expects will have, a material favourable or unfavourable impact on revenues or operating income; and

(e) material information, including all special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

6. CONSENTS

(i) Our Principal Adviser, Share Registrar, Principal Bankers, Underwriters and Solicitors have given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto, as the case may be, in the form and manner in which they so appear in this AP.

(ii) Our Auditors and Reporting Accountants, have given and have not subsequently withdrawn their written consents to the inclusion of their names in this AP, the Reporting Accountants' letter in relation to our pro forma consolidated statements of financial position of the Group as at 31 March 2015 and the Auditors' Report on our audited consolidated financial statements of the Group for the FYE 31 March 2015, and all references thereto, in the form and manner in which they so appear in this AP.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy each of the following documents are available for inspection during normal business hours at the registered office of our Company at 15-17, Jalan Brunei Utara, Off Jalan Pudu, 55100 Kuala Lumpur from Mondays to Fridays (except public holidays) during normal business hours for a period of twelve (12) months from the date of this AP:

(i) the Memorandum and Articles of Association of ELK-Desa;

(ii) the audited financial statements of the ELK-Desa Group for the past three (3) FYE 31 March 2013, FYE 31 March 2014 and FYE 31 March 2015 and the latest unaudited quarterly report of ELK-Desa Group for the three (3)-month FPE 30 June 2015;

(iii) the pro forma consolidated statements of financial position of our Group as at 31 March 2015 together with the Reporting Accountants' letter;

(iv) the Directors' Report as set out in Appendix VI of this AP;

(v) the Undertakings referred to in Section 9 of this AP;

(vi) the Underwriting Agreement referred to in Section 9 of this AP;

(vii) the material contracts referred to in Section 3 of Appendix VII of this AP; and

(viii) the letters of consent referred to in Section 6 of Appendix VII of this AP.

8. RESPONSIBILITY STATEMENT

Our Directors have seen and approved this AP, together with the accompanying NPA and the RSF. 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 this AP and the accompanying NPA and the RSF false or misleading.

MIDF Investment, being the Principal Adviser for the Rights Issue, 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.

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