Unless otherwise stated, all terms and abbreviations used herein will 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 STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER 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, which is the subject of this AP, should be addressed to our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The Documents are only despatched to our Entitled Shareholders whose names appear on 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 8 August 2017. 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 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 to ensure that the Rights Issue and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue to which this AP relates is only available to persons receiving the Documents 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. It will be the sole responsibility of the Entitled Shareholders and/or their renouncee(s)/transferee(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 their entitlement to the Rights Issue would result in the contravention of any laws of such countries or jurisdictions. Such shareholders should note the additional terms and restrictions as set out in Section 10.7 of this AP. Neither the Company, Mercury Securities nor any other advisers to the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale/renunciation (as the case may be) of the provisional allotment of the Rights Shares made by our Entitled Shareholders and/or their renouncee(s)/transferee(s) is or will become illegal, unenforceable, voidable or void in any country or jurisdiction in which our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) is a resident.

A copy of this AP has been registered with the SC. The registration of this 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 this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of each 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 22 June 2017. Approval has been obtained from Bursa Securities via its letter dated 17 January 2017 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 Account(s) of the successful Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Bursa Securities does not take any responsibility for the correctness of statements made or opinions expressed in this AP.

Our Board has seen and approved all the documentation relating to the Rights Issue. They collectively and individually 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.

Mercury Securities, being our 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.

PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER.

ELK-DESA®

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

RENOUNCEABLE RIGHTS ISSUE OF UP TO 51,589,369 NEW ORDINARY SHARES IN ELK-DESA RESOURCES BERHAD AT AN ISSUE PRICE OF RM1.16 PER RIGHTS SHARE ON THE BASIS OF ONE (1) NEW ORDINARY SHARE FOR EVERY FIVE (5) EXISTING ORDINARY SHARES IN ELK-DESA RESOURCES BERHAD HELD AS AT 5.00 P.M. ON 8 AUGUST 2017

Principal Adviser

Mercury Securities Sdn Bhd (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME

Entitlement Date	:	Tuesday, 8 August 2017 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of rights	:	Tuesday, 15 August 2017 at 5.00 p.m.
Transfer of provisional allotment of rights	:	Friday, 18 August 2017 at 4.00 p.m.
Acceptance and payment	:	Wednesday, 23 August 2017 at 5.00 p.m.
Excess Rights Share application and payment	:	Wednesday, 23 August 2017 at 5.00 p.m.

This Abridged Prospectus is dated 8 August 2017

ALL TERMS USED HEREIN ARE AS DEFINED IN THE "DEFINITIONS" SECTION OF THIS ABRIDGED PROSPECTUS UNLESS STATED OTHERWISE.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, 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 ABRIDGED PROSPECTUS.

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

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS 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.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout the Documents .

Act	:	Companies Act, 2016
Additional Irrevocable Undertakings	:	Additional irrevocable written undertakings by the Undertaking Shareholders not to convert or in any way dispose any of their existing ICULS prior to the completion of the Rights Issue
Amity Corporation	:	Amity Corporation Sdn Bhd (74000-D)
AP	:	This Abridged Prospectus dated 8 August 2017
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)	:	Securities account(s) established by Bursa Depository for a depositor pursuant to SICDA and the Rules of Bursa Depository for the recording of deposits and dealings in such securities by the depositor
CMSA	:	Capital Markets and Services Act, 2007
Corporate Exercises	:	The Rights Issue and Exemption, collectively
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
EGM	:	Extraordinary general meeting
ELK-Desa or Company	:	ELK-Desa Resources Berhad (180164-X)
ELK-Desa Group or Group	:	ELK-Desa and its subsidiaries, collectively
ELK-Desa Share(s) or Share(s)	:	Ordinary shares in ELK-Desa
ELK Group	:	ELK Group Sdn Bhd (105628-K)
Eng Lee Kredit	:	Eng Lee Kredit Sdn Bhd (10458-A)
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	:	At 5.00 p.m. on Tuesday, 8 August 2017, being the time and date on which our Entitled Shareholders must be registered in the Record of Depositors of ELK-Desa 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)/transferee(s), if applicable, prior to the Excess Rights Shares Application
Excess Rights Shares Application(s)	:	Application(s) for additional Rights Shares in excess of an Entitled Shareholder's entitlement under the Rights Issue as set out in Section 10.4 of this AP.
Exemption	:	Exemption under Paragraph 4.08(1)(b) of the Rules to THC and his PACs from the obligation to undertake a mandatory take-over offer under Paragraph 4.01(a) of the Rules to acquire the remaining ELK-Desa Shares not held by them upon completion of the Rights Issue
Foreign Addressed Shareholder(s)	:	Shareholder(s) of ELK-Desa who have not provided the company with an address in Malaysia for the service of documents to be issued for purposes of the Rights Issue by the Entitlement Date
FYE	:	Financial year ended/ending
HP	:	Hire Purchase
HP Act	:	Hire-Purchase Act, 1967
ICULS	:	ELK-Desa's existing irredeemable convertible unsecured loan stock 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 undertakings by the Undertaking Shareholders to: (i) subscribe in full, their respective entitled Rights Shares under the Rights Issue; and (ii) to subscribe by way of excess Rights Shares application for all the remaining Rights Shares not being their entitlements.
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	17 July 2017, being the latest practicable date prior to the issuance of this AP
Market Day(s)	:	Any day(s) from Mondays to Fridays (inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
Maximum Scenario	:	Assuming all the outstanding ICULS are converted save for the 13,686,662 ICULS held by the Undertaking Shareholders as at LPD, and all the Treasury Shares are resold on Bursa Securities prior and up to the Entitlement Date
Mercury Securities or Principal Adviser	:	Mercury Securities Sdn Bhd (113193-W)
Minimum Scenario	:	Assuming none of the outstanding ICULS are converted and all the Treasury Shares are retained within the Company as at the Entitlement Date
NA	:	Net assets

NPA	:	Notice of Provisional Allotment in relation to the Rights Issue
PACs	:	Persons acting in concert with THC under the Rules, namely Zhongxin Resources, Eng Lee Kredit, ELK Group, Mr. Teoh Seng Hui, Mr. Teoh Seng Hee and Mr. Teoh Seng Kar
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Record of Depositors	:	A record of securities holders established and maintained by Bursa Depository under the Rules of Bursa Depository
Reporting Accountants	:	Messrs BDO (AF 0206)
Rights Issue	:	Renounceable rights issue of up to 51,589,369 Rights Shares on the basis of one (1) Rights Share for every five (5) existing ELK-Desa Shares held on the Entitlement Date
Rights Share(s)	:	Up to 51,589,369 new ordinary shares in ELK-Desa to be issued pursuant to the Rights Issue
RM and sen	:	Ringgit Malaysia and sen, respectively
RSF	:	Rights Subscription Form in relation to the Rights Issue
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
Rules of Bursa Depository	:	Rules of the Bursa Depository as issued pursuant to the SICDA
SC	:	Securities Commission Malaysia
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
SICDA	:	Securities Industry (Central Depositories) Act, 1991
TERP	:	Theoretical ex-rights price of ELK-Desa Shares
THC	:	Mr. Teoh Hock Chai @ Tew Hock Chai
Treasury Shares	:	12,830,000 ELK-Desa Shares held in ELK-Desa as treasury shares as at the LPD
Trust Deed	:	The document constituting the ICULS executed between ELK-Desa and Malaysian Trustees Berhad dated 28 February 2014
Undertaking Shareholders	:	THC, Eng Lee Kredit and ELK Group, collectively
VWAMP	:	Volume weighted average market price
Zhongxin Resources	:	Zhongxin Resources Sdn Bhd (93520-D)

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

Words incorporating the singular shall, where applicable, include the plural and vice versa, and words denoting 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 to any enactment or guideline in this AP is a reference to that enactment or guideline as for the time being amended, modified or re-enacted. Any reference to a time of day in this AP shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables between the amount listed and the totals thereof are due to rounding.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

TABLE OF CONTENTS ***(Cont'd)***

APPENDICES

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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 Darul Ehsan	Malaysian	Chairman
Teoh Seng Hui *(Group Executive Director)*	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor Darul Ehsan	Malaysian	Group Executive Director
Teoh Seng Hee *(Executive Director / Chief Financial Officer)*	No. 25, Jalan Bukit Seputeh 3 Seputeh Heights 58000 Kuala Lumpur	Malaysian	Executive Director / Chief Financial Officer
Teoh Seng Kar *(Non-Independent Non-Executive Director)*	No. 25, Jalan Bukit Seputeh 3 Seputeh Heights 58000 Kuala Lumpur	Malaysian	Company Director
Lim Keng Chin *(Non-Independent Non-Executive Director)*	No. 44, Jalan SS20/4 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	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 & Issuing House Services Sdn Bhd (Company No. 11324-H) 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 2970
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

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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	:	Mercury Securities Sdn Bhd (113193-W) L-7-2, No.2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel: 603-2173 8888 Fax: 603-2173 8277
STOCK EXCHANGE LISTING	:	Main Market of Bursa Securities

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

ELK-DESA®

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

8 August 2017

Board of Directors

Teoh Hock Chai @ Tew Hock Chai *(Non-Independent Non-Executive Chairman)*
Teoh Seng Hui *(Group Executive Director)*
Teoh Seng Hee *(Executive Director / Chief Financial Officer)*
Teoh Seng Kar *(Non-Independent Non-Executive Director)*
Lim Keng Chin *(Non-Independent Non-Executive Director)*
Ng Soon Lai @ Ng Siek Chuan *(Independent Non-Executive Director)*
Loong Foo Ching *(Independent Non-Executive Director)*
Yee Kin Lan *(Independent Non-Executive Director)*
Toh Jyh Wei *(Independent Non-Executive Director)*

To: Our Entitled Shareholders

Dear Shareholders,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 51,589,369 ELK-DESA SHARES AT AN ISSUE PRICE OF RM1.16 PER RIGHTS SHARE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING ELK-DESA SHARES HELD AS AT 5.00 P.M. ON 8 AUGUST 2017

---

1. INTRODUCTION

On 11 November 2016, Mercury Securities, on behalf of our Board, announced that our Company proposed to undertake the Corporate Exercises.

On 18 January 2017, Mercury Securities, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 17 January 2017, approved the listing of and quotation for up to 51,589,369 Rights Shares on the Main Market of Bursa Securities, subject to the following conditions:

	Conditions imposed	Status of compliance
(i)	ELK-Desa and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Corporate Exercises	Noted
(ii)	ELK-Desa and Mercury Securities to inform Bursa Securities upon the completion of the Corporate Exercises	To be complied
(iii)	To incorporate the comments made in the circular to shareholders provided in the attachment of Bursa Securities' letter of approval	Complied
(iv)	ELK-Desa to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Corporate Exercises are completed	To be complied
(v)	Additional listing fee payable together with a copy of the details of the computation of the amount of listing fees payable (where applicable);	Complied

Conditions imposed	Status of compliance
(vi) Certified true copy of the resolution passed by the shareholders in general meeting approving the Corporate Exercises (where applicable)	Complied

On 22 June 2017, our shareholders had approved the Corporate Exercises at our EGM held on the same day. A certified true extract of the resolutions pertaining to the Corporate Exercises passed by our shareholders at the said EGM is set out in Appendix I of this AP.

On 7 July 2017, Mercury Securities had, on behalf of our Board, announced that the SC had, vide its letter of the same date, approved the Exemption.

On 25 July 2017, Mercury Securities had, on behalf of our Board, announced that the Entitlement Date has been fixed on 8 August 2017 at 5.00 p.m. and 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 Account(s) of our Entitled Shareholders and/or their renouncee(s)/transferee(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 the Corporate Exercises. If given or made, such information or representation must not be relied upon as having been authorised by us or Mercury Securities.

IF YOU ARE IN ANY DOUBT AS TO ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Rights Issue

In accordance with the terms of the Rights Issue as approved by the relevant authorities and our shareholders at our EGM held on 22 June 2017, and subject to the terms of the Documents, our company will provisionally allot up to 51,589,369 Rights Shares at an issue price of RM1.16 per Rights Share on the basis of one (1) Rights Share for every five (5) existing ELK-Desa Shares held on the Entitlement Date.

As at the LPD, the issued share capital of ELK-Desa is RM245,644,485 comprising 245,260,541 ELK-Desa Shares, of which 12,830,000 ELK-Desa Shares are held as Treasury Shares. In addition, the Company has 28,656,499 outstanding ICULS of RM28,656,499 in nominal value as at LPD which were issued on 15 April 2014. Based on the Trust Deed for the ICULS, the conversion period for the ICULS commenced on 15 April 2016 being the second (2^{nd}) 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 (8^{th}) anniversary of the date of the issuance of the ICULS.

The actual number of Rights Shares to be issued pursuant to the Rights Issue will be determined based on the total number of issued shares of ELK-Desa as at the Entitlement Date, taking into consideration any new ELK-Desa Shares that may be issued pursuant to any conversion of the ICULS save for the 13,686,662 ICULS held by the Undertaking Shareholders as well as the treatment of the Treasury Shares prior to the Entitlement Date i.e. whether the Treasury Shares should continue to be retained within the Company or should be cancelled or resold on Bursa Securities.

For illustrative purpose, assuming none of the outstanding ICULS are converted and all the Treasury Shares are retained within the Company as at the Entitlement Date, the number of Rights Shares to be issued pursuant to the Rights Issue is 46,486,108 ELK-Desa Shares.

Alternatively, assuming all the outstanding ICULS are converted save for the 13,686,662 ICULS held by the Undertaking Shareholders as at LPD, and all the Treasury Shares are resold on Bursa Securities prior and up to the Entitlement Date, the number of Rights Shares to be issued pursuant to the Rights Issue is up to 51,589,369 ELK-Desa Shares.

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

Fractional entitlements arising from the Rights Issue, if any, 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.

Our Entitled Shareholders may subscribe for and/or renounce their respective entitlements of the Rights Shares in full or in part 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 not allotted for any reason whatsoever, shall be first offered to the other Entitled Shareholders and/or their renouncee(s)/transferee(s) under the Excess Rights Shares Application(s), and if undersubscribed, will be subscribed by the Undertaking Shareholders. It is the intention of our Board to allocate the Excess Rights Shares in a fair and equitable manner on a basis as set out in Section 10.4 of this AP. For the avoidance of doubt, the Undertaking Shareholders will rank last, after all other Entitled Shareholders, in the allocation of the Excess Rights Shares.

As the Rights Shares are prescribed securities, the respective CDS Account(s) 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 Account(s) 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.

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 will be credited directly into the respective CDS Account(s) of the successful applicants who have subscribed for such Rights Shares. No physical share certificates will be issued.

We will despatch the notice of allotment to the successful applicants 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.

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

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 RM1.16 per Rights Share after taking into consideration of the following:

(i) the TERP of RM1.16 based on the five (5)-day VWAMP of the ELK-Desa Shares up to and including 9 November 2016, being the last Market Day prior to our Board's approval of the Corporate Exercises on 10 November 2016;

(ii) the NA per share of ELK-Desa of RM1.84 as at 31 March 2016 and the pro forma NA per share of ELK-Desa of RM1.29 assuming full conversion of all the outstanding ICULS into ELK-Desa Shares as at FYE 31 March 2016; and

(iii) the funding requirements of ELK-Desa.

The issue price of RM1.16 per Rights Share represents:

(i) the TERP of RM1.16 based on the five (5)-day VWAMP of ELK-Desa Shares up to and including 9 November 2016 of RM1.16, being the Market Day prior to our Board's approval of the Corporate Exercises on 10 November 2016; and

(ii) a discount of approximately 10.08% to the pro forma NA per share of ELK-Desa of RM1.29, assuming full conversion of the outstanding ICULS into ELK-Desa Shares as at FYE 31 March 2016.

For information purposes, the issue price of RM1.16 per Rights Share also represents:

(i) a discount of approximately 6.45% to the five (5)-day VWAMP of ELK-Desa Shares up to and including the LPD of RM1.24; and

(ii) a discount of approximately 11.45% to the pro forma NA per share of ELK-Desa of RM1.31, assuming full conversion of the outstanding ICULS into ELK-Desa Shares as at FYE 31 March 2017.

2.3 Ranking of the Rights Shares

All the Rights Shares will, upon allotment and issuance, 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, the entitlement date of which is prior to the allotment and issuance of the Rights Shares.

2.4 Details of other corporate exercises

As at the LPD, save for the Corporate Exercises, the Board confirms that there are no other outstanding corporate exercises which have been approved by the relevant regulatory authorities and are pending completion.

3. SHAREHOLDERS' UNDERTAKINGS

3.1 Irrevocable Undertakings

The Rights Issue is intended to be undertaken on a full subscription basis.

Pursuant thereto, we have procured the Irrevocable Undertakings from the Undertaking Shareholders, details as follows:

Minimum Scenario

Undertaking Shareholders	No. of Shares directly held as at LPD		No. of Rights Shares as per entitlement		No. of excess Rights Shares to be subscribed[(3)(4)]	
	('000)	%[(1)]	('000)	%[(2)]	('000)	%[(2)]
THC	4,846	2.085	969	2.085	-	-
Eng Lee Kredit	61,800	26.589	12,360	26.589	26,760	57.565
ELK Group	3,500	1.506	700	1.506	5,697	12.255
Total	**70,146**	**30.180**	**14,029**	**30.180**	**32,457**	**69.820**

Notes:

(1) *Based on the total number of issued shares (excluding Treasury Shares) of ELK-Desa as at the LPD.*

(2) *Based on the total number of Rights Shares issued under the Minimum Scenario.*

(3) *Assuming none of the Entitled Shareholders, save for the Undertaking Shareholders, subscribe for their entitlements under the Rights Issue.*

(4) *The excess Rights Shares shall be first allocated to Eng Lee Kredit, who has undertaken to subscribe for up to 26,760,113 excess Rights Shares pursuant to the Irrevocable Undertakings. Any remaining excess Rights Shares shall be allocated to ELK Group, who has undertaken to subscribe for up to 10,800,000 excess Rights Shares pursuant to the Irrevocable Undertakings.*

Maximum Scenario

Undertaking Shareholders	No. of Shares directly held as at LPD ('000)	%(1)	No. of Rights Shares as per entitlement ('000)	% (2)	No. of excess Rights Shares to be subscribed(3)(4) ('000)	% (2)
THC	4,846	2.085	969	1.879	-	-
Eng Lee Kredit	61,800	26.589	12,360	23.958	26,760	51.871
ELK Group	3,500	1.506	700	1.357	10,800	20.935
Total	**70,146**	**30.180**	**14,029**	**27.194**	**37,560**	**72.806**

Notes:

(1) *Based on the total number of issued shares (excluding Treasury Shares) of ELK-Desa as at the LPD.*

(2) *Based on the total number of Rights Shares issued under the Maximum Scenario.*

(3) *Assuming none of the Entitled Shareholders, save for the Undertaking Shareholders, subscribe for their entitlements under the Rights Issue.*

(4) *The excess Rights Shares shall be first allocated to Eng Lee Kredit, who has undertaken to subscribe for up to 26,760,113 excess Rights Shares pursuant to the Irrevocable Undertakings. Any remaining excess Rights Shares shall be allocated to ELK Group, who has undertaken to subscribe for up to 10,800,000 excess Rights Shares pursuant to the Irrevocable Undertakings.*

For the avoidance of doubt, the Undertaking Shareholders will rank last, after all other Entitled Shareholders, in the allocation of the Excess Rights Shares. 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) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to our Entitled Shareholders (other than the Undertaking Shareholders) who have applied for Excess Rights Shares, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company as at the Entitlement Date;

(iii) thirdly, for allocation to our Entitled Shareholders (other than the Undertaking Shareholders) who have applied for Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess application; and

(iv) fourthly, for allocation to renouncee(s)/transferee(s) (other than the Undertaking Shareholders) who have applied for Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess application.

In the event of any balance of Excess Rights Shares after the above sequence of allocation, the balance will be allocated through the same sequence of processes (ii) to (iv) until all the Excess Rights Shares applied for are allocated.

In the event that there are still undersubscribed Rights Shares after allocating all the Excess Rights Shares applied for, the remaining Rights Shares will be subscribed by the Undertaking Shareholders.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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 interests of the 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 item (i) to item (iv) above 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.

As the Irrevocable Undertakings will ensure that full subscription of the Rights Shares is achieved, no underwriting arrangement will be made for 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 and excess application under the Rights Issue. As the Principal Adviser to ELK-Desa in respect of the Corporate Exercises, Mercury Securities has verified that the Undertaking Shareholders have sufficient financial resources to fulfill their commitments pursuant to the Irrevocable Undertakings.

3.2 Additional Irrevocable Undertakings

Apart from the Irrevocable Undertakings, the Undertaking Shareholders have also provided Additional Irrevocable Undertakings to us, under which each of them has undertaken not to convert or in any way dispose any of their existing ICULS prior to the completion of the Rights Issue. As at the LPD, the ICULS holdings of the Undertaking Shareholders are as follows:

Undertaking Shareholders	Direct		Indirect	
	No. of ICULS	%(1)	No. of ICULS	%(1)
THC	-	-	13,686,662(2)	47.761
Eng Lee Kredit	8,966,662	31.290	-	-
ELK Group	4,720,000	16.471	-	-

Notes:

(1) *Based on the total outstanding ICULS as at LPD.*

(2) *Deemed interested by virtue of his interest in Eng Lee Kredit and ELK Group pursuant to Section 8 of the Act.*

3.3 Implication of the Rules

As at the LPD, THC and his PACs collectively hold 70,358,579 ELK-Desa Shares, representing approximately 30.27% of the total issued share capital of ELK-Desa.

Premised on the Irrevocable Undertakings, the Undertaking Shareholders would be obliged to subscribe for all the remaining excess Rights Shares not subscribed by the other Entitled Shareholders under the Rights Issue. In the event that no other Entitled Shareholders, save for the Undertaking Shareholders, subscribe for their entitlements under the Rights Issue, the collective shareholdings of THC and his PACs in ELK-Desa could potentially increase from 30.27% to 41.89% and 39.40% respectively under the Minimum Scenario and Maximum Scenario. Further, the shareholdings of Eng Lee Kredit in ELK-Desa could potentially increase from 26.59% to 36.18% under the Minimum Scenario.

As at the LPD, the public shareholding spread of the ELK-Desa is 60.78%. Assuming that all Entitled Shareholders subscribe for their entitlements under the Rights Issue, the Company's public shareholding spread is expected to maintain at 60.78%. However, assuming that no other Entitled Shareholders, save for the Undertaking Shareholders subscribe for their entitlements under the Rights Issue, the Company's public shareholding spread will decrease to 50.65% and 46.12% respectively under the Minimum Scenario and the Maximum Scenario.

In view of the above, in the event of undersubscription of the Rights Shares under the Rights Issue, THC and his PACs may be obliged to undertake the Mandatory Offer pursuant to Paragraph 4.01(a) of the Rules to acquire the remaining ELK-Desa Shares not held by them. In relation to the above, the non-interested shareholders had approved the Exemption at the EGM held on 22 June 2017 and the SC had on 7 July 2017, vide its letter on the same day, approved the Exemption.

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 the 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 us to raise funds to finance our hire purchase business without incurring interest cost as compared to bank borrowings and private debt securities;

(iii) the Rights Issue will enable us to strengthen our financial position with enhanced shareholders' funds and reduced gearing level; and

(iv) the Rights Issue will enable us to improve the liquidity and marketability of our Shares arising from the strengthened capital base.

5. UTILISATION OF PROCEEDS

Based on the issue price of RM1.16 per Rights Share, the Rights Issue is expected to raise gross proceeds of up to approximately RM59.84 million, which is intended to be utilised as follows:

Proposed Utilisation	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Estimated Timeframe of Utilisation
Hire purchase disbursements [(1)]	52,324	58,244	Within twelve (12) months
Defraying estimated expenses relating to the Corporate Exercises [(2)]	1,600	1,600	Within six (6) months
Total	**53,924**	**59,844**	

Notes:

(1) The allocated amount will be utilised for the purpose of the hire purchase disbursements by ELK-Desa Capital Sdn Bhd, a wholly-owned subsidiary of ELK-Desa. ELK-Desa Capital Sdn Bhd is principally involved in the provision of hire-purchase financing for used motor vehicles. Hire purchase disbursements are disbursed to used car dealers when hirers obtain HP financing from the company. The additional funds will enable the Group to grant more hire purchase financing to a higher number of prospective hirers.

For information purposes, the hire purchase segment contributed 69.25% and 98.80% of our Group's revenue and profit before tax respectively for the FYE 31 March 2017, as illustrated in the table below:

FYE 2017	Hire Purchase Financing		Furniture		Total	
	(RM'000)	%	(RM'000)	%	(RM'000)	%
Total Revenue	65,435	69.25	29,062	30.75	94,497	100
PBT	30,200	98.80	367	1.20	30,567	100

The Group believes that the expansion of its hire purchase portfolio and the broadening of its hirers are keys to generate more hire purchase interest income which can help to propel the Group's growth to a higher level in the long term.

(2) The estimated expenses of approximately RM1.6 million include professional fees and any other fees payable in connection with the Corporate Exercises to the relevant authorities, details as follows:

Purpose	Amount (RM'000)
Professional fees	880
Fees payable in connection with the Corporate Exercises to the authorities	90
Printing expenses	200
Other incidental charges in connection with the Corporate Exercises*	430
Total	**1,600**

Note:

* Other incidental charges or related expenses in connection with the Corporate Exercises, including despatch fees and funds reserved for contingencies purposes.

Any surplus or shortfall of funds for the payment of actual expenses in relation to the Corporate Exercises will be adjusted accordingly from the proceeds to be utilised for hire purchase disbursements.

6. RISK FACTORS

You and/or your renouncee(s)/transferee(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 relating to the 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 namely used car dealers 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.

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 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. As at 31 March 2017, our Group's total assets is RM382.29 million, of which RM338.23 million consists of hire-purchase receivables, representing approximately 88.47% of our Group's total assets. The total impairment allowance for the hire-purchase financing segment of the Group is RM20.12 million for the FYE 31 March 2017.

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. 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.

6.1.4 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.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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.

6.1.5 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 Risks relating to our operation and business

6.2.1 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 robust backup systems via on-site, off-site and off-line independent back-up components. Secondly, redundancy infrastructure is being implemented to reduce potential down-time for key information systems, caused by hardware or software failures. 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.

6.2.2 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.

6.2.3 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.

6.3 Risks relating to the Rights Issue

6.3.1 Investment risks

The market price of our Shares will be influenced by, amongst others, prevailing market sentiments, volatility of the stock market, the liquidity of our 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 RM1.16 per Rights Share was arrived at, after taking into consideration, amongst others, the TERP of RM1.16 based on the five (5)-day VWAMP of ELK-Desa Shares up to and including 9 November 2016 of RM1.16, being the last Market Day prior to our Board's approval of the Corporate Exercises on 10 November 2016.

Notwithstanding that, there is no assurance that the Rights Shares will trade above the issue price of the Rights Shares or the TERP that meet 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, and

(ii) the Undertaking Shareholders, who have provided the Irrevocable Undertaking as set out in Section 3 of this AP, do not fulfill or are not able to fulfill their obligations.

In the event of failure in the completion of the Rights Issue, all application monies received pursuant to the Rights Issue will be refunded without interest to our Entitled Shareholders and/or their renouncee(s) /transferees(s) (if applicable) who have subscribed for the Rights Shares in accordance with Section 243(2) of the CMSA. If such application monies are not refunded within fourteen (14) days after our Company becomes liable to repay, our Company will repay such application monies with an interest rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

Notwithstanding the above, we will exercise our best endeavors 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 but the Rights Shares have been validly allotted to the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), a return of monies to the Entitled Shareholders and/or their renouncee(s)/transferee(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 the Company's 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, or alternatively, the approval of the Company's shareholders by way of a special resolution in a general meeting supported by a solvency statement signed by each of the Company's directors in accordance with the Act. 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 Board and management, and although believed to be reasonable as at the LPD, are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

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 Principal Adviser that the plans and objectives of our Group will be achieved.

7. INDUSTRY OVERVIEW AND OUTLOOK

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 5.6% during the first quarter of 2017 (Q1 2016: 4.1%) mainly supported by higher domestic demand. On the supply side, the growth was broad-based with all sectors registering positive growth.

Domestic demand expanded at a faster pace of 7.7% (Q1 2016: 3.4%) driven mainly by stronger private sector expenditure. Private consumption increased 6.6% (Q1 2016: 5.2%) supported by stable employment conditions and sustained wage growth, continuation of Bantuan Rakyat 1 Malaysia, cash assistance of RM500 to civil servants as well as higher dividend paid out by major unit trusts. Income in the rural areas also experienced strong growth, with rubber and palm oil prices increasing by 92% and 53.3%, respectively.

Major consumption indicators reflected the strong trend in household spending. Among others, sales of passenger cars grew 8.9%, sales of food (8.7%) and consumption credit disbursed (6.1%). Key segments which contributed to the higher growth in private consumption were food & non-alcoholic beverages and communication. Meanwhile, public consumption surged 7.5% (Q1 2016: 2.7%) largely due to higher expenditure on supplies and services, especially to further improve health and education services.

Gross fixed capital formation registered a double-digit growth of 10% (Q1 2016: 0.1%), with private investment accelerating by 12.9% (Q1 2016: 2.1%). The expansion in investment activities was reflected in key investment indicators. Imports of capital goods and intermediate goods recorded a strong growth of 42% and 27.8%, respectively. Meanwhile, production of iron and steel advanced by 11.6% and loans disbursed to businesses were higher by 9.2%. In terms of sector, overall investment performance continued to be supported by the implementation of new and ongoing projects in the manufacturing and services sectors such as electronics and electrical (E&E) and O&G-related industries as well as transport segment. Public investment rebounded 3.2% (Q1 2016: -4.4%) mainly attributed to capital spending by public corporations and continued Government's expenditure on transportation infrastructure, especially highways. By type of assets, total investment was driven mainly by robust spending on machinery and equipment, which grew 21.8% (Q1 2016: -7%) amid a moderate growth in structures investment.

(Source: Ministry of Finance Malaysia, Quarterly Update on the Malaysian Economy – First Quarter 2017)

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4% - 4.5%) with nominal gross national income per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported by pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2% - 2.5%). Meanwhile, public sector expenditure will be driven mainly by higher capital investment by public corporations.

(Source: Ministry of Finance Malaysia, Economic Report 2016 / 2017)

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 the 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 2016, the household loan disbursed for the purchase of passenger cars decreased by 12.21% to RM40.66 billion as compared to year 2015. The total outstanding hire purchase loans granted for the purchase of passenger cars stood at RM155.63 billion as at December 2016, which is approximately 0.45% decrease from RM156.33 billion as at December 2015.

However, for the second half of 2016, the household loan disbursed for the purchase of passenger cars shows an improvement on a quarterly basis. At RM10.33 billion, the household loan disbursed for the purchase of passenger cars in the fourth (4th) quarter of 2016 has increased by 4.88% and 4.71%, respectively as compared to the first (1st) and second (2nd) quarter of 2016. The household loan disbursed for the purchase of passenger cars in the third (3rd) quarter of 2016 has increased by 7.85% and 7.68%, respectively as compared to the first (1st) and second (2nd) quarter of 2016.

The household loan disbursed for the purchase of passenger cars further improved in the first (1st) quarter of 2017. At RM10.71 billion, the household loan disbursed for the purchase of passenger cars increased by 3.72% as compared to the fourth (4th) quarter of 2016. As at May 2017, the total outstanding hire purchase loans granted for the purchase of passenger cars stood at RM155.61 billion, which is approximately 0.05% increase from RM155.53 billion as at May 2016.

(Source: Bank Negara Malaysia, Monthly Statistical Bulletin)

In 2016, the Total Industry Volume ("TIV") of new motor vehicles registered in Malaysia declined 13% to reach 580,124 units. Compared to 2015, the registration of new motor vehicles in 2016 decreased by 86,553 units.

On a year-on-year ("Y-O-Y") basis, the automotive market in 2016 was consistently lower than similar corresponding period in 2015 despite of plenty of activities by auto companies with lots of car launches as auto companies desperately tried to shore up their numbers.

This could be attributed mainly to slowdown in Malaysian economy which impinged on consumer sentiments and business confidence. As a result, consumers and business were wary of purchasing big-ticket items such as new motor vehicles.

In 2016, the highest monthly sales achieved was in December 2016. The TIV shot up to 64,822 units compared to 49,094 units recorded in November 2016. This was because of the very aggressive efforts made by MAA members to overcome the downturn in the industry, and also due to heavy discounting and offers given by car companies to clear stocks and retain market share.

On a quarterly basis, the TIV was consistently lower than similar corresponding period in 2015. At 131,255 units, the TIV registered for first quarter of 2016 was the lowest quarterly TIV in 2016. The TIV rebounded in the second quarter of 2016 TIV reaching a total of 144,204 units which was a 10% growth. The highest quarterly TIV was achieved during the fourth quarter of 2016. At 161,795 units, it is however still below the TIV achieved in the fourth quarter of 2015 (181,188 units).

The industry forecast for 2017 is shown below:

Market Segment	2017 (Forecast)	2016 (Actual)	Variance	
			Units	%
Passenger vehicles	522,000	514,545	7,455	1.4%
Commercial vehicles	68,000	65,579	2,421	3.7%
Total Vehicles	590,000	580,124	9,876	1.7%

The next four (4) years indicative forecast of the TIV from 2018 to 2021 is shown below:

Year	2018	2019	2020	2021
Passenger vehicles	548,000	575,500	587,000	599,300
Commercial vehicles	71,000	75,000	76,500	78,200
Total Industry Volume	619,000	650,500	663,500	677,500
Growth	5.0%	5.1%	2.0%	2.1%

(Source: Malaysian Automotive Association, Market Review for 2016 and Outlook for 2017)

7.3 Future prospects of our Group

Despite the cautious outlook ahead, our Group is confident that demand for used-car financing will remain strong throughout the financial year ending 31 March 2018. Moreover, the niche market segment in which our Company currently operates in is still relatively under-served when compared to the overall auto financing industry.

Today, ELK-Desa is financing less than one percent (1%) of the total used-passenger cars registered in Kuala Lumpur and Selangor. We believe that there is still much more room to grow, even within its existing area of operations. As such, our Group will continue to focus its growth in Kuala Lumpur and Selangor. At the same time, we are also committed towards ensuring that credit risk remains within our tolerance level.

For our furniture division, while the domestic property industry is still in a recovery phase, demand for affordable homes in key urban centres throughout the country continues to out-strip supply. This, coupled with the expected improvement in consumer sentiment, may generate demand for well-crafted, contemporary-designed and price-friendly furniture products that our brand offers.

With this in view, we will continue to invest and grow our furniture business. In addition to enhancing awareness and affinity for our furniture brand, we will also be focusing on fortifying operational and cost efficiencies across our furniture business pillars including retail, wholesale, manufacturing and export.

In conclusion, despite the challenging operating environment, there are favourable opportunities that are present in the areas the Group operates in, the Board is optimistic that our Company will turn in an improved performance for its financial year ending 31 March 2018.

(Source: ELK-Desa's Annual Report 2017)

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

The Exemption will not have any material impact on the issued share capital, NA, NA per Share, gearing, earnings and EPS, substantial shareholders' shareholdings and convertible securities of our Group on a standalone basis, notwithstanding the inter-conditionality of the Corporate Exercises.

The pro forma effects of the Rights Issue on our issued share capital, NA, NA per Share, gearing, earnings and EPS, substantial shareholders' shareholdings and convertible securities are illustrated below based on the Minimum Scenario and Maximum Scenario.

8.1 Issued share capital

The pro forma effects of the Rights Issue on our issued share capital based on the Minimum Scenario and Maximum Scenario are as set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	**(RM)**	**No. of Shares**	**(RM)**
Issued share capital as at the LPD	245,260,541	245,644,485	245,260,541	245,644,485
Less: Treasury Shares	(12,830,000)	(16,735,944)[(1)]	-	-
To be issued assuming full conversion of the outstanding ICULS[(2)]	-	-	12,686,302	14,969,837
	232,430,541	228,908,541	257,946,843	260,614,322
To be issued pursuant to the Rights Issue	46,486,108	53,923,885	51,589,369	59,843,668
Enlarged issued share capital	**278,916,649**	**282,832,426**	**309,536,212**	**320,457,990**

Notes:

(1) *As at the LPD, the Company holds 12,830,000 Treasury Shares at a total cost of RM16,735,944.*

(2) *ICULS held by the Undertaking Shareholders are excluded pursuant to the Additional Irrevocable Undertakings.*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

8.2 NA, NA per Share and gearing

Based on the audited consolidated financial statements of ELK-Desa for the FYE 31 March 2017, the proforma effects of the Rights Issue on the NA, NA per Share and gearing of our Group are as follows:

			Minimum Scenario	Maximum Scenario	
		(I)	(II)	(III)	(IV)
	Audited 31 March 2017	After adjustment for subsequent events[1]	After (I) and Rights Issue	After (I) and assuming all Treasury Shares are resold and ICULS are converted[2]	After (III) and Rights Issue
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share Capital	243,130	245,644	299,568	260,614	320,458
Share Premium	24,497	24,497	22,897	24,497	22,897
Retained Earnings	57,280	57,131	57,131	56,241	56,240
ICULS- Equity Component	25,915	23,819	23,819	11,342	11,342
Treasury Shares	(16,736)	(16,736)	(16,736)	-	-
Shareholders' Funds / NA	**334,086**	**334,355**	**386,679**	**352,694**	**410,937**
No. of Shares ('000)	230,300	232,431	278,917	257,947	309,536
NA per Share (RM)	**1.45**	**1.44**	**1.39**	**1.37**	**1.33**
Total Borrowings[4]	26,517	26,163	26,163	24,054	24,054
Gearing	**0.08**	**0.08**	**0.07**	**0.07**	**0.06**

Notes:

(1) *After adjusting for conversion of ICULS that took place after 31 March 2017 up to the LPD.*

(2) *ICULS held by the Undertaking Shareholders are excluded pursuant to the Additional Irrevocable Undertakings.*

(3) *After taking into account estimated expenses of RM1.60 million pursuant to the Corporate Exercises.*

(4) *Including the ICULS- liability component.*

Details of the Pro Forma Consolidated Statements of Financial Position of ELK-Desa Group as at 31 March 2017 together with the Reporting Accountants' Letter are set out in Appendix III.

8.3 Earnings and EPS

For FYE 31 March 2018, the effects of the Rights Issue on the consolidated earnings and EPS of ELK-Desa will depend on, amongst others, the number of Rights Shares to be issued and the proceeds from the utilisation of the proceeds to be raised from the Rights Issue. Nonetheless, the Rights Issue is expected to contribute positively to the future earnings of the Group when the benefits of utilisation of proceeds are realised.

Further, based on our Group's average interest rate for its block discounting payables of approximately 5.36% per annum as at 31 March 2017 and the gross proceeds to be raised from the Rights Issue, our Group will have an interest savings of approximately RM2.89 million per annum and RM3.21 million per annum, respectively under the Minimum Scenario and the Maximum Scenario. For information purposes, block discounting is one of the common credit facilities which is often used by non-bank related hire purchase financier.

For illustrative purposes, assuming that the Rights Issue had been effected on 1 April 2016 (being the beginning of the FYE 31 March 2017), the pro forma effects of the Rights Issue on our consolidated earnings and EPS are shown below:

			Minimum Scenario	Maximum Scenario	
		(I)	(II)	(III)	(IV)
	Audited 31 March 2017	After adjustment for subsequent events[(1)]	After (I) and Rights Issue	After (I) and assuming all Treasury Shares are resold and ICULS are converted[(2)]	After (III) and Rights Issue
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
PAT	23,001	23,001	23,001	23,001	23,001
Weighted average no. of Shares ('000)	215,675	217,806	264,292	243,322	294,911
Basic EPS (sen)	**10.66**	**10.56**	**8.70**	**9.45**	**7.80**
Diluted EPS (sen)	**9.13**	**9.13**	**7.73**	**8.70**	**7.30**

Notes:

(1) *After adjusting for conversion of ICULS that took place after 31 March 2017 up to the LPD.*

(2) *ICULS held by the Undertaking Shareholders are excluded pursuant to the Additional Irrevocable Undertakings.*

Although the EPS of the Group will be diluted as a result of the increase in the number of ELK-Desa Shares in issue pursuant to the issuance of the Rights Shares, the level of return generated from the utilisation of proceeds raised from the Rights Issue would determine the eventual impact of the dilution.

8.4 Substantial shareholdings

The pro forma effects of the Rights Issue on the direct and indirect shareholdings of the substantial shareholders of ELK-Desa are as follows:

Minimum Scenario

	(I) As at LPD				(II) After (I) and Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
THC	4,846	2.085	65,300[(1)]	28.094	5,816	2.085	78,360[(1)]	28.094
Zhongxin Resources	-	-	61,800[(2)]	26.589	-	-	74,160[(2)]	26.589
Eng Lee Kredit	61,800	26.589	-	-	74,160	26.589	-	-
Dr. Yeong	-	-	15,300[(3)]	6.583	-	-	18,360[(3)]	6.583
Amity Corporation	15,300	6.583	-	-	18,360	6.583	-	-

Notes:

(1) *Deemed interested by virtue of his interest in Eng Lee Kredit and ELK Group pursuant to Section 8 of the Act.*

(2) *Deemed interested by virtue of its interest in Eng Lee Kredit pursuant to Section 8 of the Act.*

(3) *Deemed interested by virtue of his interest in Amity Corporation pursuant to Section 8 of the Act.*

Maximum Scenario

	(I) As at the LPD				(II) After (I) and assuming full conversion of outstanding ICULS[(1)]				(III) After (II) and Rights Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
THC	4,846	2.085	65,300[(2)]	28.094	4,846	1.879	65,300[(2)]	25.315	5,816	1.879	78,360[(2)]	25.315
Zhongxin Resources	-	-	61,800[(3)]	26.589	-	-	61,800[(3)]	23.958	-	-	74,160[(3)]	23.958
Eng Lee Kredit	61,800	26.589	-	-	61,800	23.958	-	-	74,160	23.958	-	-
Dr. Yeong	-	-	15,300[(4)]	6.583	-	-	15,300 [(4)]	5.931	-	-	18,360[(4)]	5.931
Amity Corporation	15,300	6.583	-	-	15,300	5.931	-	-	18,360	5.931	-	

Notes:

(1) *ICULS held by the Undertaking Shareholders are excluded pursuant to the Additional Irrevocable Undertakings.*

(2) *Deemed interested by virtue of his interest in Eng Lee Kredit and ELK Group pursuant to Section 8 of the Act.*

(3) *Deemed interested by virtue of its interest in Eng Lee Kredit pursuant to Section 8 of the Act.*

(4) *Deemed interested by virtue of his interest in Amity Corporation pursuant to Section 8 of the Act.*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

8.5 Convertible securities

Save for the ICULS, the Company does not have any other outstanding convertible securities as at the LPD.

Based on the value of the rights attributable to one (1) ELK-Desa Share and the five (5)-day VWAMP of ELK-Desa Shares up to and including 10 November 2016, being the Market Day prior to the date of announcement of the Corporate Exercises, the Rights Issue will not give rise to any adjustment to the conversion price of the ICULS. Details of the formula for adjustment are set out in the Trust Deed for the ICULS.

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

9.1 Working Capital

Our Board is of the opinion that after taking into account the proceeds to be raised 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 for a period of twelve (12) months from the date of issue of this AP to meet our present and foreseeable future working capital requirements.

9.2 Borrowings

As at LPD, our Group has total outstanding borrowings (excluding ICULS liability) of approximately RM34.39 million, details as follows:

	Short-term RM'000	Long-term RM'000	Total RM'000
Fixed rate interest-bearing borrowings[(1)]	12,757	19,953	32,710
Floating rate interest-bearing borrowings[(2)]	1,680	-	1,680

Notes:

(1) *Interest rates ranging from 5.22 % to 5.50% per annum.*

(2) *Comprise of bank overdrafts bearing interest of 6.35% per annum.*

As at the LPD, 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 2017 and for the subsequent financial period thereof immediately preceding the LPD.

There are no non-interest bearing and/or foreign currency denominated borrowings as at the LPD.

9.3 Material commitments and contingent liabilities

Save and except for the corporate guarantees given by the Company to licensed banks for the credit facilities granted to two (2) subsidiaries with a total limit of RM63.5 million, the Board has confirmed that to the best of its knowledge and belief, there are no material commitments and contingent liabilities incurred or known to be incurred by our Group which may have a material impact on the financial position of our Group as at the LPD.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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

10.1 General

As an Entitled Shareholder, your CDS Account(s) 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. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisionally allotted Rights Shares into your CDS Account(s) 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.

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

10.2 Procedures for acceptance by Entitled Shareholders

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.

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 together with the relevant payment must be sent to our Share Registrar in the envelope provided (at your own risk) by **ORDINARY POST** or **DELIVERED BY HAND** or **BY COURIER** to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
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

or alternatively at:

Tricor Customer Service Centre
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur

so as to arrive no later than **5.00 p.m.** on **Wednesday, 23 August 2017**, being the last time and date for acceptance of and payment.

If you lose, misplace or for any reason require another copy of the RSF, you and/or your renouncee(s)/transferee(s) (if applicable) may obtain additional copies from your stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website (http://www.bursamalaysia.com).

Only one (1) RSF can be used for acceptance of the provisionally allotted Rights Shares standing to the credit of one (1) CDS Account belonging to an Entitled Shareholder. 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 in accordance with the procedures as set out in the RSF.

A reply envelope is enclosed with this AP. In order to facilitate the processing of the RSF by our Share Registrar, 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(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) 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, contact number, address and your CDS Account number in block letters. 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 FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, THE RIGHTS SHARES WILL BE ALLOTTED AND A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) 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 LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS 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.

If the acceptance of and payment for the Rights Shares provisionally allotted to you is not received by our Share Registrar by **5.00 p.m.** on **Wednesday, 23 August 2017**, such provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled.

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 10.4 of this AP.

10.3 Procedures for sale / transfer of provisional allotment of Rights Shares

The provisional allotment of Rights Shares is renounceable. If you wish to sell or transfer all or part of your entitlement of the provisional allotment of Rights Shares to one or more persons, you may do so through your stockbroker without first having to request for a split of the provisionally allotted Rights Shares standing to the credit of your CDS Account(s). To sell or transfer all or part of your provisionally allotted Rights Shares, you may sell such entitlements in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last date and time for the sale/transfer of the provisionally allotted Rights Shares.

In selling or transferring all or part of your provisionally allotted Rights Shares, you need not deliver the RSF or any document to your stockbroker. **You are however advised to ensure that there is sufficient provisionally allotted Rights Shares standing to the credit of your CDS Account(s) before selling or transferring.**

If you and/or your renouncee(s)/transferee(s) (if applicable) have sold or 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 deliver the completed and signed RSF together with the relevant remittance to our Share Registrar in the manner as set out in Section 10.2 of this AP.

If you sell or transfer all or part of your entitlement to the provisionally allotted Rights Shares, you will automatically be selling or transferring your entitlement to all or part of your Rights Shares.

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

10.4 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 10.2 above, no later than **5.00 p.m.** on **Wednesday, 23 August 2017**, being the last time and date for acceptance and payment.

Payment for the Excess Rights Shares applied for should be made in the same manner described in Section 10.2 of this AP except that the Banker's Draft(s) or Cashier's Order(s) or Money Order(s) or Postal Order(s) 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, contact number, address and your CDS Account(s) number in block letters. The payment must be made in the exact amount. Any application accompanies by excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable. Details of the remittance must be filled on the appropriate boxes provided in the RSF.

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) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to our Entitled Shareholders (other than the Undertaking Shareholders) who have applied for Excess Rights Shares, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company as at the Entitlement Date;

(iii) thirdly, for allocation to our Entitled Shareholders (other than the Undertaking Shareholders) who have applied for Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess application; and

(iv) fourthly, for allocation to renouncee(s)/transferee(s) (other than the Undertaking Shareholders) who have applied for Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess application.

In the event of any balance of Excess Rights Shares after the above sequence of allocation, the balance will be allocated through the same sequence of processes (ii) to (iv) until all the Excess Rights Shares applied for are allocated.

In the event that there are still undersubscribed Rights Shares after allocating all the Excess Rights Shares applied for, the remaining Rights Shares will be subscribed by the Undertaking Shareholders.

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 interests of the 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 item (i) to item (iv) above 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.

NO ACKNOWLEDGEMENT FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE EXCESS RIGHTS SHARES APPLICATION WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR. 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.

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 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 SURPLUS 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.

10.5 Procedures for acceptance by renouncee(s)/transferee(s)

The procedures for acceptance, selling or transferring of provisionally allotted Rights Shares, Excess Rights Shares application and/or payment by the renouncee(s)/transferee(s) is the same as that which are applicable to the Entitled Shareholders as described in Sections 10.2 to 10.4 of this AP.

Renouncee(s)/transferee(s) who wish to accept the provisionally allotted Rights Shares may obtain a copy of this AP and the RSF from their stockbrokers, our Share Registrar or our Registered Office or the website of Bursa Securities (http://www.bursamalaysia.com).

RENOUNCEE(S)/TRANSFEREE(S) ARE ADVISED TO READ AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

10.6 Form of issuance

Bursa Securities has already prescribed the 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 entries through CDS Account(s) and will be governed by the SICDA and the Rules of Bursa Depository. You are required to have valid and subsisting CDS Account(s) in order to subscribe for the Rights Shares. Failure to comply with these specific instructions for applications or inaccuracy in the CDS Account(s) number may result in your application being rejected.

Your acceptance of the provisional allotment of Rights Shares shall mean consent to receive such Rights Shares as prescribed securities which will be credited directly into your CDS Account(s). No physical shares certificates will be issued to you under the Rights Issue. Instead, the Rights Shares will be credited directly into your CDS Account(s).

Any person who intends to subscribe for the Rights Shares as a renouncee/transferee must state your CDS Account number in the RSF whereupon the Rights Shares will be credited directly as prescribed securities into your CDS Account(s) upon allotment and issuance.

If you are successful in applying for the Excess Rights Shares, such Excess Rights Share will be credited directly as prescribed securities into your CDS Account(s) upon allotment and issuance. The allocation of the Excess Rights Shares will be made on a fair and equitable basis as set out in Section 10.4 of this AP.

If you have multiple CDS Accounts into which the provisionally allotted Rights Shares has been credited, you cannot use a single RSF for subscription of all 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 respective CDS Account(s) where the provisionally allotted Rights Shares are standing to the credit.

10.7 Foreign Addressed Shareholders

The Documents have not been (and will not be) made to comply with the laws of any foreign jurisdiction, and have not been (and will not be) lodged, registered or approved under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any foreign jurisdiction, and the Rights Issue will not be made or offered in any foreign jurisdiction. The Documents will not be sent to our Entitled Shareholders without an address in Malaysia.

The distribution of this AP, the NPA and the RSF, as well as the acceptance of the provisional allotment of 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 jurisdiction under the relevant laws of those countries or jurisdictions.

This AP, the NPA and the RSF 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 for acquisition or subscription of any Rights Shares, 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 Entitled Shareholders receiving this AP, the NPA and the RSF electronically or otherwise within Malaysia.

As a result, this AP, the NPA and the RSP have not been (and will not be) sent to our Foreign Addressed Shareholders. However, Foreign Addressed Shareholders may collect this AP, the NPA and the RSF from the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, who will be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting this AP, the NPA and the RSF.

If you are a Foreign Addressed Shareholder, we will not make or bound to make any enquiry as to whether you have a registered address in Malaysia 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.

Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) if applicable may accept or renounce (as the case may be) all or part of their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so. Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), shall be solely responsible to seek advice as to the laws of the jurisdiction to which they are or may be subject to.

Our Company, our Board and our officers and other experts shall not accept any responsibility or liability in the event that any acceptance and/or renunciation made by any foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), is or shall become illegal, unenforceable, voidable or void in any such foreign transaction.

Further, foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in the foreign jurisdictions and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) for any issue, transfer or any other taxes or other requisite payments as such person may be required to pay. They will have no claims whatsoever against Mercury Securities, our Company, our Board and our officers and other experts in respect of their rights or entitlements under the Rights Issue.

Such foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Rights Issue.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any foreign jurisdiction. If the Documents are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he or she must not seek to accept the offer unless he or she has complied with and observed the laws of the relevant jurisdiction in connection therewith.

Any person who does forward the Documents to any such foreign jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the content of this section and our Company reserves the right to reject a purported acceptance of the Rights Issue from any such application by foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Issue as invalid if we believe that such acceptance may violate any applicable legal or regulatory requirements in Malaysia or other jurisdictions.

By signing any of the forms accompanying this AP, the foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) Mercury Securities, our Company, our Board and our officers and other experts that:

(i) we 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)/transferee(s) (if applicable) are or might be subject;

(ii) the foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) in connection with the Rights Issue, have complied with the laws of any jurisdiction to which the foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are or may be subject to;

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

(iv) the foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are aware that the provisionally allotted 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)/transferee(s) (if applicable) have respectively received a copy of this AP, have read and understood the contents of this AP, have had access to such financial and other information and have been offered the opportunity to ask such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares; and

(vi) the foreign Entitled Shareholders and/or their renouncee(s)/transferee(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 TO THEM. 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.

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 the Documents.

12. FURTHER INFORMATION

Please refer to the attached appendices for further information.

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

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

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT THE EGM HELD ON 22 JUNE 2017

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

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 22 JUNE, 2017.

IT WAS RESOLVED:-

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 51,589,369 NEW ORDINARY SHARES ("RIGHTS SHARE(S)") AT AN ISSUE PRICE OF RM1.16 PER RIGHTS SHARE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING ORDINARY SHARES IN ELK-DESA ("ELK-DESA SHARE(S)") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE")

"**THAT,** subject to the passing of the Ordinary Resolution 2, and 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 51,589,369 new ordinary shares ("**Rights Share(s)**") at the issue price of RM1.16 per Rights Share on the basis on one (1) Rights Share for every five (5) existing ordinary shares 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 2.1.1 of the Circular to shareholders of ELK-Desa dated 5 June 2017 ("**Circular**"), **AND THAT** the Rights Shares so allocated 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 dividend, rights, allotments and/or distributions that may be declared, made or paid, the entitlement date of which is prior to the allotment and issuance of the Rights Shares;

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

ORDINARY RESOLUTION 2

PROPOSED EXEMPTION UNDER PARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS TO MR. TEOH HOCK CHAI @ TEW HOCK CHAI ("THC") AND PERSONS ACTING IN CONCERT WITH HIM ("PACS") FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER FOR ALL ELK-DESA SHARES NOT ALREADY HELD BY THC AND HIS PACS ("PROPOSED EXEMPTION")

"**THAT** subject to the passing of Ordinary Resolution 1 and all approvals being obtained from the relevant authorities and compliance with the Rules on Take-Overs, Mergers and Compulsory Acquisitions, approval be and is hereby given to Mr. Teoh Hock Chai @ Tew Hock Chai and the persons acting in concert with him ("**PACs**") to be exempted from the obligation to undertake a mandatory take-over offer for the remaining ELK-Desa Shares not already held by them after the Proposed Rights Issue, that could arise following from the implementation of the Proposed Rights Issue;

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT THE EGM HELD ON 22 JUNE 2017 ***(Cont'd)***

AND THAT the Directors of the Company be and are hereby empowered and authorised to do all 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 Exemption with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant authorities or deemed necessary by the Directors in the best interest of the Company."

CERTIFIED TRUE COPY:

....
LOONG FOO CHING
CHAIRMAN OF THE MEETING

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

DATED: 22 June 2017

BACKGROUND INFORMATION ON ELK-DESA

1. HISTORY AND BUSINESS

The Company was incorporated in Malaysia on 24 March 1989 under the Companies Act, 1965. 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 that of 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

The issued share capital of ELK-Desa as at LPD is RM245,644,485 comprising of 245,260,541 ordinary shares in ELK-Desa, of which 12,830,000 ELK-Desa Shares are held as Treasury Shares.

Details of the changes in the Company's issued share capital for the last three (3) years prior to the LPD are as follows:

Date	No. of shares created	Description/ Consideration	Cumulative share capital	
			No. of Shares	(RM)
26 October 2015	59,800,000	Renounceable rights issue of up to 62,500,000 new ordinary shares in ELK-Desa	184,800,000	184,800,000
22 April 2016	10,000	Conversion of ICULS	184,810,000	184,810,000
26 April 2016	260,000	Conversion of ICULS	185,070,000	185,070,000
29 April 2016	1,666,069	Conversion of ICULS	186,736,069	186,736,069
10 May 2016	914,661	Conversion of ICULS	187,650,730	187,650,730
17 May 2016	6,014,738	Conversion of ICULS	193,665,468	193,665,468
20 May 2016	16,948	Conversion of ICULS	193,682,416	193,682,416
24 May 2016	916,980	Conversion of ICULS	194,599,396	194,599,396
31 May 2016	1,268,472	Conversion of ICULS	195,867,868	195,867,868
3 June 2016	9,018,643	Conversion of ICULS	204,886,511	204,886,511
7 June 2016	115,405	Conversion of ICULS	205,001,916	205,001,916
10 June 2016	37,287	Conversion of ICULS	205,039,203	205,039,203
14 June 2016	2,012,000	Conversion of ICULS	207,051,203	207,051,203
17 June 2016	1,649,760	Conversion of ICULS	208,700,963	208,700,963
21 June 2016	9,712,796	Conversion of ICULS	218,413,759	218,413,759
27 June 2016	3,220,337	Conversion of ICULS	221,634,096	221,634,096
28 June 2016	1,792,028	Conversion of ICULS	223,426,124	223,426,124

BACKGROUND INFORMATION ON ELK-DESA *(Cont'd)*

Date	No. of shares created	Description/ Consideration	Cumulative share capital	
			No. of Shares	(RM)
1 July 2016	252,286	Conversion of ICULS	223,678,410	223,678,410
5 July 2016	869,657	Conversion of ICULS	224,548,067	224,548,067
12 July 2016	2,832,929	Conversion of ICULS	227,380,996	227,380,996
14 July 2016	119,107	Conversion of ICULS	227,500,103	227,500,103
19 July 2016	67,500	Conversion of ICULS	227,567,603	227,567,603
26 July 2016	268,406	Conversion of ICULS	227,836,009	227,836,009
29 July 2016	86,863	Conversion of ICULS	227,922,872	227,922,872
2 August 2016	301,061	Conversion of ICULS	228,223,933	228,223,933
5 August 2016	682,625	Conversion of ICULS	228,906,558	228,906,558
9 August 2016	265,807	Conversion of ICULS	229,172,365	229,172,365
12 August 2016	655,338	Conversion of ICULS	229,827,703	229,827,703
16 August 2016	1,308,474	Conversion of ICULS	231,136,177	231,136,177
19 August 2016	42,372	Conversion of ICULS	231,178,549	231,178,549
23 August 2016	1,767,468	Conversion of ICULS	232,946,017	232,946,017
26 August 2016	3,161,871	Conversion of ICULS	236,107,888	236,107,888
30 August 2016	3,500,000	Conversion of ICULS	239,607,888	239,607,888
5 September 2016	25,898	Conversion of ICULS	239,633,786	239,633,786
7 September 2016	33,792	Conversion of ICULS	239,667,578	239,667,578
25 November 2016	1,502,796	Conversion of ICULS	241,170,374	241,170,374
9 December 2016	1,949,152	Conversion of ICULS	243,119,526	243,119,526
28 December 2016	5,000	Conversion of ICULS	243,124,526	243,124,526
13 January 2017	3,000	Conversion of ICULS	243,127,526	243,127,526
21 February 2017	2,000	Conversion of ICULS	243,129,526	243,129,886
2 May 2017	27,844	Conversion of ICULS	243,157,370	243,162,742
8 May 2017	5,000	Conversion of ICULS	243,162,370	243,168,642
26 May 2017	5,000	Conversion of ICULS	243,167,370	243,174,542
19 June 2017	1,005,000	Conversion of ICULS	244,172,370	244,360,442
23 June 2017	1,033,850	Conversion of ICULS	245,206,220	245,580,385
29 June 2017	10,000	Conversion of ICULS	245,216,220	245,592,185
4 July 2017	13,898	Conversion of ICULS	245,230,118	245,608,585
11 July 2017	30,423	Conversion of ICULS	245,260,541	245,644,485

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

3. SUBSTANTIAL SHAREHOLDERS

Please refer to Section 8.4 of this AP for information on our substantial shareholders' shareholdings before and after the Rights Issue.

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)*	72	Malaysian	Chairman	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor Darul Ehsan
Teoh Seng Hui *(Group Executive Director)*	45	Malaysian	Group Executive Director	No. 82, Jalan SS2/24 47300 Petaling Jaya Selangor Darul Ehsan
Teoh Seng Hee *(Executive Director / Chief Financial Officer)*	36	Malaysian	Executive Director / Chief Financial Officer	No. 25, Jalan Bukit Seputeh 3 Seputeh Heights 58000 Kuala Lumpur
Teoh Seng Kar *(Non-Independent Non-Executive Director)*	39	Malaysian	Company Director	No. 25, Jalan Bukit Seputeh 3 Seputeh Heights 58000 Kuala Lumpur
Lim Keng Chin *(Non-Independent Non-Executive Director)*	72	Malaysian	Company Director	No. 44, Jalan SS20/4 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan
Ng Soon Lai @ Ng Siek Chuan *(Independent Non-Executive Director)*	63	Malaysian	Company Director	No. 20 Jalan Setia Murni 6 Bukit Damansara 50490 Kuala Lumpur
Loong Foo Ching *(Independent Non-Executive Director)*	67	Malaysian	Advocate & Solicitor	No. 58, Jalan Desa Mesra, Taman Desa 58100 Kuala Lumpur
Yee Kin Lan *(Independent Non-Executive Director)*	65	Malaysian	Company Director	No. 31, Jalan Radin 1 Taman Sri Endah Seri Petaling 57000 Kuala Lumpur
Toh Jyh Wei *(Independent Non-Executive Director)*	33	Malaysian	Company Director	No. 1, Jalan Setiabakti 10, Bukit Damansara 50490 Kuala Lumpur

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 LPD are as follows:

Minimum Scenario

	As at the LPD				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	4,846	2.085	65,300(3)	28.094	5,816	2.085	78,360(3)	28.094
Teoh Seng Hui	-	-	-	-	-	-	-	-
Teoh Seng Hee	134	0.058	-	-	161	0.058	-	-
Teoh Seng Kar	78	0.034	-	-	94	0.034	-	-
Lim Keng Chin	4,093	1.761	-	-	4,912	1.761	-	-
Ng Soon Lai @ Ng Siek Chuan	-	-	-	-	-	-	-	-
Loong Foo Ching	-	-	-	-	-	-	-	-
Yee Kin Lan	-	-	-	-	-	-	-	-
Toh Jyh Wei	-	-	-	-	-	-	-	-

Maximum Scenario

	As at the LPD				Assuming full conversion of outstanding ICULS and after the Rights Issue(1)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%(2)	No. of Shares ('000)	%(2)	No. of Shares ('000)	%(3)	No. of Shares ('000)	%(3)
THC	4,846	2.085	65,300(4)	28.094	5,816	1.879	78,360(4)	25.315
Teoh Seng Hui	-	-	-	-	-	-	-	-
Teoh Seng Hee	134	0.058	-	-	161	0.052	-	-
Teoh Seng Kar	78	0.034	-	-	94	0.030	-	-
Lim Keng Chin	4,093	1.761	-	-	4,912	1.587	-	-
Ng Soon Lai @ Ng Siek Chuan	-	-	-	-	-	-	-	-
Loong Foo Ching	-	-	-	-	-	-	-	-
Yee Kin Lan	-	-	-	-	-	-	-	-
Toh Jyh Wei	-	-	-	-	-	-	-	-

BACKGROUND INFORMATION ON ELK-DESA *(Cont'd)*

Notes:

(1) *ICULS held by the Undertaking Shareholders are excluded pursuant to the Additional Irrevocable Undertakings.*

(2) *Based on the total number of issued shares (excluding Treasury Shares) of ELK-Desa as at LPD.*

(3) *Based on the enlarged total number of issued shares of ELK-Desa upon completion of the Rights Issue.*

(4) *Deemed interested by virtue of his interest in Eng Lee Kredit and ELK Group pursuant to Section 8 of the Act.*

5. SUBSIDIARIES AND ASSOCIATES

Details of our subsidiaries as at the LPD are as follows:

Name	Place / Date of incorporation	Principal activities	Effective equity interest (%)	Issued share capital (RM)
ELK-Desa Capital Sdn Bhd	Malaysia / 19 October 1981	Provision of HP financing	100	180,000,000
ELK-Desa Furniture Sdn Bhd	Malaysia / 18 February 2015	Trading of furniture	100	15,000,000
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 (In members' voluntary winding up)	Malaysia / 22 May 1997	Dormant	100	25,000
Subsidiaries of ELK-Desa Furniture Sdn. Bhd.				
ELK-Desa Furniture Marketing Sdn Bhd	Malaysia / 18 November 2015	Wholesaling of furniture	100	8,000,000
ELK-Desa Furniture Industries Sdn Bhd	Malaysia / 18 November 2015	Manufacturing of furniture	100	1,000,000

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

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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 2017:

	FYE 31 March 2015 RM'000	FYE 31 March 2016 RM'000	FYE 31 March 2017 RM'000
Revenue	57,615	64,167	94,489
Other income	2,679	2,833	2,077
Cost of inventories sold	-	(5,214)	(18,759)
Depreciation of property, plant and equipment	(332)	(450)	(576)
Impairment allowance	(16,744)	(15,570)	(20,165)
Other expenses	(13,548)	(17,818)	(25,400)
Finance costs	(4,183)	(2,624)	(1,100)
PBT	**25,487**	**25,324**	**30,566**
Taxation	(6,689)	(6,536)	(7,565)
PAT	**18,798**	**18,788**	**23,001**
Profit attributable to the owners of the Company	18,798	18,788	23,001
EBITDA	27,716	25,909	30,685
PBT margin (%) [(1)]	44.23	39.47	32.35
PAT margin (%) [(2)]	32.62	29.28	24.34
Number of Shares in issue	125,000,000	184,800,000	243,129,526
EPS (sen) [(3)]			
- Basic (sen)	15.04	12.86	10.66
- Diluted (sen)	10.14	8.92	9.13
Dividend per share (sen)	7.50	6.75	6.75

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 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 mainly due to increased higher purchase interest income as a result of a larger 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 of approximately RM16.74 million for FYE 31 March 2015. The Group placed high emphasis on close monitoring and efficient debt recoveries as well as follow up mechanisms to minimise the impact from the downside credit risk. The follow-up mechanisms include payment reminder phone calls and SMS reminders to hirers before the payment due date. If there have been two (2) successive defaults of payments, the Group's credit control department will step in to initiate, monitor and follow through the debt recovery via legal actions, vehicle repossession and disposal process.

PBT increased by 14% from RM22.43 million in FYE 31 March 2014 to RM25.49 million in FYE 31 March 2015 mainly due to increased hire purchase interest income by RM8.39 million to RM46.37 million as a result of a larger hire purchase portfolio, and higher fixed deposit interest by approximately RM1.67 million during the financial year. PBT margin decreased to 44.23% mainly due to the higher impairment allowance for FYE 31 March 2015.

FYE 31 March 2016 compared with FYE 31 March 2015

Revenue increased by 11% from RM57.62 million in FYE 31 March 2015 to RM64.17 million in FYE 31 March 2016. The increase in revenue was mainly attributable to additional revenue of approximately RM8.21 million from the new furniture segment. During the financial year, the Group has ventured into furniture business, involving in retailing, wholesale and export of home furniture products. Revenue for the hire purchase segment decreased by approximately 3% from RM57.61 million to RM55.96 million, mainly due to lower hire purchase disbursement for the financial year, which is in line with the Group's strategy to tighten its hire purchase disbursement policy.

PBT decreased marginally from RM25.49 million in FYE 31 March 2015 to RM25.32 million in FYE 31 March 2016. PBT generated from the hire purchase segment was marginally lower at RM25.29 million, after deducting the one-off rights issue expenses of approximately RM1 million. Excluding the expenses from the Rights Issue, the PBT for the hire purchase segment would have increased 3% from RM25.49 million to RM26.30 million. PBT for the furniture segment was approximately RM30,000 for the nine (9) months period ended 31 March 2016, as the division is still in its infancy stage.

FYE 31 March 2017 compared with FYE 31 March 2016

Revenue increased by 47% from RM64.17 million in FYE 31 March 2016 to RM94.49 million in FYE 31 March 2017. The increase in revenue was mainly attributable to higher contribution from both hire purchase and furniture businesses. Revenue for the hire purchase segment increased from RM56.0 million to RM65.4 million mainly due to increased hire purchase interest income as a result of a larger hire purchase portfolio. Revenue for the furniture segment increased from RM8.21 million to RM29.05 million mainly due to an additional furniture wholesale division that commenced business in FYE 31 March 2017.

PBT increased by 21% from RM25.32 million in FYE 31 March 2016 to RM30.57 million in FYE 31 March 2017. The higher PBT was mainly due to the absence of the RM1 million of rights issue expenses for the previous fund raising exercise and higher contribution from hire purchase business. Impairment allowance increased by 29% to RM20.12 million mainly due to higher delinquent accounts and higher collective impairment allowances. The increase in collective impairment allowances was a result of the general increase in hire purchase receivables. Other expenses increased by 13% to RM15.73 million, which is in line with the larger hire purchase portfolio.

7. HISTORICAL SHARE PRICES

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

	High	Low
	RM	RM
2016		
August	1.22	1.20
September	1.22	1.17
October	1.18	1.16
November	1.19	1.16
December	1.18	1.16
2017		
January	1.18	1.14
February	1.16	1.14
March	1.19	1.14
April	1.19	1.16
May	1.24	1.18
June	1.26	1.20
July	1.25	1.21

Last transacted market price of ELK-Desa Shares on 10 November 2016, being the Market Day prior to the date of announcement of the Rights Issue	1.16
Last transacted market price of ELK-Desa Shares on 17 July 2017, being the latest practicable date prior to the issuance of the AP	1.24
Last transacted market price of ELK-Desa Shares on 3 August 2017, being the last trading day prior to the ex-date for the Rights Issue	1.21

(Source: Bloomberg)

BDO

Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AND ITS SUBSIDIARIES AS AT 31 MARCH 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

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

Date: 26 July 2017

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 2017. 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 on 8 August 2017 in connection with the renounceable rights issue of up to 51,589,369 new ordinary shares in ELK-Desa ("ELK-Desa Share(s)" or "Share(s)") ("Rights Share(s)") at an issue price of RM1.16 per Rights Share on the basis of one (1) Rights Share for every five (5) existing ELK-Desa Shares held as at 5.00 p.m. on 8 August 2017 ("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.

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 2017 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 2017.

The Directors' 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 in all material respects, 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 2017 which are prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group; and

(ii) the adjustments made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Pro Forma Consolidated Statements of Financial Position.

Other Matter

This letter is issued for the sole purpose of inclusion in the Abridged Prospectus in connection with the Rights Issue. 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
AF: 0206
Chartered Accountants

Lee Ken Wai
03185/09/2019 J
Chartered Accountant

ELK-DESA RESOURCES BERHAD ("ELK-DESA" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2017 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 51,589,369 new ordinary shares in ELK-Desa ("ELK-Desa Share(s)" or "Share(s)") ("Rights Share(s)") at an issue price of RM1.16 on the basis of one (1) Rights Share for every five (5) existing ELK-Desa Shares held as at 5.00 p.m. on 8 August 2017 ("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 2017, had these transactions been effected on that date. Further, such information does not purport to predict the Group's future financial position.

[The rest of this page is intentionally left blank]

ELK-DESA RESOURCES BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2017 AND THE NOTES THEREON

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

				Minimum Scenario	Maximum Scenario	
			Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
	Note	Audited Consolidated Statement of Financial Position as at 31 March 2017 RM	After adjustment for subsequent events RM	After Pro Forma I and Rights Issue RM	After Pro Forma I and assuming all the Treasury Shares are resold and ICULS are converted RM	After Pro Forma III and Rights Issue RM
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment		7,155,604	7,155,604	7,155,604	7,155,604	7,155,604
Hire-purchase receivables		243,324,546	243,324,546	243,324,546	243,324,546	243,324,546
Deferred tax assets	5	3,870,566	3,785,560	3,785,560	3,279,500	3,279,500
		254,350,716	254,265,710	254,265,710	253,759,650	253,759,650
CURRENT ASSETS						
Inventories		6,715,178	6,715,178	6,715,178	6,715,178	6,715,178
Other assets		1,261,259	1,261,259	1,261,259	1,261,259	1,261,259
Trade receivables		8,609,202	8,609,202	8,609,202	8,609,202	8,609,202
Hire-purchase receivables		94,901,304	94,901,304	94,901,304	94,901,304	94,901,304
Other receivables, deposits and prepayments		1,765,777	1,765,777	1,765,777	1,765,777	1,765,777
Current tax assets		85,839	85,839	85,839	85,839	85,839
Cash and bank balances	6	14,598,071	14,598,071	66,921,956	31,334,015	89,577,683
		127,936,630	127,936,630	180,260,515	144,672,574	202,916,242
TOTAL ASSETS		382,287,346	382,202,340	434,526,225	398,432,224	456,675,892
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	8	243,129,886	245,644,485	299,568,370	260,614,322	320,457,990
Share premium	8	24,496,944	24,496,944	22,896,944	24,496,944	22,896,944
Retained earnings	8	57,280,089	57,130,587	57,130,587	56,240,597	56,240,597
ICULS - equity component	8	25,915,034	23,819,126	23,819,126	11,341,799	11,341,799
Treasury shares	8	(16,735,944)	(16,735,944)	(16,735,944)	-	-
TOTAL EQUITY		334,086,009	334,355,198	386,679,083	352,693,662	410,937,330

Stamped for the purpose of identification only.
2 6 JUL 2017
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

ELK-DESA RESOURCES BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2017 AND THE NOTES THEREON (CONTINUED)

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

				Minimum Scenario	Maximum Scenario	
			Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
	Note	Audited Consolidated Statement of Financial Position as at 31 March 2017 RM	After adjustment for subsequent events RM	After Pro Forma I and Rights Issue RM	After Pro Forma I and assuming all the Treasury Shares are resold and ICULS are converted RM	After Pro Forma III and Rights Issue RM
LIABILITIES						
NON-CURRENT LIABILITIES						
ICULS - liability component	7	4,201,689	3,847,494	3,847,494	1,738,914	1,738,914
Block discounting payables - secured		12,083,795	12,083,795	12,083,795	12,083,795	12,083,795
Deferred tax liabilities		38,441	38,441	38,441	38,441	38,441
		16,323,925	**15,969,730**	**15,969,730**	**13,861,150**	**13,861,150**
CURRENT LIABILITIES						
Trade payables		14,931,949	14,931,949	14,931,949	14,931,949	14,931,949
Other payables and accruals		4,760,523	4,760,523	4,760,523	4,760,523	4,760,523
Block discounting payables - secured		9,711,804	9,711,804	9,711,804	9,711,804	9,711,804
Bank overdrafts		519,946	519,946	519,946	519,946	519,946
Current tax liabilities		1,953,190	1,953,190	1,953,190	1,953,190	1,953,190
		31,877,412	**31,877,412**	**31,877,412**	**31,877,412**	**31,877,412**
TOTAL LIABILITIES		**48,201,337**	**47,847,142**	**47,847,142**	**45,738,562**	**45,738,562**
TOTAL EQUITY AND LIABILITIES		**382,287,346**	**382,202,340**	**434,526,225**	**398,432,224**	**456,675,892**
Number of Shares		230,299,526	232,430,541	278,916,649	257,946,843	309,536,212
Net assets		334,086,009	334,355,198	386,679,083	352,693,662	410,937,330
Net assets per Share		1.45	1.44	1.39	1.37	1.33

Stamped for the purpose of identification only.
26 JUL 2017
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

ELK-DESA RESOURCES BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2017 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 2017, 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

4.1 Pro Forma I

Pro Forma I incorporates the effects of events subsequent to the Audited Consolidated Financial Statement of Financial Position as at 31 March 2017 up to 17 July 2017, being the latest practicable date prior to the issuance of the Abridged Prospectus. The adjustments reflect the following:

a. conversion of 2,514,599 units of ICULS at the conversion price of RM1.18 for each ordinary share, on the basis of 2,131,015 new ELK-Desa Shares for 2,514,599 units of ICULS held, totalling the issuance of 2,131,015 new ELK-Desa Shares. Effects include the following:

   (i) increase in share capital of RM2,514,599;

   (ii) reduction in retained earnings by RM149,502; and

   (iii) reduction in ICULS for both the liability and equity component by RM354,195 and RM2,095,908 respectively.

4.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and assumes that all the Treasury Shares are retained within the Company and none of the outstanding 14,969,837 units of ICULS are converted as at Entitlement Date. The adjustments reflect the following:

a. the issuance of 46,486,108 new Rights Shares of RM1.16 per Rights Share with the recognition of RM53,923,885 in the share capital account.

b. the estimated expenses incurred in relation to the Rights Issue of approximately RM1,600,000 will be accounted for as a reduction in the share premium account.

Stamped for the purpose of identification only.
2 6 JUL 2017
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

ELK-DESA RESOURCES BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2017 AND THE NOTES THEREON (CONTINUED)

4. EFFECTS OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

4.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma I and assumes that all the outstanding 14,969,837 units of ICULS are converted save for the 13,686,662 units of ICULS held by the Undertaking Shareholders and all the Treasury Shares are resold in the open market at cost. The adjustments reflect the following:

a. resale of 12,830,000 Treasury Shares in open market at cost with estimated gross proceeds of RM16,735,944.

b. conversion of 14,969,837 units of ICULS at the conversion price of RM1.18 for each ordinary share, on the basis of 12,686,302 new ELK-Desa Shares for 14,969,837 units of ICULS held, totalling the issuance of 12,686,302 new ELK-Desa Shares. Effects include the following:

   (i) increase in share capital of RM14,969,837;

   (ii) reduction in retained earnings by RM889,990; and

   (iii) reduction in ICULS for both the liability and equity component by RM2,108,580 and RM12,477,327 respectively.

4.4 Pro Forma IV

Pro Forma IV incorporates the effects of Pro Forma III. The adjustments reflect the following:

a. the issuance of 51,589,369 Rights Shares of RM1.16 per Rights Share with the recognition of RM59,843,668 in the share capital account.

b. the estimated expenses incurred in relation to the Rights Issue of approximately RM1,600,000 will be accounted for as a reduction in the share premium account.

[The rest of this page is intentionally left blank]

Stamped for the purpose of identification only.
2 6 JUL 2017
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

5. DEFERRED TAX ASSETS

The movements in deferred tax assets of ELK-Desa are as follows:

	RM
As at 31 March 2017	3,870,566
Reversal of deferred tax assets upon conversion of 2,514,599 units of ICULS	(85,006)
As per Pro Forma I/ Pro Forma II	**3,785,560**
Reversal of deferred tax assets upon conversion of remaining outstanding ICULS*	(506,060)
As per Pro Forma III/ Pro Forma IV	**3,279,500**

** ICULS held by the Undertaking Shareholders are excluded pursuant to the Additional Irrevocable Undertakings*

6. CASH AND BANK BALANCES

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

Pro Forma I and Pro Forma II

	RM
As at 31 March 2017/ As per Pro Forma I	14,598,071
Gross proceeds from Rights Issue	53,923,885
Estimated expenses incurred in relation to the Rights Issue	(1,600,000)
As per Pro Forma II	66,921,956

Stamped for the purpose of identification only.
2 6 JUL 2017
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

ELK-DESA RESOURCES BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2017 AND THE NOTES THEREON (CONTINUED)

6. CASH AND BANK BALANCES (continued)

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

Pro Forma III and IV

	RM
As per Pro Forma I	14,598,071
Proceeds from resale of Treasury Shares in open market at cost	16,735,944
As per Pro Forma III	**31,334,015**
Gross proceeds from Rights Issue	59,843,668
Estimated expenses incurred in relation to the Rights Issue	(1,600,000)
As per Pro Forma IV	**89,577,683**

7. ICULS - LIABILITY COMPONENT

The movements in ICULS - liability component of ELK-Desa are as follows:

	RM
As at 31 March 2017	4,201,689
Settlement of ICULS liability upon conversion of 2,514,599 units of ICULS	(354,195)
As per Pro Forma I/ Pro Forma II	3,847,494
Settlement of ICULS liability upon conversion of remaining outstanding ICULS*	(2,108,580)
As per Pro Forma III/ Pro Forma IV	**1,738,914**

* *ICULS held by the Undertaking Shareholders are excluded pursuant to the Additional Irrevocable Undertakings*

ELK-DESA RESOURCES BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2017 AND THE NOTES THEREON (CONTINUED)

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

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

Pro Forma I and Pro Forma II

	Number of ordinary shares	Share capital RM	Share premium RM	Retained earnings RM	ICULS - equity component RM	Treasury shares RM	Total RM
Audited Consolidated Statement of Financial Position as at 31 March 2017	*230,299,526	243,129,886	24,496,944	57,280,089	25,915,034	(16,735,944)	334,086,009
Effect of issuance of new ELK-Desa shares upon conversion of ICULS	2,131,015	2,514,599	-	(149,502)	(2,095,908)	-	269,189
As per Pro Forma I	**232,430,541**	**245,644,485**	**24,496,944**	**57,130,587**	**23,819,126**	**(16,735,944)**	**334,355,198**
Effect of issuance of new ELK-Desa shares arising from the Rights Issue	46,486,108	53,923,885	-	-	-	-	53,923,885
Estimated expenses incurred in relation to the Rights Issue		-	(1,600,000)	-	-	-	(1,600,000)
As per Pro Forma II	**278,916,649**	**299,568,370**	**22,896,944**	**57,130,587**	**23,819,126**	**(16,735,944)**	**386,679,083**

* *Excluding 12,830,000 Treasury Shares as at 31 March 2017*

Stamped for the purpose of identification only.
2 6 JUL 2017
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

ELK-DESA RESOURCES BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ELK-DESA RESOURCES BERHAD AS AT 31 MARCH 2017 AND THE NOTES THEREON (CONTINUED)

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

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

Pro Forma III and Pro Forma IV

	Number of ordinary shares	Share capital	Share premium	Retained earnings	ICULS - equity component	Treasury shares	Total
		RM	RM	RM	RM	RM	RM
As per Pro Forma I	**232,430,541**	**245,644,485**	**24,496,944**	**57,130,587**	**23,819,126**	**(16,735,944)**	**334,355,198**
Resale of Treasury Shares in open market at cost	12,830,000	-	-	-	-	16,735,944	16,735,944
Effect of issuance of new ELK-Desa shares upon conversion of ICULS	12,686,302	14,969,837	-	(889,990)	(12,477,327)	-	1,602,520
As per Pro Forma III	**257,946,843**	**260,614,322**	**24,496,944**	**56,240,597**	**11,341,799**	-	**352,693,662**
Effect of issuance of new ELK-Desa shares arising from the Rights Issue	51,589,369	59,843,668	-	-	-	-	59,843,668
Estimated expenses incurred in relation to the Rights Issue		-	(1,600,000)	-	-	-	(1,600,000)
As per Pro Forma IV	**309,536,212**	**320,457,990**	**22,896,944**	**56,240,597**	**11,341,799**	-	**410,937,336**

Stamped for the purpose of identification only.
26 JUL 2017
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

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 2017

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

CONTENTS

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 2017.

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	23,001,397	17,610,792
Attributable to:		
Owners of the parent	23,001,397	17,610,792

DIVIDEND

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

	RM
Final single tier exempt dividend of approximately 3.50 sen per ordinary share, paid on 30 September 2016 in respect of the financial year ended 31 March 2016	7,962,088
Interim single tier dividend of approximately 3.25 sen per ordinary share, paid on 8 February 2017 in respect of the financial year ended 31 March 2017	7,484,720
	15,446,808

The Directors propose a final single tier tax exempt dividend of 3.50 sen per ordinary share in respect of the financial year ended 31 March 2017, 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

During the financial year, the issued share capital of the Company was increased from RM184,800,000 to RM243,129,886 pursuant to the conversion of 68,828,902 units of Irredeemable Convertible Unsecured Loan Stock ('ICULS') at the conversion price of RM1.18 for each ordinary share, resulting the issuance of 58,329,526 new ordinary shares.

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

The Company did not issue any 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. The authority granted by the members was subsequently renewed during the subsequent Annual General Meeting of the Company held on 26 August 2016 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 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 retain, resell, cancel or distribute such treasury shares in a manner they deem fit in accordance with the Companies Act, 2016 in Malaysia and the applicable guidelines of Bursa Malaysia Securities Berhad.

During the financial year, the Company repurchased 2,680,000 ordinary shares from the open market at an average buy-back price of RM1.23 per ordinary share. The total consideration paid, including transaction costs of RM3,295,277 was financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with Section 127 of the Companies Act, 2016 in Malaysia.

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 have been sold or cancelled during the financial year.

The number of ordinary shares as at 31 March 2017 after taking into account the new shares issued and deducting the treasury shares held of 12,830,000 shares is 230,299,526 ordinary shares. Further relevant details are disclosed in Note 20 to the financial statements.

DIRECTORS

The Directors in office of the Company during the financial year and during the period from the end of the financial year to the date of the report are:

Teoh Hock Chai @ Tew Hock Chai
Teoh Seng Hui
Teoh Seng Hee
Teoh Seng Kar
Lim Keng Chin
Ng Soon Lai @ Ng Siek Chuan
Loong Foo Ching
Yee Kin Lan
Toh Jyh Wei

The Directors in office of the subsidiaries during the financial year and during the period from the end of the financial year to the date of the report are:

Teoh Hock Chai @ Tew Hock Chai
Teoh Seng Hui
Teoh Seng Hee
Lim Keng Chin
Loke Weng Fook
Teo Chong Guan
Teo Tiong Nam
Gan Chee Kiong

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 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia were as follows:

	---Number of ordinary shares---			
Shares in the Company	**Balance as at 1.4.2016**	***Acquired**	**Disposed**	**Balance as at 31.3.2017**
Direct interests				
Teoh Hock Chai @ Tew Hock Chai	3,998,824	847,457	-	4,846,281
Teoh Seng Hee	100,000	33,898	-	133,898
Teoh Seng Kar	78,400	-	-	78,400
Lim Keng Chin	3,754,350	338,983	-	4,093,333
Indirect interests				
Teoh Hock Chai @ Tew Hock Chai	47,362,215	19,400,000	(1,462,215)	65,300,000
Teoh Seng Hui	1,462,215	-	(1,462,215)	-

DIRECTORS' INTERESTS (continued)

ICULS in the Company	Balance as at 1.4.2016	Acquired	*Converted/ Disposal	Balance as at 31.3.2017
	---Number of ICULS 2014/2022---			
Direct interests				
Teoh Hock Chai @ Tew Hock Chai	1,000,000	-	*(1,000,000)	-
Teoh Seng Hee	40,000	-	*(40,000)	-
Lim Keng Chin	400,000	-	*(400,000)	-
Indirect interests				
Teoh Hock Chai @ Tew Hock Chai	47,808,662	-	(11,230,000) *(22,892,000)	13,686,662
Teoh Seng Hui	4,720,000	-	(4,720,000)	-
Teoh Seng Hee	2,360,000	[1]4,720,000	(2,360,000) [2](4,720,000)	-
Teoh Seng Kar	2,360,000	[1]4,720,000	(2,360,000) [2](4,720,000)	-

* Conversion of ICULS.

[1] Deemed interested by virtue of Section 6A of the Companies Act 1965 ("CA 1965").

[2] Ceased to have deemed interest by virtue of CA 1965 being repealed and replaced by Companies Act 2016 with effect from 31 January 2017.

By virtue of his interests in the shares of the substantial shareholders, ELK Group Sdn. Bhd. and Eng Lee Kredit Sdn. Bhd., both of which are companies incorporated in Malaysia, Teoh Hock Chai @ Tew Hock Chai is deemed to have interests in the Company to the extent the substantial shareholders have interest in the Company, in accordance with Section 8 of the Companies Act, 2016 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 the ordinary shares and ICULS of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS AND REMUNERATION

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 following:

(a) remuneration received by certain Directors as Directors/executives of the subsidiaries; and

(b) by virtue of transactions entered into in the ordinary course of business as disclosed in Note 34 to the financial statements.

DIRECTORS' BENEFITS AND REMUNERATION (continued)

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements 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.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

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

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SUBSIDIARIES

Details of subsidiaries are set out in Note 8 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 27 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

AUDITORS

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

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

....	....
Teoh Hock Chai @ Tew Hock Chai	**Teoh Seng Hui**
Non-Independent Non-Executive Chairman	Group Executive Director

Kuala Lumpur
9 June 2017

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 15 to 87 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 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 2017 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 39 to the financial statements on page 88 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
Non-Independent Non-Executive Chairman

....
Teoh Seng Hui
Group Executive Director

Kuala Lumpur
9 June 2017

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 15 to 88 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)
9 June 2017)

Loke Weng Fook

Before me:

PESURUHJAYA SUMPAH
No. W 663
Nama: BALOO A/L T.PICHAI
MALAYSIA

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

BDO

Tel: +603 2616 2888
Fax: +603 2616 3190, 2616 3191
www.bdo.my

Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELK-DESA RESOURCES BERHAD
(Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of ELK-Desa Resources Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

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

Key Audit Matters (continued)

Impairment assessment of hire-purchase receivables

As at 31 March 2017, hire-purchase receivables of the Group were RM338,225,850. The details of hire-purchase receivables and its credit risk have been disclosed in Notes 9 and 37 to the financial statements respectively.

We focused on this area due to the size of the carrying amount of the hire-purchase receivables, which represented 88% of total assets. The impairment of hire-purchase receivables, which includes individual and collective impairment, is estimated by the management through the application of judgement and the use of subjective assumptions as disclosed in Note 9 to the financial statements.

Audit response

Our audit procedures included the following:

i. obtained an understanding of the assessment performed by management to arrive at the individual and collective impairment allowances;

ii. challenged assessment of management that no further impairment loss was required based on analysis of customer creditworthiness, past historical payment trends and expectation of repayment patterns;

iii. critically assessed recoverability of debts that were past due but not impaired with reference to the historical bad debt experiences, credit profiles of the counter parties and past historical repayment trends; and

iv. re-performed on a sample basis, the calculation of collective impairment.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

BDO

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

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

BDO

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

BDO

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

The supplementary information set out in Note 39 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)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Lee Ken Wai
3185/07/17 (J)
Chartered Accountant

Kuala Lumpur
9 June 2017

ELK-DESA RESOURCES BERHAD (180164 - X)

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	7,155,604	6,866,328	2,255	2,653
Investments in subsidiaries	8	-	-	230,000,000	120,000,000
Hire-purchase receivables	9	243,324,546	194,318,410	-	-
Amount owing by a subsidiary	15	-	-	2,000,000	71,000,000
Deferred tax assets	10	3,870,566	6,250,612	1,008,405	3,884,119
		254,350,716	207,435,350	233,010,660	194,886,772
Current assets					
Inventories	11	6,715,178	1,928,044	-	-
Other assets	12	1,261,259	1,035,707	-	-
Trade receivables	13	8,609,202	1,372,983	-	-
Hire-purchase receivables	9	94,901,304	81,743,940	-	-
Other receivables, deposits and prepayments	14	1,765,777	958,084	324,798	34,500
Amount owing by a subsidiary	15	-	-	65,786,643	100,575,956
Current tax assets		85,839	30,031	-	-
Cash and bank balances	16	14,598,071	77,394,060	5,066,960	15,386,470
		127,936,630	164,462,849	71,178,401	115,996,926
TOTAL ASSETS		382,287,346	371,898,199	304,189,061	310,883,698

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 2017 (continued)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	243,129,886	184,800,000	243,129,886	184,800,000
ICULS - equity component	18	25,915,034	83,283,772	25,915,034	83,283,772
Reserves	19	81,777,033	66,602,746	46,160,814	36,377,132
Treasury shares	20	(16,735,944)	(13,440,667)	(16,735,944)	(13,440,667)
TOTAL EQUITY		334,086,009	321,245,851	298,469,790	291,020,237
LIABILITIES					
Non-current liabilities					
ICULS - liability component	18	4,201,689	16,183,827	4,201,689	16,183,827
Block discounting payables - secured	21	12,083,795	3,974,461	-	-
Deferred tax liabilities	10	38,441	25,351	-	-
		16,323,925	20,183,639	4,201,689	16,183,827
Current liabilities					
Trade payables	22	14,931,949	11,599,940	-	-
Other payables and accruals	23	4,760,523	5,530,039	1,489,140	3,499,083
Block discounting payables - secured	21	9,711,804	11,533,444	-	-
Bank overdrafts	24	519,946	-	-	-
Current tax liabilities		1,953,190	1,805,286	28,442	180,551
		31,877,412	30,468,709	1,517,582	3,679,634
TOTAL LIABILITIES		48,201,337	50,652,348	5,719,271	19,863,461
TOTAL EQUITY AND LIABILITIES		382,287,346	371,898,199	304,189,061	310,883,698

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 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	25	94,488,905	64,166,931	16,200,000	8,000,000
Other income		2,077,081	2,832,880	3,708,518	5,884,309
Cost of inventories sold		(18,759,113)	(5,214,273)	-	-
Depreciation of property, plant and equipment	7	(576,147)	(449,535)	(398)	(398)
Impairment allowance on receivables		(20,164,950)	(15,570,447)	-	-
Other expenses		(25,399,867)	(17,817,696)	(1,197,208)	(1,877,323)
Finance costs	26	(1,099,353)	(2,624,309)	(321,510)	(1,097,115)
Profit before taxation	27	30,566,556	25,323,551	18,389,402	10,909,473
Taxation	28	(7,565,159)	(6,535,684)	(778,610)	(1,085,884)
Profit for the financial year		23,001,397	18,787,867	17,610,792	9,823,589
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		23,001,397	18,787,867	17,610,792	9,823,589
Profit attributable to: Owners of the parent		23,001,397	18,787,867	17,610,792	9,823,589
Total comprehensive income attributable to: Owners of the parent		23,001,397	18,787,867	17,610,792	9,823,589

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 2017 (continued)

		Group	
	Note	**2017**	**2016**
Earnings per ordinary share attributable to owners of the parent (sen)			
Basic earnings per ordinary share	29	10.66	12.86
Diluted earnings per ordinary share	29	9.13	8.92
Dividend per ordinary share in respect of the financial year, single tier tax exempt (sen):			
- Interim dividend (paid)	30	3.25	3.25
- Final dividend (paid)	30	-	3.50
- Final dividend (proposed)	30	3.50	3.50

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 2017

Group	Note	Share capital RM	ICULS - equity component RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total equity RM
Balance as at 1 April 2015		125,000,000	83,283,772	2,820,736	(101,733)	48,733,524	259,736,299
Profit for the financial year		-	-	-	-	18,787,867	18,787,867
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	18,787,867	18,787,867
Transactions with owners:							
Issuance of shares pursuant to rights issue		59,800,000	-	11,960,000	-	-	71,760,000
Treasury shares, at cost	20	-	-	-	(13,338,934)	-	(13,338,934)
Expenses incurred pursuant to rights issue		-	-	(782,808)	-	-	(782,808)
Dividend paid	30	-	-	-	-	(14,916,573)	(14,916,573)
Total transactions with owners		59,800,000	-	11,177,192	(13,338,934)	(14,916,573)	42,721,685
Balance as at 31 March 2016		184,800,000	83,283,772	13,997,928	(13,440,667)	52,604,818	321,245,851
Profit for the financial year		-	-	-	-	23,001,397	23,001,397
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	23,001,397	23,001,397
Transactions with owners:							
Issuance of shares upon conversion of ICULS		58,329,886	(57,368,738)	10,499,016	-	(2,879,318)	8,580,846
Treasury shares, at cost	20	-	-	-	(3,295,277)	-	(3,295,277)
Dividend paid	30	-	-	-	-	(15,446,808)	(15,446,808)
Total transactions with owners		58,329,886	(57,368,738)	10,499,016	(3,295,277)	(18,326,126)	(10,161,239)
Balance as at 31 March 2017		243,129,886	25,915,034	24,496,944	(16,735,944)	57,280,089	334,086,009

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 2017 (continued)

Company	Note	Share capital RM	ICULS - equity component RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total equity RM
Balance as at 1 April 2015		125,000,000	83,283,772	2,820,736	(101,733)	27,472,188	238,474,963
Profit for the financial year		-	-	-	-	9,823,589	9,823,589
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	9,823,589	9,823,589
Transactions with owners:							
Issuance of shares pursuant to rights issue		59,800,000	-	11,960,000	-	-	71,760,000
Treasury shares, at cost	20	-	-	-	(13,338,934)	-	(13,338,934)
Expenses incurred pursuant to rights issue		-	-	(782,808)	-	-	(782,808)
Dividend paid	30	-	-	-	-	(14,916,573)	(14,916,573)
Total transactions with owners		59,800,000	-	11,177,192	(13,338,934)	(14,916,573)	42,721,685
Balance as at 31 March 2016		184,800,000	83,283,772	13,997,928	(13,440,667)	22,379,204	291,020,237
Profit for the financial year		-	-	-	-	17,610,792	17,610,792
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	17,610,792	17,610,792
Transactions with owners:							
Issuance of shares upon conversion of ICULS		58,329,886	(57,368,738)	10,499,016	-	(2,879,318)	8,580,846
Treasury shares, at cost	20	-	-	-	(3,295,277)	-	(3,295,277)
Dividend paid	30	-	-	-	-	(15,446,808)	(15,446,808)
Total transactions with owners		58,329,886	(57,368,738)	10,499,016	(3,295,277)	(18,326,126)	(10,161,239)
Balance as at 31 March 2017		243,129,886	25,915,034	24,496,944	(16,735,944)	21,663,870	298,469,790

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 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		30,566,556	25,323,551	18,389,402	10,909,473
Adjustments for:					
Depreciation of property, plant and equipment	7	576,147	449,535	398	398
Gain on disposal of property, plant and equipment		(20,169)	-	-	-
Dividend income from a subsidiary		-	-	(16,200,000)	(8,000,000)
Net allowance made for the financial year:					
- hire-purchase receivables	9(f)	20,859,841	16,346,915	-	-
- trade receivables	13(e)	42,121	-	-	-
Interest expense	26	984,735	2,565,053	321,510	1,097,115
Interest income		(1,442,330)	(2,428,650)	(3,708,518)	(5,884,309)
Unrealised loss on foreign exchange		-	11,997	-	-
Share issuance expenses incurred pursuant to rights issue		-	1,003,820	-	1,003,820
Operating profit/(loss) before working capital changes		51,566,901	43,272,221	(1,197,208)	(873,503)
Changes in working capital:					
Inventories		(4,787,134)	(1,928,044)	-	-
Other assets		(225,552)	(101,000)	-	-
Hire-purchase receivables		(83,023,341)	(23,522,776)	-	-
Trade receivables		(7,278,340)	(1,284,162)	-	-
Other receivables, deposits and prepayments		(807,693)	(603,399)	(290,298)	6,000
Trade payables		3,332,009	(1,338,694)	-	-
Other payables and accruals		1,467,427	1,069,275	227,000	103,000
Cash (used in)/generated from operations		(39,755,723)	15,563,421	(1,260,506)	(764,503)
Tax paid		(7,789,669)	(5,516,364)	(764,747)	(444,313)
Net cash (used in)/from operating activities		(47,545,392)	10,047,057	(2,025,253)	(1,208,816)

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 2017 (continued)

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in a subsidiary		-	-	(10,000,000)	(5,000,000)
Purchase of property, plant and equipment	7	(889,028)	(1,516,412)	-	-
Proceeds from disposal of property, plant and equipment		43,774	-	-	-
Interest received		1,442,330	2,428,650	3,708,518	5,884,309
Dividend received from a subsidiary		-	-	16,200,000	8,000,000
Advances received from /(to) a subsidiary		-	-	3,789,313	(71,299,929)
Fixed deposits placed with licensed bank with original maturity of more than three (3) months		25,979,507	(15,345,761)	6,150,926	4,482,820
Net cash from/(used in) investing activities		26,576,583	(14,433,523)	19,848,757	(57,932,800)
CASH FLOW FROM FINANCING ACTIVITIES					
Net repayment of term loans		-	(3,870,000)	-	-
Net drawdown/(repayment) of block discounting payables		6,384,179	(17,707,792)	-	-
Proceeds from rights issue		-	71,760,000	-	71,760,000
Share issuance expenses paid pursuant to rights issue		-	(1,786,628)	-	(1,786,628)
Dividend paid		(15,446,808)	(14,916,573)	(15,446,808)	(14,916,573)
Purchase of treasury shares		(3,295,277)	(13,338,934)	(3,295,277)	(13,338,934)
Interest paid		(4,009,713)	(4,678,371)	(3,250,003)	(3,250,000)
Net cash (used)/from financing activities		(16,367,619)	15,461,702	(21,992,088)	38,467,865
Net (decrease)/increase in cash and cash equivalents		(37,336,428)	11,075,236	(4,168,584)	(20,673,751)
Cash and cash equivalents as at beginning of financial year		51,414,553	40,339,317	9,235,544	29,909,295
Cash and cash equivalents as at end of financial year	16	14,078,125	51,414,553	5,066,960	9,235,544

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 2017

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 2017 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 9 June 2017.

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 15 to 87 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 2016 in Malaysia. However, Note 39 to the financial statements set out on page 88 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.

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 Companies Act 2016 ('CA2016') was enacted to replace the Companies Act 1965. CA2016 was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that CA2016 comes into operation on 31 January 2017 except for Section 241 and Division 8 of Part III of CA2016.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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, expenses and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are then assessed for impairment. The consolidated financial statements reflect transactions and balances with external parties only.

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 statements 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 are 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 statements of financial position. 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 and software	3 years
Office equipment	10 years
Furniture and fittings	10 years
Signboard	10 years
Motor vehicles	10 years
Renovation	10 years
Plant and machineries	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 4.7 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 are 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 are recognised in profit or loss. Investments accounted for at cost are 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 or receivable. 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 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets (excluding investments in subsidiaries), other assets, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Impairment of non-financial assets (continued)

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, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the 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 for 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.

4.8 Other assets

Other assets are stated at lower of cost or realisable value. Other assets 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 assets to their present location and condition.

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)**

4.9 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Inventories represent raw materials, work-in-progress and finished goods of the Group.

Cost of finished goods is determined using the weighted average cost method. Cost of finished goods represents all costs of purchase, cost of conversion plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

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.

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

4.10 **Financial instruments (continued)**

(a) Financial assets (continued)

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

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.

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.

(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.

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

4.10 **Financial instruments (continued)**

(a) Financial assets (continued)

(iv) Available-for-sale financial assets (continued)

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 cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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.

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

4.10 **Financial instruments (continued)**

(b) Financial liabilities (continued)

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

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.

(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.

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.

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

4.10 **Financial instruments (continued)**

(b) Financial liabilities (continued)

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.

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 are accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares are 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.

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

4.10 **Financial instruments (continued)**

(c) Equity (continued)

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position.

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.

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.

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

4.14 **Provisions (continued)**

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.

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

4.17 **Functional and presentation currency**

(a) 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.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

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 the 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.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and
(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 AND AMENDMENT TO MFRSs

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
MFRS 14 *Regulatory Deferral Accounts*	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 MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRSs *Annual Improvements to 2012-2014 Cycle*	1 January 2016

There is no material effect upon the adoption of these Standards during the current financial year.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017 (continued)

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

Title	Effective Date
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of the adoption of these Standards, 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

There are no critical judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

6.3 Key sources of estimation uncertainty

The following is the key assumption 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 amount of assets and liabilities within the next financial year.

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. 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.

7. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Balance as at 1.4.2016 RM	Additions RM	Disposal RM	Balance as at 31.3.2017 RM
Cost				
Freehold land	1,800,000	-	-	1,800,000
Buildings	2,124,269	-	-	2,124,269
Computer equipment and software	665,566	85,124	-	750,690
Office equipment	567,546	85,188	-	652,734
Furniture and fittings	129,369	13,312	-	142,681
Signboard	68,270	22,205	-	90,475
Motor vehicles	837,918	246,658	(113,758)	970,818
Renovation	2,514,756	433,241	-	2,947,997
Plant and machineries	-	3,300	-	3,300
	8,707,694	889,028	(113,758)	9,482,964

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

	Balance as at 1.4.2016 RM	Charge for the financial year RM	Disposal RM	Balance as at 31.3.2017 RM
Accumulated depreciation				
Buildings	49,545	42,486	-	92,031
Computer equipment and software	537,715	80,450	-	618,165
Office equipment	232,738	58,490	-	291,228
Furniture and fittings	100,383	12,752	-	113,135
Signboard	15,097	7,784	-	22,881
Motor vehicles	211,585	88,093	(90,153)	209,525
Renovation	694,303	285,872	-	980,175
Plant and machineries	-	220	-	220
	1,841,366	576,147	(90,153)	2,327,360

2016	Balance as at 1.4.2015 RM	Additions RM	Balance as at 31.3.2016 RM
Cost			
Freehold land	1,800,000	-	1,800,000
Buildings	2,124,269	-	2,124,269
Computer equipment and software	568,041	97,525	665,566
Office equipment	425,484	142,062	567,546
Furniture and fittings	129,369	-	129,369
Signboard	16,560	51,710	68,270
Motor vehicles	740,748	97,170	837,918
Renovation	1,386,811	1,127,945	2,514,756
	7,191,282	1,516,412	8,707,694

	Balance as at 1.4.2015 RM	Charge for the financial year RM	Balance as at 31.3.2016 RM
Accumulated depreciation			
Buildings	7,060	42,485	49,545
Computer equipment and software	473,289	64,426	537,715
Office equipment	182,705	50,033	232,738
Furniture and fittings	87,485	12,898	100,383
Signboard	11,468	3,629	15,097
Motor vehicles	135,081	76,504	211,585
Renovation	494,743	199,560	694,303
	1,391,831	449,535	1,841,366

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

Company 2017	**Balance as at 1.4.2016 RM**	**Additions RM**	**Balance as at 31.3.2017 RM**
Cost			
Signboard	3,980	-	3,980

Accumulated depreciation	**Balance as at 1.4.2016 RM**	**Charge for the financial year RM**	**Balance as at 31.3.2017 RM**
Signboard	1,327	398	1,725

2016	**Balance as at 1.4.2015 RM**	**Additions RM**	**Balance as at 31.3.2016 RM**
Cost			
Signboard	3,980	-	3,980

Accumulated depreciation	**Balance as at 1.4.2015 RM**	**Charge for the financial year RM**	**Balance as at 31.3.2016 RM**
Signboard	929	398	1,327

	Group		**Company**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Carrying amount				
Freehold land	1,800,000	1,800,000	-	-
Buildings	2,032,238	2,074,724	-	-
Computer equipment and software	132,525	127,851	-	-
Office equipment	361,506	334,808	-	-
Furniture and fittings	29,546	28,986	-	-
Signboard	67,594	53,173	2,255	2,653
Motor vehicles	761,293	626,333	-	-
Renovation	1,967,822	1,820,453	-	-
Plant and machineries	3,080	-	-	-
	7,155,604	6,866,328	2,255	2,653

8. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost	230,000,000	120,000,000

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

Name of Company	Interest in equity held by Company 2017 %	Company 2016 %	Subsidiary 2017 %	Subsidiary 2016 %	Principal activities
ELK-Desa Capital Sdn. Bhd.	100	100	-	-	Provision of hire-purchase financing
ELK-Desa Furniture Sdn. Bhd.	100	100	-	-	Trading of furniture
Subsidiaries of ELK-Desa Capital Sdn. Bhd.					
ELK-Desa Risk Agency Sdn. Bhd.	-	-	100	100	Insurance agent
ELK-Desa Marketing Sdn. Bhd. (under member's voluntary winding up)	-	-	100	100	Dormant
Subsidiaries of ELK-Desa Furniture Sdn. Bhd.					
ELK-Desa Furniture Marketing Sdn. Bhd.	-	-	100	100	Wholesaling of furniture
ELK-Desa Furniture Industries Sdn. Bhd.	-	-	100	100	Manufacturing of furniture

Significant events in relation to changes in investments in subsidiaries are disclosed in Note 38 to the financial statements.

9. HIRE-PURCHASE RECEIVABLES

	Group 2017 RM	Group 2016 RM
Gross hire-purchase receivables		
- not later than one (1) year	148,089,722	125,269,265
- later than one (1) year but not later than five (5) years	308,079,791	247,559,334
- later than five (5) years	14,000,882	4,728,892
	322,080,673	252,288,226
	470,170,395	377,557,491
Less: Unearned hire-purchase interest income	(119,698,585)	(91,337,295)
Net hire-purchase receivables	350,471,810	286,220,196
Less: Accumulated collective impairment allowance	(8,656,036)	(7,066,861)
Accumulated individual impairment allowance	(3,589,924)	(3,090,985)
	338,225,850	276,062,350
Receivables are as follows:		
Current assets		
- not later than one (1) year	94,901,304	81,743,940
Non-current assets		
- later than one (1) year but not later than five (5) years	230,589,084	189,933,345
- later than five (5) years	12,735,462	4,385,065
	243,324,546	194,318,410
	338,225,850	276,062,350

(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 RM27,607,196 (2016: RM24,308,199) are assigned to licensed banks for block discounting facilities as disclosed in Note 21 to the financial statements.

(c) The effective interest rate range from 12.9% to 18.2% (2016: 12.9% to 18.2%) per annum.

(d) All hire-purchase receivables are denominated in 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 2017	**Undue RM**	**Due RM**	**Net receivables RM**	**Individual impairment RM**	**Collective impairment RM**	**Net receivables after impairment RM**
Not past due	148,308,202	-	148,308,202	-	(3,707,705)	144,600,497
Past due:						
- 1 to 90 days	187,615,234	10,318,025	197,933,259	-	(4,948,331)	192,984,928
- more than 90 days	3,415,237	815,112	4,230,349	(3,589,924)	-	640,425
	191,030,471	11,133,137	202,163,608	(3,589,924)	(4,948,331)	193,625,353
	339,338,673	11,133,137	350,471,810	(3,589,924)	(8,656,036)	338,225,850
As at 31 March 2016						
Not past due	118,750,270	-	118,750,270	-	(2,968,757)	115,781,513
Past due:						
- 1 to 90 days	155,152,760	8,771,408	163,924,168	-	(4,098,104)	159,826,064
- more than 90 days	2,836,429	709,329	3,545,758	(3,090,985)	-	454,773
	157,989,189	9,480,737	167,469,926	(3,090,985)	(4,098,104)	160,280,837
	276,739,459	9,480,737	286,220,196	(3,090,985)	(7,066,861)	276,062,350

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

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

<u>Hire-purchase receivables that are not due</u>

These are the receivables that are contractually due on or after the last day of the financial year. These receivables amounted to RM148,308,202 (2016: RM118,750,270).

<u>Hire-purchase receivables that are past due</u>

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 RM191,030,471 (2016: RM157,989,189).

Contractually due receivables represent instalments that are due before the last day of the financial year which amounted to RM11,133,137 (2016: RM9,480,737).

<u>Hire-purchase receivables that are impaired</u>

Receivables that are impaired amounted to RM12,245,960 (2016: RM10,157,846).

The Group first assesses the hire-purchase receivables on an individual basis to determine if there is any 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	
	2017 RM	2016 RM
Balance as at 1 April	10,157,846	10,920,993
- Collective impairment allowance	1,589,175	187,920
- Individual impairment allowance	19,270,666	16,158,995
Net allowance made for the financial year (Note 27)	20,859,841	16,346,915
Write off for the financial year	(18,771,727)	(17,110,062)
Balance as at 31 March	12,245,960	10,157,846

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

10. DEFERRED TAX

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

	Note	Group 2017 RM	Group 2016 RM
Balance as at 1 April		6,225,261	6,924,265
Recognised in equity component of ICULS		(2,709,742)	-
Recognised in profit or loss:	28		
- current year		304,302	(698,430)
- under/(over) provision in prior years		12,304	(574)
		316,606	(699,004)
Balance as at 31 March		3,832,125	6,225,261
Presented after appropriate offsetting as follows:			
Deferred tax assets		3,870,566	6,250,612
Deferred tax liabilities		(38,441)	(25,351)
		3,832,125	6,225,261

	Note	Company 2017 RM	Company 2016 RM
Balance as at 1 April		3,884,119	4,400,811
Recognised in equity component of ICULS		(2,709,742)	-
Recognised in profit or loss:	28		
- current year		(165,972)	(516,692)
Balance as at 31 March		1,008,405	3,884,119

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

Group 2017	**Hire-purchase receivables RM**	**ICULS RM**	**Other temporary differences RM**	**Total RM**
Deferred tax assets				
Balance as at 1 April 2016	2,437,884	3,884,119	2,879	6,324,882
Recognised in equity component of ICULS	-	(2,709,742)	-	(2,709,742)
Recognised in profit and loss	501,147	(165,972)	(2,879)	332,296
	2,939,031	1,008,405	-	3,947,436
Offsetting	(76,870)	-	-	(76,870)
Balance as at 31 March 2017	2,862,161	1,008,405	-	3,870,566

10. **DEFERRED TAX (continued)**

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

	Property, plant and equipment RM	Total RM
Deferred tax liabilities		
Balance as at 1 April 2016	(99,621)	(99,621)
Recognised in profit and loss	(15,690)	(15,690)
	(115,311)	(115,311)
Offsetting	76,870	76,870
Balance as at 31 March 2017	(38,441)	(38,441)

Group 2016	Hire-purchase receivables RM	ICULS RM	Other temporary differences RM	Total RM
Deferred tax assets				
Balance as at 1 April 2015	2,621,039	4,400,811	-	7,021,850
Recognised in profit and loss	(183,155)	(516,692)	2,879	(696,968)
	2,437,884	3,884,119	2,879	6,324,882
Offsetting	(71,391)	-	(2,879)	(74,270)
Balance as at 31 March 2016	2,366,493	3,884,119	-	6,250,612

	Property, plant and equipment RM	Total RM
Deferred tax liabilities		
Balance as at 1 April 2015	(97,585)	(97,585)
Recognised in profit and loss	(2,036)	(2,036)
	(99,621)	(99,621)
Offsetting	74,270	74,270
Balance as at 31 March 2016	(25,351)	(25,351)

10. **DEFERRED TAX (continued)**

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

Company **2017**	**ICULS** **RM**	**Total** **RM**
Deferred tax assets		
Balance as at 1 April 2016	3,884,119	3,884,119
Recognised in equity component of ICULS	(2,709,742)	(2,709,742)
Recognised in profit and loss	(165,972)	(165,972)
Balance as at 31 March 2017	1,008,405	1,008,405
2016		
Deferred tax assets		
Balance as at 1 April 2015	4,400,811	4,400,811
Recognised in profit and loss	(516,692)	(516,692)
Balance as at 31 March 2016	3,884,119	3,884,119

11. **INVENTORIES**

	Group **2017** **RM**	 **2016** **RM**
At cost		
Raw materials	1,033,521	-
Work-in-progress	94,491	-
Finished goods	5,587,166	1,928,044
	6,715,178	1,928,044

Cost of inventories recognised as cost of sales during the financial year amounted to RM18,759,113 (2016: RM5,214,273).

12. **OTHER ASSETS**

	Group **2017** **RM**	 **2016** **RM**
At lower of cost or realisable value		
Repossessed motor vehicles	1,261,259	1,035,707

Other assets represent motor vehicles repossessed as a result of payments defaulted by the hire-purchase receivables. The other assets are held for subsequent disposals.

13. TRADE RECEIVABLES

	Group 2017 RM	2016 RM
Trade receivables	8,651,323	1,372,983
Less: Impairment losses	(42,121)	-
	8,609,202	1,372,983

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

(b) The average credit term offered by the Group in respect of trade receivables are cash on delivery to 120 days (2016: 120 days) from date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(c) The currency exposure profile of trade receivables are as follows:

	Group 2017 RM	2016 RM
Ringgit Malaysia	7,536,417	1,013,169
United States Dollar	1,072,785	359,814
	8,609,202	1,372,983

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

	2017 RM	2016 RM
Neither past due nor impaired	7,308,203	922,531
Past due, not impaired		
0 to 30 days	591,406	290,867
31 to 60 days	383,534	69,386
61 to 90 days	168,184	77,139
More than 90 days	157,875	13,060
	1,300,999	450,452
Past due and impaired	42,121	-
	8,651,323	1,372,983

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group have trade receivables amounting to RM1,300,999 (2016: RM450,452) that are past due at the end of the reporting period but not impaired as these receivables arose from creditworthy debtors with no history of default in payments.

13. **TRADE RECEIVABLES (continued)**

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

Receivables that are past due and impaired

The trade receivables of the Company that are past due and impaired at the end of reporting date are as follows:

	2017 RM	2016 RM
Trade receivables, gross	42,121	-
Less: Impairment losses	(42,121)	-
	-	-

(e) The reconciliation of movements in impairment losses on trade receivables is as follows:

	2017 RM	2016 RM
At 1 April	-	-
Charge during the financial year (Note 27)	42,121	-
As at 31 March	42,121	-

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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

14. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	680,287	359,508	286,500	-
Deposits	995,403	561,319	8,298	4,500
Loans and receivables	1,675,690	920,827	294,798	4,500
Prepayments	90,087	37,257	30,000	30,000
	1,765,777	958,084	324,798	34,500

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) The currency exposure profile of other receivables are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Ringgit Malaysia	1,566,958	958,084	324,798	34,500
United States Dollar	198,819	-	-	-
	1,765,777	958,084	324,798	34,500

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

15. AMOUNT OWING BY A SUBSIDIARY

(a) The amount owing by a subsidiary in non-current assets represents advances which is unsecured, bear interest at 5.00% (2016: 5.00%) and repayable in the next two (2) years.

(b) The amount owing by a subsidiary in current assets represents advances, which is unsecured, and repayable on demand except for an amount of RM65,500,000 (2016: RM100,000,000), which bears interest at 5.00% (2016: 3.25%) per annum.

(c) The amount owing by a subsidiary is denominated in RM.

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

16. 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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	2,433,254	3,252,117	134,103	219,037
Fixed deposits with licensed banks	12,164,817	74,141,943	4,932,857	15,167,433
As stated in statements of financial position	14,598,071	77,394,060	5,066,960	15,386,470
Less:				
Bank overdrafts (Note 24)	(519,946)	-	-	-
Fixed deposits placed with a licensed bank with original maturity of more than three (3) months	-	(25,979,507)	-	(6,150,926)
As stated in statements of cash flows	14,078,125	51,414,553	5,066,960	9,235,544

16. CASH AND BANK BALANCES (continued)

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

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

17. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary share				
Balance as at 1 April	184,800,000	184,800,000	125,000,000	125,000,000
Issuance of shares pursuant to:				
- right issues	-	-	59,800,000	59,800,000
- conversion of ICULS	58,329,526	58,329,886	-	-
Balance as at 31 March	243,129,526	243,129,886	184,800,000	184,800,000

Upon effective date of the Companies Act, 2016 of 31 January 2017, the concept of authorised and par value of share capital is no longer applicable.

During the financial year, the issued share capital of the Company was increased from 184,800,000 to 243,129,526 pursuant to the conversion of 68,828,902 units of Irredeemable Convertible Unsecured Loan Stock ('ICULS') at the conversion price of RM1.18 for each ordinary share, resulting the issuance of 58,329,526 ordinary shares.

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

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.

18. **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 deems fit and expedient in the best interest of the Company.

(c) Conversion price

The conversion price of the ICULS is RM1.18 for every one (1) new ordinary share of the Company.

(d) Conversion period

The ICULS are convertible into new shares of the Company on any market day from the second (2nd) anniversary of the date of the issue of the ICULS up to and including the maturity date.

(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.

18. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ('ICULS') (continued)

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

	Group and Company 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	
	2017 RM	2016 RM
ICULS - equity component:		
As at 1 April	83,283,772	83,283,772
Conversion to ordinary shares	(57,368,738)	-
As at 31 March	25,915,034	83,283,772
ICULS - liability component:		
As at 1 April	16,183,827	18,336,712
Amortisation of ICULS - liability component	(691,551)	(2,152,885)
Conversion to ordinary shares	(11,290,587)	-
As at 31 March	4,201,689	16,183,827

19. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-distributable:				
Share premium	24,496,944	13,997,928	24,496,944	13,997,928
Distributable:				
Retained earnings	57,280,089	52,604,818	21,663,870	22,379,204
	81,777,033	66,602,746	46,160,814	36,377,132

Companies Act 2016 ("CA2016") has come into effect on 31 January 2017. Following the adoption of CA2016 the share premium account will now be merged with the Group and the Company's share capital. However, there is a transitional period of twenty four (24) months to utilise the amount in the share premium account. Therefore, the Group and the Company has not consolidated the share premium into share capital until the expiry of the transitional period.

20. 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. The authority granted by the members was subsequently renewed during the subsequent Annual General Meeting of the Company held on 26 August 2016 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 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/resell/cancel/distribute 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, 2016 in Malaysia and the applicable guidelines of Bursa Malaysia Securities Berhad.

During the financial year, the Company repurchased issued ordinary shares 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 2016	10,150,000	13,440,667	1.450	1.220	1.324
Share repurchased during the financial year:					
April 2016	1,568,800	1,955,597	1.262	1.236	1.247
May 2016	131,200	163,597	1.240	1.240	1.247
September 2016	980,000	1,176,083	1.220	1.179	1.200
	2,680,000	3,295,277	1.262	1.179	1.230
Balance at 31 March 2017	12,830,000	16,735,944	1.450	1.179	1.304

The total consideration paid, including transaction costs of RM3,295,277 was financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with Section 127 of the Companies Act, 2016 in Malaysia.

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 have been sold or cancelled during the financial year.

The number of ordinary shares as at 31 March 2017 after deducting the treasury shares is 230,299,526 ordinary shares.

21. BLOCK DISCOUNTING PAYABLES - SECURED

	Group	
	2017	**2016**
	RM	**RM**
Gross block discounting payables:		
- not later than one (1) year	10,541,646	11,995,473
- later than one (1) year but not later than five (5) years	12,691,570	4,014,077
	23,233,216	16,009,550
Less: Undue block discounting interest expenses	(1,437,617)	(501,645)
Net block discounting payables	21,795,599	15,507,905
Repayable as follows:		
Current liabilities		
- not later than one (1) year	9,711,804	11,533,444
Non-current liabilities		
- later than one (1) year but not later than five (5) years	12,083,795	3,974,461
	21,795,599	15,507,905

(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 5.22% to 5.50% (2016: 5.30% to 5.51%) per annum.

(c) The tenure of the block discounting payables of the Group are repayable by equal monthly instalments of 36 to 60 months (2016: 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.

22. TRADE PAYABLES

	Group	
	2017	**2016**
	RM	**RM**
Dealers' retentions	7,794,551	7,568,869
Hire-purchase disbursement creditors	5,927,039	3,235,661
Other temporary clearing accounts	220,548	215,174
Furniture trade creditors	989,811	580,236
	14,931,949	11,599,940

22. **TRADE PAYABLES (continued)**

(a) The credit terms available to the Group in respect of trade payables are 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) Trade payables in respect of furniture trade creditors are non-interest bearing and normal credit terms granted to the Group range from 30 to 60 days (2016: 30 to 60 days) from the date of invoices.

(e) The currency exposure profile for trade payables are as follows:

	Group	
	2017	**2016**
	RM	**RM**
Ringgit Malaysia	14,913,203	11,599,940
Chinese Yuan Renminbi	18,746	-
	14,931,949	11,599,940

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

23. **OTHER PAYABLES AND ACCRUALS**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Other payables	1,113,170	1,222,184	-	-
Accruals	3,647,353	4,307,855	1,489,140	3,499,083
	4,760,523	5,530,039	1,489,140	3,499,083

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

(b) Included in accruals of the Group and the Company is an amount which represents the coupon interest payable on the ICULS of RM877,640 (2016: RM3,114,583).

23. OTHER PAYABLES AND ACCRUALS (continued)

(c) The currency exposure profile of other payables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	4,641,835	5,410,955	1,489,140	3,499,083
United States Dollar	118,688	119,084	-	-
	4,760,523	5,530,039	1,489,140	3,499,083

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

24. BANK OVERDRAFTS

(a) The bank overdrafts of the Group are secured by corporate guarantee given by the Company.

(b) Bank overdrafts of the Group bear interest of 6.35% (2016: 6.35%) 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		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Dividend income	-	-	16,200,000	8,000,000
Hire-purchase interest income	54,096,314	47,278,608	-	-
Handling and processing fees	7,187,022	5,206,081	-	-
Overdue and service charges	1,541,850	1,327,226	-	-
Sale of furniture	29,054,008	8,209,775	-	-
Insurance commission	2,609,711	2,145,241	-	-
	94,488,905	64,166,931	16,200,000	8,000,000

26. FINANCE COSTS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Interest expense on:				
- bank overdrafts	2,082	1,340	-	-
- block discounting	661,143	1,374,713	-	-
- term loans	-	91,885	-	-
- ICULS	321,510	1,097,115	321,510	1,097,115
	984,735	2,565,053	321,510	1,097,115
Credit card charges	114,475	59,089	-	-
Bank guarantee commission	143	167	-	-
	1,099,353	2,624,309	321,510	1,097,115

27. PROFIT BEFORE TAXATION

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit before taxation is arrived at after charging:					
Auditors' remuneration					
Statutory audit					
- current year		86,000	73,000	24,000	22,000
- under-provision in prior years		7,000	5,000	2,000	2,000
Non-statutory audit		6,000	6,000	6,000	6,000
Depreciation of property, plant and equipment	7	576,147	449,535	398	398
Directors' remuneration paid and payable to:					
Directors' fees:					
- payable by the Company		580,000	355,000	580,000	355,000
Other emoluments:					
- paid by the Company		49,500	35,250	49,500	35,250
- paid by a subsidiary		1,775,830	1,553,523	-	-
Impairment allowance on hire-purchase receivables					
- collective impairment allowance		1,589,175	187,920	-	-
- individual impairment allowance		19,270,666	16,158,995	-	-
	9(f)	20,859,841	16,346,915	-	-
- bad debts recovered		(737,012)	(776,468)	-	-
		20,122,829	15,570,447	-	-
Impairment allowance on trade receivables	13(e)	42,121	-	-	-

27. PROFIT BEFORE TAXATION (continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before taxation is arrived at after charging: (continued)				
Interest expense on:				
- bank overdrafts	2,082	1,340	-	-
- block discounting	661,143	1,374,713	-	-
- term loans	-	91,885	-	-
- ICULS	321,510	1,097,115	321,510	1,079,115
Realised loss on foreign exchange	-	7,864	-	-
Unrealised loss on foreign exchange	-	11,997	-	-
Rental of:				
- premises	525,000	524,500	-	-
- showrooms	697,370	321,586	-	-
- stores and warehouses	824,999	98,570	-	-
- factory	212,400	-	-	-
- computers	159,911	132,569	-	-
Share issuance expenses incurred pursuant to rights issue	-	1,003,820	-	1,003,820
And crediting:				
Dividend income from a subsidiary	-	-	16,200,000	8,000,000
Gain on disposal of property, plant and equipment	20,169	-	-	-
Interest income on:				
- advances to the subsidiaries	-	-	3,459,780	5,163,758
- fixed deposits	1,364,632	2,428,650	245,887	720,551
- others	77,698	-	2,851	-
Realised gain on foreign exchange	4,124	-	-	-

The estimated monetary value of benefits-in-kind received by the Directors of the Company otherwise than in cash from the Group amounted to RM26,630 (2016: RM30,156).

28. TAXATION

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current tax expense based on profit for the financial year	7,871,571	5,936,296	614,040	584,275
Under/(Over) provision in prior years	10,194	(99,616)	(1,402)	(15,083)
	7,881,765	5,836,680	612,638	569,192
Deferred tax (Note 10)				
- current year	(304,302)	698,430	165,972	516,692
- (under)/over provision in prior years	(12,304)	574	-	-
	(316,606)	699,004	165,972	516,692
	7,565,159	6,535,684	778,610	1,085,884

Malaysian income tax is calculated at the statutory tax rate of twenty four percent (24%) 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 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit before taxation	30,566,556	25,323,551	18,389,402	10,909,473
Tax at Malaysian statutory tax rate of 24%	7,335,973	6,077,652	4,413,456	2,618,274
Tax effects in respect of:				
Non-taxable income	-	-	(3,888,000)	(1,920,000)
Reversal of deferred tax assets on ICULS - liability component	(165,972)	(516,692)	(165,972)	(516,692)
Deferred tax assets not recognised	8,338	-	-	-
Expenses not deductible for tax purpose	742,989	1,073,766	420,528	919,385
Tax savings arising from tax exemption on incremental chargeable income	(354,059)	-	-	-
	7,567,269	6,634,726	780,012	1,100,967
Under/(Over) provision of income tax in prior years	10,194	(99,616)	(1,402)	(15,083)
(Under)/Over provision of deferred tax in prior years	(12,304)	574	-	-
	7,565,159	6,535,684	778,610	1,085,884

28. **TAXATION (continued)**

Amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group 2017 RM	Group 2016 RM
Unabsorbed capital allowances	371	-
Unabsorbed tax losses	34,369	-
	34,740	-

Deferred tax assets of a subsidiary have not been recognised in respect of these items as it is not probable that future taxable profits of the subsidiary would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under current tax legislation.

29. **EARNINGS PER ORDINARY 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 2017	Group 2016
Profit attributable to equity holders of the parent (RM)	23,001,397	18,787,867
Number of ordinary shares in issue net of treasury shares, applicable to basic earnings per ordinary share	171,970,000	124,930,000
Effect of conversion of ICULS	43,705,117	-
Effect of Rights Issues	-	21,221,942
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	215,675,117	146,151,942
Basic earnings per ordinary share (sen)	10.66	12.86

(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.

29. **EARNINGS PER ORDINARY SHARE (continued)**

(b) Diluted earnings per ordinary share (continued)

	Group 2017	Group 2016
Profit attributable to equity holders of the parent (RM)	23,001,397	18,787,867
Interest expense on ICULS, net of tax (RM)	487,482	1,613,807
	23,488,879	20,401,674
Number of ordinary shares in issue net of treasury shares, applicable to basic earnings per ordinary share	171,970,000	124,930,000
Effect of Right Issues	-	21,221,942
Effect of conversion of ICULS	43,705,117	-
Effect of ICULS	41,592,143	82,411,781
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	257,267,260	228,563,723
Diluted earnings per ordinary share (sen)	9.13	8.93

30. **DIVIDEND**

	Group and Company 2017 Dividend per share Sen	2017 Amount of dividend RM	2016 Dividend per share Sen	2016 Amount of dividend RM
2015				
First and final single tier tax exempt dividend paid	-	-	7.50	9,235,523
2016				
First and final single tier tax exempt dividend paid	3.50	7,962,088	3.25	5,681,050
2017				
Interim single tier tax exempt dividend paid	3.25	7,484,720	-	-
	6.75	15,446,808	10.75	14,916,573

30. **DIVIDEND (continued)**

The Directors propose a final single tier tax exempt dividend of 3.50 sen per ordinary share in respect of the financial year ended 31 March 2017, 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	
	2017	**2016**
	RM	**RM**
Salaries, wages and bonus	11,537,330	8,534,501
Defined contribution plan	1,345,649	1,009,130
Other employee benefits	110,184	70,951
	12,993,163	9,614,582

Included in employee benefits is the remuneration of Executive Directors of the Company amounting to RM1,085,588 (2016: RM923,280).

32. **COMMITMENTS**

Operating lease commitments

The Group as lessee has entered into non-cancellable lease agreements for certain premises, storage and warehouses, factory, showrooms and computer equipment, 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	
	2017	**2016**
	RM	**RM**
- Not later than one (1) year	3,121,677	1,590,209
- Later than one (1) year but not later than five (5) years	2,232,383	2,136,356
	5,354,060	3,726,565

33. CONTINGENT LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries				
- limit of guarantee	-	-	63,500,000	62,500,000
- amount utilised	-	-	23,753,162	16,009,550
Bank guarantees given to third parties in respect of services rendered to a subsidiary	10,000	10,000	-	-

The fair value of the above corporate guarantee given to the subsidiaries for credit facilities is negligible as the chances of the subsidiaries defaulting on repayment and on the licensed banks calling upon the corporate guarantee are 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.

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.

34. RELATED PARTY DISCLOSURES (continued)

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Dividend received from a subsidiary				
- ELK-Desa Capital Sdn. Bhd.	-	-	16,200,000	8,000,000
Interest received/receivable from subsidiaries				
- ELK-Desa Capital Sdn. Bhd.	-	-	3,437,862	5,163,758
- ELK-Desa Furniture Marketing Sdn. Bhd.	-	-	21,918	-
Rental paid to a substantial shareholder				
- Eng Lee Kredit Sdn. Bhd.	477,000	432,000	-	-
Rental and utilities premises paid to a related party				
- ELK Furniture Sdn. Bhd.	849,910	53,000	-	-
Purchase of trading goods and workmanship from related parties				
- ELK Furniture Industries Sdn. Bhd.	1,575,350	-	-	-
- ELK Furniture Sdn. Bhd.	3,383,438	4,071,966	-	-

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 15 to the financial statements.

34. RELATED PARTY DISCLOSURES (continued)

(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.

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Non-Executive Directors				
- Directors fees	504,000	320,000	504,000	320,000
- Other emoluments	815,742	700,493	49,500	35,250
	1,319,742	1,020,493	553,500	355,250
Executive Directors				
- Short term employee benefits	976,000	827,000	76,000	35,000
- Defined contribution plan	108,000	95,040	-	-
- Other employee benefits	1,588	1,240	-	-
	1,085,588	923,280	76,000	35,000

Other than the remuneration of the Directors of the Company as disclosed above, the remuneration paid/payable to the Directors of the subsidiaries amounted to RM777,906 (2016: RM463,533).

35. OPERATING SEGMENTS

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

The Group has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(a) Hire-purchase financing and other integrated services (i.e. insurance agent); and

(b) Trading of furniture.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

35. OPERATING SEGMENTS (continued)

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.

Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.

2017	**Hire-purchase financing RM**	**Furniture RM**	**Total RM**
Segment revenue			
Total revenue	65,434,897	29,061,678	94,496,575
Inter-segment sales	-	(7,670)	(7,670)
Revenue from external customers	65,434,897	29,054,008	94,488,905
Other income	1,985,858	91,223	2,077,081
Finance costs	(984,878)	(114,475)	(1,099,353)
Depreciation of property, plant and equipment	(381,252)	(194,895)	(576,147)
Cost of inventories sold	-	(18,759,113)	(18,759,113)
Impairment allowance	(20,122,829)	(42,121)	(20,164,950)
Other expenses	(15,732,287)	(9,667,580)	(25,399,867)
Segment profit before tax	**30,199,509**	**367,047**	**30,566,556**
Tax expense	(7,403,552)	(161,607)	(7,565,159)
Segment assets	**362,911,504**	**19,375,842**	**382,287,346**
Segment liabilities	**46,012,713**	**2,188,624**	**48,201,337**

35. **OPERATING SEGMENTS (continued)**

2016	Hire-purchase financing RM	Furniture RM	Total RM
Segment revenue			
Total revenue	55,957,156	8,212,668	64,169,824
Inter-segment sales	-	(2,893)	(2,893)
Revenue from external customers	55,957,156	8,209,775	64,166,931
Other income	2,790,505	42,375	2,832,880
Finance costs	(2,565,315)	(58,994)	(2,624,309)
Depreciation of property, plant and equipment	(369,057)	(80,478)	(449,535)
Cost of inventories sold	-	(5,214,273)	(5,214,273)
Impairment allowance	(15,570,447)	-	(15,570,447)
Other expenses	(14,949,503)	(2,868,193)	(17,817,696)
Segment profit before tax	**25,293,339**	**30,212**	**25,323,551**
Tax expense	(6,499,047)	(36,637)	(6,535,684)
Segment assets	**365,689,063**	**6,209,136**	**371,898,199**
Segment liabilities	**49,437,261**	**1,215,087**	**50,652,348**

Geographical information

No geographical information is presented as the Group does not have any overseas operations.

Major customers

There are no major customers with revenue equal or more than ten (10%) percent of the Group revenue. As such, information on major customers is not presented.

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.

No changes were made in the objectives, policies or processes during the financial years ended 31 March 2017 and 31 March 2016.

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 statements of financial position). Capital represents equity attributable to the owners of the parent.

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Total debts	26,517,234	31,691,732	4,201,689	16,183,827
Total equity	334,086,009	321,245,851	298,469,790	291,020,237
Gearing ratio	0.08	0.10	0.01	0.06

Other than maintaining a net worth of RM80 million, the Group is required to maintain a maximum gearing ratio of 1.5 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 2017.

(b) Financial instruments

(i) Categories of financial instruments

Group	**2017**	**2016**
	RM	**RM**
Financial assets		
Loans and receivables		
- Hire-purchase receivables	338,225,850	276,062,350
- Trade receivables	8,609,202	1,372,983
- Other receivables and deposits	1,675,690	920,827
Cash and bank balances	14,598,071	77,394,060
	363,108,813	355,750,220

36. **FINANCIAL INSTRUMENTS (continued)**

(b) Financial instruments (continued)

(i) Categories of financial instruments (continued)

Group	**2017**	**2016**
	RM	**RM**
Financial liabilities		
Other financial liabilities		
- ICULS - liability component	4,201,689	16,183,827
- Block discounting payables - secured	21,795,599	15,507,905
- Bank overdrafts	519,946	-
- Trade payables	14,931,949	11,599,940
- Other payables and accruals	4,760,523	5,530,039
	46,209,706	48,821,711

Company	**2017**	**2016**
Financial assets		
Loans and receivables		
- Amount owing by a subsidiary	67,786,643	171,575,956
- Other receivables and deposits	294,798	4,500
Cash and bank balances	5,066,960	15,386,470
	73,148,401	186,966,926
Financial liabilities		
Other financial liabilities		
- ICULS - liability component	4,201,689	16,183,827
- Other payables and accruals	1,489,140	3,499,083
	5,690,829	19,682,910

(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 at reasonable approximation of fair values.

The carrying amounts of financial assets and financial 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	**Fair values of financial instruments not carried at fair value**				**Total fair values**	**Carrying amount**
2017	**Level 1**	**Level 2**	**Level 3**	**Total**		
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Financial assets						
Loans and receivables						
- Hire-purchase receivables	-	-	338,225,850	338,225,850	338,225,850	338,225,850
Financial liabilities						
Other financial liabilities						
- Block discounting payables - secured	-	-	21,799,137	21,799,137	21,799,137	21,795,599
- ICULS - liability component	-	-	4,201,689	4,201,689	4,201,689	4,201,689

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 2016	**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	-	-	276,062,350	276,062,350	276,062,350	276,062,350
Financial liabilities						
Other financial liabilities						
- Block discounting payables - secured	-	-	15,507,240	15,507,240	15,507,240	15,507,905
- ICULS - liability component	-	-	16,183,827	16,183,827	16,183,827	16,183,827

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	Fair values of financial instruments not carried at fair value					
2017	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Total fair values RM**	**Carrying amount RM**
Financial assets						
Loans and receivables						
- Amount owing by a subsidiary	-	-	2,000,000	2,000,000	2,000,000	2,000,000
Financial liabilities						
Other financial liabilities						
- ICULS - liability component	-	-	4,201,689	4,201,689	4,201,689	4,201,689
2016						
Financial assets						
Loans and receivables						
- Amount owing by a subsidiary	-	-	71,000,000	71,000,000	71,000,000	71,000,000
Financial liabilities						
Other financial liabilities						
- ICULS - liability component	-	-	16,183,827	16,183,827	16,183,827	16,183,827

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.

The Group is exposed mainly to credit risk, liquidity and cash flow risks, interest rate risk and foreign currency 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, trade receivables, other receivables and amount owing by a subsidiary 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 while the Company's primary exposure is through the amount owing by a subsidiary. 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 RM67,786,643 (2016: RM171,575,956).

Financial assets that are not due

Information regarding hire-purchase and trade receivables that are not due is disclosed in Note 9(e) and Note 13(d) to the financial statements respectively.

Financial assets that are past due

Information regarding hire-purchase and trade receivables that are past due is disclosed in Note 9(e) and Note 13(d) to the financial statements respectively.

Financial assets that are impaired

Information regarding hire-purchase and trade receivables that are impaired is disclosed in Note 9(e) and Note 13(d) to the financial statements respectively.

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 Group 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 **2017**	**Within one year** **RM**	**One to five years** **RM**	**Over five years** **RM**	**Total** **RM**
Financial liabilities				
Block discounting payables - secured	10,541,646	12,691,570	-	23,233,216
Bank overdrafts	519,946	-	-	519,946
Trade payables	14,931,949	-	-	14,931,949
Other payables and accruals	4,760,523	-	-	4,760,523
Total undiscounted financial liabilities	30,754,064	12,691,570	-	43,445,634
2016				
Financial liabilities				
Block discounting payables - secured	11,995,473	4,014,077	-	16,009,550
Trade payables	11,599,940	-	-	11,599,940
Other payables and accruals	5,530,039	-	-	5,530,039
Total undiscounted financial liabilities	29,125,452	4,014,077	-	33,139,529
Company **2017**				
Financial liabilities				
Other payables and accruals	1,489,140	-	-	1,489,140
2016				
Financial liabilities				
Other payables and accruals	3,499,083	-	-	3,499,083

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 while the interest rate risk of the Company is related to the amount owing by a subsidiary. 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

Sensitivity analysis for floating rate instruments are not disclosed as they are immaterial to the Group and the Company.

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 2017	**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	94,901,304	82,185,153	68,695,254	50,133,010	29,575,667	12,735,462	338,225,850
Fixed deposits with licensed banks	16	3.00 - 3.22	12,164,817	-	-	-	-	-	12,164,817
Block discounting payables - secured	21	5.22 - 5.50	(9,711,804)	(6,422,807)	(5,660,988)	-	-	-	(21,795,599)
Floating rates									
Bank overdrafts	24	6.35	(519,946)	-	-	-	-	-	(519,946)
2016									
Fixed rates									
Hire-purchase receivables	9	12.90 - 18.20	81,743,940	70,975,784	60,093,394	40,519,808	18,344,359	4,385,065	276,062,350
Fixed deposits with licensed banks	16	3.10 - 4.50	74,141,943	-	-	-	-	-	74,141,943
Block discounting payables - secured	21	5.30 - 5.51	(11,533,444)	(3,967,846)	(6,615)	-	-	-	(15,507,905)

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**
2017									
Fixed rates									
Fixed deposits with licensed banks	16	3.00 - 3.20	4,932,857	-	-	-	-	-	4,932,857
Amount owing by a subsidiary	15	5.00	65,500,000	2,000,000	-	-	-	-	67,500,000
2016									
Fixed rates									
Fixed deposits with licensed banks	16	3.10 - 4.50	15,167,433	-	-	-	-	-	15,167,433
Amount owing by a subsidiary	15	3.25 - 5.00	100,000,000	71,000,000	-	-	-	-	171,000,000

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency exchange risk as a result of foreign transactions entered into in currencies other than Ringgit Malaysia. The Group monitors the movement in foreign currency exchange rates closely to ensure that the net exposure of each foreign currency is minimised. The Group does not use derivative financial instruments to hedge its foreign currency risk.

Sensitivity analysis

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the United States Dollar ('USD') and Chinese Yuan Renminbi ('CNY') exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

		Group	
		2017	**2016**
		RM	**RM**
		Profit after tax	**Profit after tax**
USD/RM	- strengthen by 10% (2016:10%)	87,622	18,295
	- weaken by 10% (2016:10%)	(87,622)	(18,295)
CNY/RM	- strengthen by 10%	(1,425)	-
	- weaken by 10%	1,425	-

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 1 April 2016, the Company subscribed for an additional 3,000,000 ordinary shares in ELK-Desa Furniture for a cash consideration of RM3,000,000.

(b) On 15 April 2016, the Company subscribed for an additional 100,000,000 ordinary shares in ELK-Desa Capital by way of capitalisation of RM100,000,000 of the amount owing by ELK-Desa Capital.

38. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)**

(c) On 10 May 2016, the Company subscribed for an additional 2,000,000 ordinary shares in ELK-Desa Furniture for a cash consideration of RM2,000,000.

(d) On 13 June 2016, the Company subscribed for an additional 5,000,000 ordinary shares in ELK-Desa Furniture for a cash consideration of RM5,000,000.

(e) On 11 November 2016, the Company announced a proposed renounceable rights issue of up to 51,589,369 new ordinary shares of RM1.00 each ('Rights Share(s)') on the basis of one (1) Rights Share for every five (5) 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').

On 5 January 2017, the Group submitted application to Bursa Malaysia Securities Berhad ('Bursa Securities') for the following:

(i) admission of Proposed Rights Issue Shares to the Official List of Main Market of Bursa Securities and listing of and quotation for the Proposed Rights Issue; and

(ii) listing of and quotation for the new ELK-Desa Shares to be issued arising from the Proposed Rights Issue on the Main Market of Bursa Securities.

The application was approved by Bursa Securities on 17 January 2017 and the Proposed Rights Issue is subject to approval by the members at the Extraordinary General Meeting to be held on 22 June 2017.

39. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	89,368,309	85,187,867	21,663,870	22,379,204
- Unrealised	2,823,720	2,329,145	-	-
	92,192,029	87,517,012	21,663,870	22,379,204
Less: Consolidation adjustments	(34,911,940)	(34,912,194)	-	-
Total retained earnings as per financial statements	57,280,089	52,604,818	21,663,870	22,379,204

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

DIRECTORS' REPORT

Registered Office:

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

Date: 27 July 2017

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, after making due enquiries in relation to the period between 31 March 2017, being the date to which the last audited consolidated financial statements of the Company and its subsidiaries ("Group") have been made up, and up to the date hereof, being a date no earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus ("AP"):

(i) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(ii) in the opinion of the Board, since the last audited consolidated financial statements of the Group, no circumstances which has adversely affected the trading or the value of the assets of the Group have arisen;

(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 as disclosed in this AP, there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;

(v) there has not been, since the last audited consolidated financial statements of the Group, any default or known event that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings of the Group;

(vi) save as disclosed in this AP, there has been, since the last audited consolidated financial statements of the Group, no material changes in the published reserves or any unusual factor affecting the profits of the Group; and

(vii) save as disclosed above and up to the date of this letter, no other reports are required in relation to items (i) to (vi) above.

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

1. SHARE CAPITAL

(i) Save for the Rights Shares to be issued to the Entitled Shareholders, no securities of the Company will be allotted or issued on the basis of this AP later than twelve (12) months after the date of this AP.

(ii) Save for the Rights Shares to be issued pursuant to the Rights Issue to the Entitled Shareholders and the holders of the outstanding ICULS, no person has been or is entitled to be granted an option to subscribe for any securities in the Company.

2. REMUNERATION OF DIRECTORS

The provisions in our Company's Constitution[(1)] 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.
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.

Article	**Provision**
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.

Note:

[1] *Section 619(3) of the Act states that the memorandum of association and articles of association of an existing company in force and operative at the commencement of the Act, and the provisions of Table A under the Fourth Schedule of the Companies Act 1965 if adopted as all or part of the articles of association of a company at the commencement of the Act, shall have effect as if made or adopted under the Act, unless otherwise resolved by the company.*

3. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group during the two (2) years preceding the date of this AP:

(i) Letter dated 20 May 2016 issued by ELK-Desa Capital Sdn Bhd to Eng Lee Kredit in relation to the renewal of tenancy in respect of the property at the ground, 1st, 2nd and 3rd floors, No. 15-17, Jalan Brunei Utara, Off Jalan Pudu, 55100, Kuala Lumpur for a monthly rental of RM33,000 for a period from 1 September 2016 to 31 August 2019 (exercisable under the tenancy agreement dated 1 September 2013), and acceptance thereof by Eng Lee Kredit, and

(ii) Tenancy agreement between ELK-Desa Furniture Sdn Bhd and ELK Furniture Sdn Bhd dated 18 February 2016 for premises at Lot755, Jalan Haji Sirat, Batu 3.5, Off Jalan Kapar, 42100 Klang, Selangor for a monthly rental of RM60,000 from 1 April 2016 to 31 March 2019.

4. MATERIAL LITIGATION

As at the LPD, 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) As at the LPD, there are no existing or proposed service contracts between the Directors of ELK-Desa and the Group;

(ii) 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 the Group;

(b) material commitments for capital expenditure of the Group;

(c) unusual, infrequent events or transactions or significant economic changes which materially affected the amount of reported income from the Group's operations;

(d) known trends or uncertainties which have had, or that the Group reasonably expects will have, a material favourable or unfavourable impact on the revenues or operating income of the Group; 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, Company Secretary 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 context 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 2017 and the Auditors' Report on our audited consolidated financial statements of the Group for the FYE 31 March 2017, and all references thereto, in the form and context in which they so appear in this AP.

(iii) Malaysian Trustees Berhad, being the trustee for ELK-Desa's outstanding ICULS, has given and has not subsequently withdrawn its written consents to the inclusion in this AP of their names and all references thereto, as the case may be, in the form and context in which they so appear in this AP;

(iv) Malaysian Automotive Association has given and has not subsequently withdrawn their written consents to the inclusion in this AP of its names and all references thereto, as the case may be, in the form and context in which they so appear in this AP.

(v) The written consent from Bloomberg L.P. for the inclusion of its name as the source of historical unit prices of ELK-Desa and all reference to them in the form and context in which they appear in this AP has been given and has not been subsequently withdrawn.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of 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 Constitution of ELK-Desa;

(ii) the audited financial statements of the ELK-Desa Group for the past three (3) FYE 31 March 2015, FYE 31 March 2016 and FYE 31 March 2017;

(iii) the pro forma consolidated statements of financial position of our Group as at 31 March 2017 together with the Reporting Accountants' letter thereon as set out in Appendix III of this AP;

(iv) the Directors' Report as set out in Appendix V of this AP;

(v) the material contracts referred to in Section 3 of Appendix VI of this AP;

(vi) the Irrevocable Undertakings and Additional Irrevocable Undertaking referred to in Section 3 of this AP; and

(vii) the letters of consent referred to in Section 6 of Appendix VI of this AP.

8. RESPONSIBILITY STATEMENT

Our Directors have seen and approved this AP, together with the accompanying NPA and the RSF. They collectively and individually 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.

Mercury Securities, 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.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK