

GENERAL ANNOUNCEMENT

ELK-DESA RESOURCES BERHAD (COMPANY NUMBER 180164-X) (“ELK-DESA RESOURCES” OR “THE COMPANY”) – RELATED PARTY TRANSACTION ACQUISITION OF ALL THAT UNIT OF CORNER FOUR (4) STOREY TERRACE SHOP OFFICE BY ELK-DESA CAPITAL SDN BHD (COMPANY NUMBER 76994-P) (“ELK-DESA CAPITAL” OR THE “PURCHASER”), A WHOLLY-OWNED SUBSIDIARY OF ELK-DESA RESOURCES, FROM ENG LEE KREDIT SDN BHD (COMPANY NUMBER 10458-A) (“ENG LEE KREDIT” OR THE “VENDOR”), A MAJOR SHAREHOLDER OF THE COMPANY

1. INTRODUCTION

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”), the Board of Directors of ELK-Desa Resources (“Board”) wishes to announce that ELK-Desa Capital had on 8 March 2018 entered into a sale and purchase agreement (“SPA”) with Eng Lee Kredit, for the proposed acquisition by ELK-Desa Capital of all that unit of corner four (4) storey terrace shop office bearing postal address of No. 92 , Lebuhr Tapah, Off Jalan Goh Hock Huat, 41400 Klang, Selangor Darul Ehsan erected on the freehold land held under the individual documents of title Nos. HS(M) 4585 (formerly QT(M) 2746) for Lot No. 631, Seksyen 21, Mukim Bukit Raja and HS(D) 14151 for Lot No. PT 582, Seksyen 21, Bandar Klang both in Daerah Klang, Negeri Selangor with a total land area of 4,052 square feet (“the subject Property”) for a total cash consideration of RM3.10 million (“Purchase Price”) (“Proposed Acquisition”).

ELK-Desa Capital is a private company incorporated in Malaysia under the Companies Act, 1965. Its principal activity is involved in the provision of hire purchase financing for used motor vehicles.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Date on which the terms of the Proposed Acquisition was agreed upon

The terms of the Proposed Acquisition were agreed upon on even date with the execution of the SPA by ELK-Desa Capital and Eng Lee Kredit.

2.2 Information on the subject Property

2.2.1 Eng Lee Kredit is the Vendor of the subject Property which consists of two (2) adjoining freehold lots forming a corner near rectangular shaped terrace commercial lots within Bandar Klang containing a total provisional land area of approximately 4,052 square feet which are further breakdown as follows:

Lot Nos.	Land Area (square feet)
631 Seksyen 21	4,049
PT 582 Seksyen 21	3
Total	4,052

Erected on the site is a corner four (4) storey terrace shop office building with renovation. The building has a lettable floor area of approximately 15,498 square feet and the ancillary area of 710 square feet.

Eng Lee Kredit acquired the subject Property in the year of 1983 with the original cost of RM830,324.00. As at 31 December 2017, the net book value of the subject Property is RM703,412.00.

- 2.2.2 The Property is charged by the Vendor to Public Bank Berhad ("Chargee") as security for facilities granted to the Vendor ("Charge"). The Vendor is currently in the process of discharging the same.
- 2.2.3 The ground and first floors of the Property ("Demised Premises") are currently rented to ELK-Desa Furniture Sdn. Bhd. (Company No. 1132275-V) ("Tenant" or "ELK-Desa Furniture"), a wholly-owned subsidiary of the Company, for a term of Three (3) years expiring on 30 June 2018 with an option to renew for a further term of Three (3) years pursuant to a tenancy agreement dated 1 July 2015 ("Tenancy") made between the Tenant and the Vendor as the Landlord ("Tenancy Agreement").
- 2.2.4 The rest of the Property consisting of the second and third floors are not tenanted to any party.
- 2.2.5 The Vendor agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Vendor the Property on as is where is basis free from encumbrances with legal possession for the Demised Premises subject to the Tenancy and with vacant possession for the rest of the Property but subject nevertheless to the existing conditions of title and category of land use.
- 2.2.6 The valuation of the subject Property was carried out on 17 January 2018 by Messrs VPC Alliance (KL) Sdn Bhd ("VPC") ("Valuation Report"), using the Comparison Method indicated that the market value of the subject Property is RM3.10 million.

2.3 Description of the business carried on at the subject Property

ELK-Desa Furniture is currently renting the ground and first floor of the subject Property from Eng Lee Kredit to carry on the furniture trading business activity for a monthly rental fee of RM 8,000.00.

2.4 Information on the Vendor

Eng Lee Kredit is a private company incorporated in Malaysia under the Companies Act, 1965 with an issued share capital of RM100,000,000.00 comprising 100,000,000 ordinary shares. Its principal activity is investment holdings.

Eng Lee Kredit is a major shareholder with shareholding of 32.23% in ELK-Desa Resources.

The substantial shareholders of Eng Lee Kredit are set out below:

Substantial shareholders	Place of incorporation / Nationality	Direct		Indirect	
		No. of shares ('000)	%	No. of shares ('000)	%
Teoh Hock Chai @ Tew Hock Chai	Malaysian	6,904	6.90	55,511 ⁽ⁱ⁾	55.51
Zhongxin Resources Sdn Bhd	Malaysia	30,011	30.01	-	-
Zhongxin Capital Sdn Bhd	Malaysia	10,500	10.50	-	-
Zhongxin Realty Sdn Bhd (formerly known as ELK Furniture Sdn Bhd)	Malaysia	11,500	11.50	-	-
Hock Chai Realty Sdn Bhd	Malaysia	3,500	3.50	11,500 ⁽ⁱⁱ⁾	11.50
Khoo Chao Boo @ Khoo Siew Lee	Malaysian	1,860	1.86	15,000 ⁽ⁱⁱⁱ⁾	15.00
Teoh Seng Hui	Malaysian	2,400	2.40	10,500 ^(iv)	10.50
Teoh Seng Giap	Malaysian	6,000	6.00	-	-

Notes:

- (i) Deemed interested by virtue of his interest in Zhongxin Resources Sdn Bhd, Zhongxin Capital Sdn Bhd, Zhongxin Realty Sdn Bhd (formerly ELK Furniture Sdn Bhd) and Hock Chai Realty Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
- (ii) Deemed interested by virtue of its interest in Zhongxin Realty Sdn Bhd (formerly ELK Furniture Sdn Bhd) pursuant to Section 8 of the Companies Act, 2016.
- (iii) Deemed interested by virtue of her interest in Hock Chai Realty Sdn Bhd and Zhongxin Realty Sdn Bhd (formerly ELK Furniture Sdn Bhd) pursuant to Section 8 of the Companies Act, 2016.
- (iv) Deemed interested by virtue of his interest in Zhongxin Capital Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

The particulars of the directors of Eng Lee Kredit and their respective shareholdings in Eng Lee Kredit are set out below:

Directors	Designation	Direct		Indirect	
		No. of shares ('000)	%	No. of shares ('000)	%
Teoh Hock Chai @ Tew Hock Chai	Executive Chairman	6,904	6.90	55,511 ⁽ⁱ⁾	55.51
Teoh Seng Giap	Company Director	6,000	6.00	-	-
Teoh Seng Hui	Company	2,400	2.40	10,500 ⁽ⁱⁱ⁾	10.50

	Director				
Teoh Seng Hee	Company Director	2,400	2.40	-	-

Note:

- (i) Deemed interested by virtue of his interest in Zhongxin Resources Sdn Bhd, Zhongxin Capital Sdn Bhd, , Zhongxin Realty Sdn Bhd (formerly ELK Furniture Sdn Bhd) and Hock Chai Realty Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.
- (ii) Deemed interested by virtue of his interest in Zhongxin Capital Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

2.5 Salient Terms of the Sale and Purchase Agreement

Below are the salient terms of the SPA for the Proposed Acquisition:

2.5.1 Payment of Purchase Price

2.5.1.1 The Purchase Price shall be paid in the following manner:-

(a) Upon execution of the SPA:

- (i) 7% of the Purchase Price (i.e. RM217,000) is to be paid to the Vendor ("Balance Deposit");
- (ii) 3% of the Purchase Price (i.e. RM93,000) is to be paid to the Purchaser's solicitors as retention sum in accordance with Section 21B(1) of the Real Property Gains Tax Act, 1976 ("Retention Sum"), of which the Purchaser's solicitors is authorized to release the Retention Sum to the Director-General of Inland Revenue, Malaysia;

The Balance Deposit and Retention Sum shall form the 10% deposit of the Purchase Price ("Deposit Sum") and in the event of the completion of the SPA as part payment towards the Purchase Price; and

- (b) The remaining 90% of the Purchase Price (i.e. RM2.79 million) ("Balance Sum") is to be paid three (3) months from the date the Purchaser's solicitors receive the documents stated in Section 2.5.2.1 of this announcement ("Documents") ("the Completion Date").

2.5.1.2 In the event that the Balance Sum is not satisfied in full by the Completion Date, the Vendor shall grant to the Purchaser an extension of one (1) month from the Completion Date (Extended Completion Date) to satisfy the Balance Sum in full provided always that the Purchaser shall be liable to pay interest at the rate of eight

per centum (8%) per annum on any unpaid sum to be calculated on a daily rest basis.

- 2.5.1.3 Legal possession of the subject Property shall be deemed delivered to the Purchaser from the date of the Vendor's receipt of the Balance Sum.

2.5.2 Conditions Precedent

- 2.5.2.1 The Purchaser and Vendor ("Parties") agree that the SPA is conditional upon the Purchaser's solicitors receiving the following documents from the Vendor or the Chargee, as the case may be:

(a) if the Charge over the subject Property has yet to be discharged:

- (i) such executed, valid and registrable discharge of the Charge;
- (ii) the original issue document(s) of title of the subject Property;
- (iii) the stamped duplicate copy of the Charge; and
- (iv) any other relevant documents as it shall be incumbent upon the Vendor or the Chargee to produce to facilitate the registration of the discharge or Charge and the transfer of title of the subject Property into the name of the Purchaser; or

(b) if the Charge over the subject Property has been discharged:

- (i) the original issue document(s) of title of the subject Property free from encumbrances; and
- (ii) any other relevant documents as it shall be incumbent upon the Vendor to produce to facilitate the registration of the transfer of title of the subject Property into the name of the Purchaser;

within six (6) months from the date of the SPA or such further extended period as the Parties may mutually agree in writing ("Conditional Period").

- 2.5.2.2 In the event that the Purchaser's solicitors do not receive any of the said Documents within the Conditional Period then and in such event, this SPA shall be determined forthwith and the following consequences shall ensue:

- (a) the Vendor shall refund the Deposit Sum to the Purchaser free of interest;

- (b) the Purchaser shall cause the Purchaser's solicitors to return an executed valid and registrable transfer which was executed simultaneously with the SPA by the Vendor;
- (c) thereafter, the SPA shall be null and void and of no further effect and neither Party shall have any claim of whatever nature against the other pursuant to the terms of the SPA.

2.5.2.3 This SPA shall become unconditional on the date the Purchaser's solicitors receive the said Documents ("Effective Date").

2.6 Basis of Arriving at and Justification for the Purchase Price

The Purchase Price for the subject Property is arrived at upon negotiation based on "willing- buyer-willing seller" basis after taking into consideration the valuation done by VPC and savings on rental derived from the Proposed Acquisition in lieu of rent strategy to ELK-Desa Resources and its subsidiaries ("Group").

2.7 Source of Funding for the Purchase Price

The Purchase Price will be paid from internally generated fund.

2.8 Liabilities to be assumed arising from the Proposed Acquisition

There are no liabilities, including contingent liabilities and guarantees to be assumed by ELK-Desa Resources and ELK-Desa Capital, arising from the Proposed Acquisition.

3. RATIONALE, BENEFITS AND PROSPECTS OF THE PROPOSED ACQUISITION

ELK-Desa Furniture, a wholly owned subsidiary company of ELK-Desa Resources, is currently renting the ground and first floor of the subject Property from Eng Lee Kredit to carry on the furniture trading business activity.

ELK-Desa Capital intends to occupy the second and third floor of the subject Property as an office to carry on its hire purchase business activity. The subject Property is situated adjacent to the current hire purchase business premises at the Klang branch office.

The Proposed Acquisition will provide cost savings to ELK-Desa Resources Group in the long term and allow the ELK-Desa Resources Group to own a permanent business premise for both its hire purchase and furniture trading business activity.

4. RISK FACTOR

There are no significant risks related to the Proposed Acquisition which is meant for the Group's day-to-day operations and business activity.

5. EFFECTS OF THE PROPOSED ACQUISITION ON LISTED ISSUER

5.1 Share Capital

The Proposed Acquisition will not have any effect on the share capital of ELK-Desa Resources as there is no new share to be issued pursuant to the Proposed Acquisition.

5.2 Substantial Shareholders' Shareholding

There will be no effect on the substantial shareholders' shareholding of ELK-Desa Resources arising from the Proposed Acquisition.

5.3 Earnings per share

The Proposed Acquisition is not expected to have any material impact on the earnings per share of ELK-Desa Resources for the financial year ending 31 March 2018.

5.4 Net Assets per share

The Proposed Acquisition is not expected to have any material impact on the net assets per share of ELK-Desa Resources for the financial year ending 31 March 2018.

5.5 Gearing

The Proposed Acquisition is not expected to have any material impact on the gearing of ELK-Desa Resources for the financial year ending 31 March 2018.

6. APPROVALS REQUIRED

The Proposed Acquisition is not subject to approval from shareholders of the Company, or approval from any relevant authorities.

7. OTHER TRANSACTION WITH THE RELATED PARTY

There has been no related party transaction entered into between ELK-Desa Resources Group and Eng Lee Kredit and/or persons connected with it during the twelve (12) months preceding the date of this announcement.

8. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

The following parties have interest, direct or indirect, in the Proposed Acquisition:-

- 1) The Vendor, Eng Lee Kredit is a major shareholder of ELK-Desa Resources;

- 2) Zhongxin Resources Sdn Bhd is a major shareholder of ELK-Desa Resources by virtue of its interest in the shares of Eng Lee Kredit pursuant to Section 8 of the Companies Act 2016;
- 3) Mr. Teoh Hock Chai @ Tew Hock Chai is a major shareholder of ELK-Desa Resources. He is the Director of ELK-Desa Resources, ELK-Desa Capital, Zhongxin Resources Sdn Bhd and Eng Lee Kredit. He is also a substantial shareholder of Zhongxin Resources Sdn Bhd and Eng Lee Kredit.
- 4) Mr. Teoh Seng Hui is a Director of ELK-Desa Resources, ELK-Desa Capital and Eng Lee Kredit. He is also a shareholder of Eng Lee Kredit.
- 5) Mr. Teoh Seng Kar is a Director and shareholder of ELK-Desa Resources.
- 6) Mr. Teoh Seng Hee is a Director of ELK-Desa Resources, ELK-Desa Capital and Eng Lee Kredit. He is a shareholder of ELK-Desa Resources and Eng Lee Kredit.
- 7) Mr. Teoh Hock Chai @ Tew Hock Chai is the father of Mr Teoh Seng Hui, Mr Teoh Seng Kar and Mr. Teoh Seng Hee. Mr. Teoh Seng Hui, Mr. Teoh Seng Kar and Mr. Teoh Seng Hee are siblings.

Saved as disclosed above, none of the Directors and/or major shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

9. DIRECTORS' STATEMENT

The Board [save for Mr. Teoh Hock Chai @ Tew Hock Chai, Mr. Teoh Seng Hui, Mr. Teoh Seng Kar and Mr. Teoh Seng Hee (collectively referred to "Related Parties")] is of the view that the Proposed Acquisition is in the best interest of ELK-Desa Resources Group and is not detrimental to the interest of the minority shareholders of ELK-Desa Resources. The Board (save for the Related Parties) is of the view that the Proposed Acquisition is fair, reasonable and on normal commercial terms.

10. AUDIT COMMITTEE'S RECOMMENDATION

The audit committee of ELK-Desa Resources ("Audit Committee") (save for Mr. Teoh Seng Kar), after having considered all aspects of the Proposed Acquisition and the valuation done by VPC, is of the view that the Proposed Acquisition is in the best interest of ELK-Desa Resources Group and is not detrimental to the interest of the minority shareholders of ELK-Desa Resources.

The Audit Committee (save for Mr. Teoh Seng Kar) is of the view that the Proposed Acquisition is fair, reasonable and on normal commercial terms.

11. HIGHEST PERCENTAGE RATIO

Pursuant to paragraph 10.02(g) of the MMLR, the highest percentage ratio applicable to the Proposed Acquisition is 0.93 % based on the audited consolidated financial statements of the Company for the financial year ended 31 March 2017.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed within six (6) months from the date of the SPA.

13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy each of the SPA and Valuation Report will be available for inspection at the registered office of ELK-Desa Resources during normal business hours for three (3) months from the date of this announcement.

This announcement is dated 8 March 2018.