ECM LIBRA FINANCIAL GROUP BERHAD ("ECMLFG" OR THE "COMPANY")

PROPOSED ACQUISITION

1. INTRODUCTION

On behalf of the Board of Directors of the Company ("**Board**"), Mercury Securities Sdn Bhd ("**Mercury Securities**" or the "**Principal Adviser**") wishes to announce that ECML Hotels Sdn Bhd ("**ECML**" or the "**Purchaser**") *(a wholly-owned subsidiary of ECMLFG)* had on even date entered into a conditional sale and purchase agreement ("**SPA**") with Tune Hotels Sdn Bhd ("**THSB**" or the "**Vendor**") in relation to the proposed acquisition of:-

(i) a piece of land held under GRN 358300, Lot 46867, Bandar Johor Bahru, Daerah Johor Bahru, Johor, measuring in land area of approximately 4,257.00 square metres ("**sqm**") *(approximately 45,821.97 square feet ("**sq ft**"))*, together with a 7-storey limited-service hotel known as "Tune Hotel @ Danga Bay" comprising 218 hotel rooms ("**Danga Bay Property**"); and

(ii) 3 pieces of land held under:-

(a) GRN 76084, Lot 20001 Seksyen 46, Bandar Kuala Lumpur, Daerah Kuala Lumpur, measuring in land area of approximately 383.00 sqm *(approximately 4,122.58 sq ft) (MoMo's Kuala Lumpur)*;

(b) PN 10025, Lot 1590 Seksyen 46, Bandar Kuala Lumpur, Daerah Kuala Lumpur, measuring in land area of approximately 348.00 sqm *(approximately 3,745.84 sq ft)* ("**Vacant Land**"); and

(c) PN 24460, Lot 1305 Seksyen 46, Bandar Kuala Lumpur, Daerah Kuala Lumpur, measuring in land area of approximately 611.56 sqm *(approximately 6,582.79 sq ft) (The Chow Kit, an Ormond hotel)*,

together with an existing structure which is being re-developed into 2 hotels to be known as (i) "The Chow Kit", an Ormond hotel comprising 113 hotel rooms and (ii) "MoMo's Kuala Lumpur" comprising 99 hotel rooms *(Collectively, the "**KL Property**")*,

*(Collectively, the Danga Bay Property and the KL Property are referred to as the "**Hospitality Assets**"),*

together with the Hospitality Businesses *(as defined in Section 2.2.1 of this announcement)* for a total cash consideration of RM62.04 million comprising RM16.45 million for the Danga Bay Property and RM45.59 million for the KL Property ("**Purchase Consideration**"), upon the terms and conditions as set out in the SPA ("**Proposed Acquisition**").

The Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") in view of the interests of certain Directors and major shareholders of ECMLFG as set out in Section 8 of this announcement.

Accordingly, on 17 July 2019, BDO Capital Consultants Sdn Bhd ("**BDO**" or the "**Independent Adviser**") was appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders on (i) whether the Proposed Acquisition is fair and reasonable so far as the non-interested shareholders are concerned, (ii) whether the Proposed Acquisition is to the detriment of the non-interested shareholders; and (iii) whether the non-interested shareholders should vote in favour of the Proposed Acquisition.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition involves ECML *(which is in the business of operating hotels)* acquiring the Hospitality Assets together with the Hospitality Businesses from THSB for the Purchase Consideration of RM62.04 million upon the terms and conditions as set out in the SPA comprising:-

(i) RM16.45 million for the Danga Bay Property; and

(ii) RM45.59 million for the KL Property.

2.1 Details of the Hospitality Assets

2.1.1 Danga Bay Property

The details of the Danga Bay Property to be acquired pursuant to the Proposed Acquisition are as follow:-

Location	:	Located at the intersection of Jalan Skudai and Coastal Highway, within Danga Bay, Johor Bahru
Title no.	:	GRN 358300
Lot no.	:	Lot 46867
Town, District, State	:	Bandar Johor Bahru, Daerah Johor Bahru, Johor
Land area	:	4,257.00 sqm *(approximately 45,821.97 sq ft)*
Gross floor area	:	5,292.04 sqm *(approximately 56,963.04 sq ft)*
Lettable space	:	Not applicable
Lettable space available for letting and the occupancy	:	Not applicable
Occupancy rate	:	Not applicable
Category of land use	:	Building
Existing and proposed usage	:	Currently used as a 7-storey limited-service hotel known as “Tune Hotel @ Danga Bay” comprising 218 hotel rooms
Tenure	:	Freehold
Registered owner	:	THSB
Restriction in interest	:	(i) The proprietor shall not offer or sell the units or parcels of the building to be built on the land unless the building is built in accordance to the plan approved by the local authority; (ii) Once the block(s) in the buildings is transferred to a Bumiputera individual or Bumiputera company, it shall not be subsequently sold, leased, charged or transferred to a non-Bumiputera individual or company without the consent from the state authority; and (iii) The building block(s) shall not be subsequently sold, leased, charged or transferred to a foreigner or foreign company without the consent from the state authority.
Express conditions	:	(i) The land shall be used for construction of hotel in accordance to the plan approved by the local authority;

		(ii) All sewage, contaminant and pollution substance are required to be drained to the prescribed location as fixed by local authority; and (iii) All the policies, terms and conditions imposed by the local authority must be complied with.
Encumbrances	:	Charged to Public Bank Berhad vide Presentation No. 102842/2014 dated 7 December 2014
Approximate age of building	:	9 years
Net book value as at 31 December 2018	:	RM25,243,509
Revenue for the financial year ended ("FYE") 31 December 2018	:	RM4,110,269
Gross profit for the FYE 31 December 2018	:	RM2,685,981
Earnings before interest, tax, depreciation and amortisation for the FYE 31 December 2018	:	RM520,218
Net loss for the FYE 31 December 2018	:	RM1,172,364* * *The net loss is after charging depreciation (RM618,349) and Vendor's internal head office allocated interest cost (RM1,074,233).*

2.1.2 KL Property

The details of the KL Property to be acquired pursuant to the Proposed Acquisition are as follow:-

Location	:	<u>GRN 76084 and PN 24460</u> Adjoining land located at the intersection of Jalan Tuanku Abdul Rahman and Jalan Sultan Ismail, in the Kuala Lumpur City Centre <u>PN 10025</u> A corner plot located along Jalan Belia with a side exposure onto Jalan Sultan Ismail, in the Kuala Lumpur City Centre
Title no.	:	GRN 76084, PN 10025 and PN 24460
Lot no.	:	Lot 20001, Lot 1590 and Lot 1305
Town, District, State	:	Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Land area	:	<u>GRN 76084</u> 383.00 sqm *(approximately 4,122.58 sq ft)* <u>PN 10025</u> 348.00 sqm *(approximately 3,745.84 sq ft)* <u>PN 24460</u> 611.56 sqm *(approximately 6,582.79 sq ft)*
Gross floor area	:	Not applicable
Lettable space	:	Not applicable

Lettable space available for letting and the occupancy	:	Not applicable
Occupancy rate	:	Not applicable
Category of land use	:	GRN 76084 Building PN 10025 Building PN 24460 Building
Existing and proposed usage	:	Currently being re-developed into 2 hotels to be known as (i) "The Chow Kit", an Ormond hotel comprising 113 hotel rooms and (ii) "MoMo's Kuala Lumpur" comprising 99 hotel rooms[1]
Tenure	:	GRN 76084 Freehold PN 10025 99-year leasehold expiring on 13 April 2068, with an unexpired term of approximately 49 years PN 24460 99-year leasehold expiring on 12 February 2066, with an unexpired term of approximately 47 years
Registered owner	:	THSB
Restriction in interest	:	GRN 76084 Nil PN 10025 The land hereby leased shall not be transferred, charged or sub-leased without the consent of the Ruler in Council PN 24460 Nil
Express conditions	:	GRN 76084 The land shall only be used as commercial building and for hotel purposes only PN 10025 (i) The lessees shall within 2 years from the date of commencement of this lease or within such further term as may be approved by the state authority build and thereafter maintain in good order and condition to the satisfaction of the state authority upon the land hereby leased a shop house of a type and to a plan to be approved by the Commissioner of the Federal Capital, Kuala Lumpur and the said land shall not except with the permission of the state authority be used for any other purpose*; and (ii) The lessees shall pay all taxes, rates, assessments and charge whatsoever, which may be payable for the time being in respect of the land hereby leased or any building thereon or any part thereof whether levied by a Municipality or other authority. PN 24460 The land shall only be used for commercial purposes only

		* *The Vacant Land is currently being left vacant instead of a shop house being built thereon and is not in compliance with the express condition.*
Encumbrances	:	<u>GRN 76084</u> Charged to Public Bank Berhad vide Presentation No. PDSC27743/2012 dated 10 July 2012 and Presentation No. PDSC52571/2014 dated 30 December 2014 <u>PN 10025</u> Charged to Public Bank Berhad vide Presentation No. PDSC27741/2012 dated 10 July 2012 and Presentation No. PDSC51123/2014 dated 23 December 2014 <u>PN 24460</u> Charged to Public Bank Berhad vide Presentation No. PDSC27742/2012 dated 10 July 2012 and Presentation No. PDSC51113/2014 dated 23 December 2014

Note:-

(1) The KL Property is being purchased on an "as is where is" basis comprising the Vacant Land and on-going development into 2 new hotels as set out above. As such, there is no historical financial information attributable to the said asset.

2.2 Salient terms of the SPA

2.2.1 Agreement for sale

Subject to the terms and conditions contained in the SPA, the Vendor shall sell and the Purchaser shall purchase the Hospitality Assets together with the operation of a limited-service hotel known as "Tune Hotel @ Danga Bay" ("**Hospitality Business for Danga Bay**") and the operations of 2 hotels currently under development to be known as (i) "The Chow Kit", an Ormond hotel and (ii) "MoMo's Kuala Lumpur" ("**Hospitality Business for KL**") (collectively, the "**Hospitality Businesses**").

The Hospitality Assets are sold to the Purchaser free from any encumbrances and on an "as is where is basis" as at the date of inspection by the Purchaser *(fair wear and tear excepted)* ("**Agreed Condition**") but subject to the tenancy agreements entered between the Vendor and the tenants for the KL Property ("**Relevant Tenants for KL**") ("**Relevant Tenancy Agreements for KL**") and all restrictions-in-interest and the conditions and category of use expressed or implied relating to the Hospitality Assets or to which the Hospitality Assets are subject.

2.2.2 Consideration and payment

The Purchase Consideration for the Hospitality Assets in the Agreed Condition together with the Hospitality Businesses shall be the aggregate sum of RM62.04 million comprising:-

(i) RM16.45 million for the Danga Bay Property; and

(ii) RM45.59 million for the KL Property.

Subject to the terms and conditions in the SPA, the Purchase Consideration shall be paid by the Purchaser to the existing chargee on behalf of the Vendor to redeem the Hospitality Assets. Any remaining balance from the Purchase Consideration after the payment to the existing chargee to redeem the Hospitality Assets shall be paid by the Purchaser to the Vendor on the Completion Date within a period of 90 days from the Unconditional Date *(as defined in Section 2.2.3 of this announcement)* or such later date as may be mutually agreed in writing by the parties ("**Payment Period**").

In the event the Purchaser is unable to pay the Purchase Consideration within the Payment Period, the Vendor shall grant a further period of 30 days ("**Extended Payment Period**") for the Purchaser to pay the Purchase Consideration provided that the Purchaser pays to the Vendor interest on the Purchase Consideration then outstanding at the rate of 8% per annum calculated on a daily basis from the 1st day of the Extended Payment Period until the date the Purchase Consideration is fully paid to the Vendor.

The sale and purchase of the Hospitality Assets together with the Hospitality Businesses shall be completed within 7 days after the presentation of the memorandum of transfer in respect of the Hospitality Assets ("**Transfers**") and all documents for the discharge of the existing charges in respect of the Hospitality Assets by the Purchaser's solicitors at the land office / registry ("**Completion Date**"). Legal possession of the Hospitality Assets in the Agreed Condition *(subject to renovation works for the KL Property, if any)* shall be deemed delivered to the Purchaser on the Completion Date.

2.2.3 Conditions Precedent

The sale, purchase and transfer of the Hospitality Assets together with the Hospitality Businesses shall be conditional upon the following conditions precedent ("**Conditions Precedent**") being fulfilled on or before the expiration of 6 months from the date of the SPA or such extended date as may be mutually agreed by the parties in writing ("**Conditions Precedent Fulfilment Due Date**"):-

(i) the approval of the shareholders of ECMLFG by way of resolution passed at an extraordinary general meeting ("**EGM**") to be convened for the Proposed Acquisition;

(ii) the Vendor having obtained consent from the relevant state authority to transfer the Vacant Land to the Purchaser;

(iii) the Vendor having obtained the approval of the shareholders of its ultimate holding company, Tune Hotels.Com Limited for the sale of the Hospitality Assets together with the Hospitality Businesses;

(iv) the completion of a due diligence exercise in respect of the Hospitality Assets and the Hospitality Businesses based on such scope as the Purchaser may deem fit and the Purchaser being satisfied with the results thereof; and

(v) any other regulatory, governmental or other approvals and consents for the sale and transfer of the Hospitality Assets together with the Hospitality Businesses on the terms and subject to the conditions of the SPA having been obtained by the Vendor or the Purchaser, as the case may be, if required.

The SPA shall become unconditional on the date the last Condition Precedent is fulfilled in accordance with the terms of the SPA ("**Unconditional Date**"). To the extent permitted by law, the Purchaser reserves the right to waive in writing the requirement to obtain all or any of the Conditions Precedent.

If any of the Conditions Precedent is not fulfilled by the Conditions Precedent Fulfilment Due Date, the SPA shall terminate whereupon:-

(i) the Vendor shall:-

(a) return to the Purchaser any documents received by the Vendor from the Purchaser or the Purchaser's solicitors; and

(b) reimburse the remaining costs and expenses incurred by ECML based on the invoices issued for the renovation works on the KL Property after the date of novation of THSB's rights, title, benefits and interests under the agreements for the renovation works on the KL Property entered into by THSB and novated to ECML ("**Renovation Agreements**") ("**Remaining Renovation Costs**") in accordance with Section 2.2.7(B)(iii) of this announcement;

(ii) in exchange, the Purchaser shall return to the Vendor, any documents received by the Purchaser or the Purchaser's solicitors from the Vendor pursuant to the terms of the SPA, with the Vendor's interest intact and unaffected *(unless the same is required for stamp duty refund)* and where the Purchaser have lodged a private caveat on the Hospitality Assets, the Purchaser shall also deliver a valid and registrable notice of withdrawal of private caveat duly executed by the Purchaser accompanied by the necessary registration fees to the Vendor; and

(iii) thereafter, all obligations and liabilities of the parties under the SPA shall cease to have effect and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breaches.

2.2.4 Purchaser's default

In the event that:-

(i) the Purchaser shall default, fail, neglect or refuse to pay any part of the Purchase Consideration in accordance with the provisions of the SPA;

(ii) any undertaking, covenant, representation or warranty of the Purchaser as specified in the SPA, shall be found at any time to have been materially untrue or incorrect; or

(iii) the Purchaser shall fail, neglect or refuse to comply with any of the material undertakings and covenants on the Purchaser's part to be performed under the SPA which in the reasonable opinion of the Vendor would have material adverse effect on the transactions contemplated by the SPA,

then the Vendor *(not being in breach of the SPA on its part)* shall be entitled to terminate the SPA by notice in writing to the Purchaser and the following shall take place:-

(i) the Purchaser shall pay an amount equivalent to 10% of the Purchase Consideration as agreed liquidated damages and the Remaining Renovation Costs shall be reimbursed by the Vendor to the Purchaser in accordance with Section 2.2.7(B)(iii) of this announcement;

(ii) where the Transfers have been submitted for stamping but the Purchaser's solicitors have not proceeded for registration, the Purchaser shall within 5 business days from the date of the termination notice:-

    (a) remove any encumbrances attributable to the Purchaser *(if any)* at the sole cost and expense of the Purchaser; and

    (b) return all documents belonging to the Vendor with the Vendor's interests therein intact;

(iii) re-deliver the Hospitality Assets to the Vendor in the Agreed Condition *(fair wear and tear excepted and subject to renovation works on the KL Property, if any)*; and

(iv) thereafter, the SPA shall be null and void and of no further force and neither party shall have any further rights against the other and the Vendor shall be at liberty to resell or deal with the Hospitality Assets as the Vendor shall see fit without having to account to the Purchaser for any profit made on such resale. For the avoidance of doubt, Section 2.2.4 of this announcement shall not be applicable in the event the Purchaser fails to fulfill the Conditions Precedent and in such circumstances the SPA shall be terminated in accordance with Section 2.2.3 of this announcement.

2.2.5 Vendor's default

In the event that:-

(i) the Vendor shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the SPA;

(ii) any undertaking, covenant, representation or warranty of the Vendor as specified in the SPA, shall be found at any time to have been materially untrue or incorrect; or

(iii) the Vendor shall fail, neglect or refuse to comply with any of the material undertakings and covenants on the Vendor's part to be performed under the SPA which in the reasonable opinion of the Purchaser would have material adverse effect on the transactions contemplated by the SPA,

then the Purchaser *(not being in breach of the SPA on its part)* shall be entitled under the SPA or at law, to specific performance of the SPA. Alternatively, the Purchaser shall be entitled to terminate the SPA by notice in writing to the Vendor and the following shall take place:-

(i) the Vendor shall refund to the Purchaser all monies paid by the Purchaser to or for the benefit of the Vendor, together with an amount equivalent to 10% of the Purchase Consideration as agreed liquidated damages and the Remaining Renovation Costs shall be reimbursed by the Vendor to the Purchaser in accordance with Section 2.2.7(B)(iii) of this announcement;

(ii) where the Transfers have been submitted for stamping but the Purchaser's solicitors have not proceeded for registration, the Purchaser shall within 5 business days from the date of the termination notice:-

    (a) remove any encumbrances attributable to the Purchaser *(if any)* at the sole cost and expense of the Purchaser; and

    (b) return all documents belonging to the Vendor with the Vendor's interests therein intact, including the original issue document of title in respect of the Hospitality Assets which shall be released to the Vendor;

(iii) re-deliver the Hospitality Assets to the Vendor in the Agreed Condition *(fair wear and tear excepted and subject to renovation works on the KL Property, if any)* subject to the receipt of the agreed liquidated damages and the Remaining Renovation Costs by the Purchaser; and

(iv) thereafter, the SPA shall be null and void and of no further force and neither party shall have any further rights against the other and the Vendor shall be at liberty to resell or deal with the Hospitality Assets as the Vendor shall see fit without having to account to the Purchaser for any profit made on such resale. For the avoidance of doubt, Section 2.2.5 of this announcement shall not be applicable in the event the Vendor fails to fulfill the Conditions Precedent and in such circumstances the SPA shall be terminated in accordance with Section 2.2.3 of this announcement.

2.2.6 Non-registration of Transfers

In the event that the Transfers cannot be registered in favour of the Purchaser for any reasons other than as stated in Sections 2.2.4 and 2.2.5 of this announcement which cannot be rectified by any party on account of such non-registration not being attributable to any party, either party shall be entitled to terminate the SPA by giving a written notice to the other party. Upon such termination, the Vendor shall:-

(i) refund all monies *(if any)* paid by the Purchaser to the Vendor, the existing chargee and/or the Purchaser's solicitors *(as the case maybe)* towards the Purchase Consideration free of interest;

(ii) reimburse the Remaining Renovation Costs in accordance with Section 2.2.7(B)(iii) of this announcement; and

(iii) in exchange, the Purchaser shall remove all encumbrances attributable to the Purchaser at the sole cost and expense of the Purchaser, and simultaneously return all documents belonging to the Vendor, save for the Transfers. As the Transfers have been stamped by the Purchaser, it shall only be returned to the Vendor upon its return to the Purchaser by the stamp office after cancellation of the stamp duty paid thereon.

In the event the Transfers are rejected for registration by the relevant land office / registry for any rectifiable reason and to the extent that the situation requires action on the part of the Vendor to rectify, the Vendor shall upon notification by the Purchaser or Purchaser's solicitors, as the case may be, take steps to promptly attend to or rectify the situation so that registration of the Transfers can be completed.

2.2.7 Covenants and obligation of the parties

(A) <u>In relation to the Danga Bay Property</u>

(i) The parties shall, at any time after the Unconditional Date but prior to the Completion Date, enter into a transition agreement for the transition of the Hospitality Business for Danga Bay as a going concern from the Vendor to the Purchaser; and

(ii) The parties shall sign and the Vendor shall procure for the relevant parties to sign novation agreements in respect of the novation of the operational agreements entered by the Vendor for the operation of the Hospitality Business for Danga Bay ("**Operational Agreements and Licences for Danga Bay**") which are subsisting from the Vendor to the Purchaser prior to the Completion Date wherein the Vendor shall novate all its rights, title, benefits and interests in the Operational Agreements and Licences for Danga Bay to the Purchaser on the Completion Date.

(B) <u>In relation to the KL Property</u>

(i) Upon execution of the SPA, the parties shall execute and the Vendor shall procure the counter parties to the Renovation Agreements to execute novation agreement(s) to novate all the Vendor's rights, title, benefits and interests under the Renovation Agreements to the Purchaser;

(ii) Simultaneously with the execution of the SPA, the Vendor shall grant a power of attorney in favour of the Purchaser empowering the Purchaser to do all such things and execute all such documents in respect of and relating to the KL Property ("**Power of Attorney**");

(iii) The invoices issued for the renovation works for the KL Property before the novation of the Renovation Agreements shall be borne by the Vendor and the invoices issued for the renovation works for the KL Property after the novation of the Renovation Agreements shall be borne by the Purchaser.

In the event the SPA is terminated, the Vendor shall reimburse to the Purchaser the Remaining Renovation Costs paid by the Purchaser up to the date of termination within 3 business days after receiving a notice from the Purchaser demanding the Vendor to pay the Remaining Renovation Costs, failing which the Vendor shall pay to the Purchaser interest on the Remaining Renovation Costs then outstanding at the rate of 8% per annum calculated on a daily basis from the 1st day immediately after the expiry of the said period until the date the Remaining Renovation Costs are fully paid to the Purchaser;

(iv) Pending Completion Date and provided that the Conditions Precedent in Sections 2.2.3(i) and 2.2.3 (iii) of this announcement has been met, the Vendor shall grant a licence to the Purchaser or any entity appointed or nominated by the Purchaser to operate, manage and maintain the Hospitality Business for KL upon completion of the renovation works for the KL Property ("**Licence to Operate**") and the Licence to Operate shall subject to Section 2.2.7(B)(v) of this announcement, be terminated on the Completion Date;

(v) The parties shall sign and the Vendor shall procure for the Relevant Tenants for KL and the relevant parties to sign novation agreements in respect of the novation of (i) the Relevant Tenancy Agreements for KL and (ii) the agreements entered by the Vendor for the operation and/or management of the Hospitality Business for KL ("**Operational Agreements for KL**") which are subsisting from the Vendor to the Purchaser wherein the Vendor shall novate all its rights, title, benefits and interests in the Relevant Tenancy Agreements for KL and the Operational Agreements for KL to the Purchaser with the intent that the novation shall only take effect on the date of commencement of the Licence to Operate; and

(vi) The parties acknowledge that the cost and expenses incurred by the Vendor which are incidental and/or required for the commencement, operations and/or management of the Hospitality Business for KL from the date of the SPA up and until the date of commencement of the Licence to Operate for the commencement, operations and/or management of the Hospitality Business for KL, including the cost for the employment of the employees for the operations of the Hospitality Business for KL ("**Pre-Opening Costs**"), shall be reimbursed by the Purchaser to the Vendor. For the avoidance of doubt, the Purchaser shall not be required to reimburse the Pre-Opening Costs to the Vendor in the event the SPA is terminated prior to the commencement of the Licence To Operate.

(vii) In the event the SPA is terminated, the Licence to Operate and the Power of Attorney shall be automatically terminated. Upon termination, the Purchaser shall novate to the Vendor (i) the Relevant Tenancy Agreements for KL, (ii) the Operational Agreements for KL and (iii) Renovation Agreements. All costs and expenses incurred for the novation of (i) the Relevant Tenancy Agreements for KL, (ii) the Operational Agreements for KL and (iii) Renovation Agreements shall be borne by the Vendor.

(C) Tune Hotels franchise and management services

(i) the Vendor shall, if required by the Purchaser, at any time after the Unconditional Date but prior to the Completion Date, procure:-

(a) Tune Hotels.Com (BVI) Limited to transfer its business of granting franchise to franchisee for the right to operate limited service hotels under the Tune Hotels Franchise including the right to use the Tune Hotels Brand; and

(b) Tune Hotels Management Sdn Bhd ("**THMSB**") to transfer its hotel management and operation services business,

to the Purchaser or its nominee at a nominal consideration of RM1.00 only and in accordance with such other terms and conditions to be mutually agreed by the parties.

2.2.8 Indemnity

The Vendor shall indemnify and shall keep the Purchaser indemnified against all losses, damages, costs, expenses and outgoings which the Purchaser may incur or be liable for in respect of any claims, demands, liabilities, actions, proceedings or suits arising out of or in connection with the non-compliance by the Vendor of the express condition of the Vacant Land prior to the Completion Date.

2.3 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the following:-

(i) the aggregate market values of the Danga Bay Property and the KL Property of RM62.04 million as at 1 July 2019;

(ii) the rationale of the Proposed Acquisition as set out in Section 3 of this announcement; and

(iii) the prospects of the Danga Bay Property and the KL Property as set out in Section 4.2 of this announcement.

In justifying the Purchase Consideration:-

(i) in respect of the Danga Bay Property, the purchase consideration of RM16.45 million is equivalent to the market value as at 1 July 2019 of RM16.45 million as ascribed by Henry Butcher Malaysia Sdn Bhd ("**Henry Butcher**").

In arriving at the market value, Henry Butcher used the profit method of valuation (RM16.45 million) and counter-checked with the comparison approach of valuation (RM19.42 million), and had selected the profit method as it is the preferred valuation method for hotel as an income generating property.

(ii) in respect of the KL Property, the purchase consideration of RM45.59 million is equivalent to the market value as at 1 July 2019 of RM45.59 million *(after deducting the costs to incur to completion, taking into account the amount paid up to 30 June 2019)* as ascribed by Henry Butcher.

In arriving at the market value, Henry Butcher used:-

(a) the residual method of valuation for the 2 pieces of land being re-developed into hotels to be known as (i) "The Chow Kit", an Ormond hotel and (ii) "MoMo's Kuala Lumpur" as these pieces of land are undergoing active construction works, with no historical records available for analysis on its historical revenue and cost to provide a reasonable forecast; and

(b) comparison approach of valuation for the piece of land held under PN 10025, Lot 1590 Seksyen 46, Bandar Kuala Lumpur, Daerah Kuala Lumpur as there is no immediate plan to develop the said land nor any development proposal was submitted previously to the local authority.

2.4 Source of funding

The Purchase Consideration will be financed via internally generated funds and/or bank borrowings.

The exact mix of funding will be decided at a later date taking into consideration the gearing level of the ECMLFG group of companies ("**Group**"), interest costs as well as internal cash requirements for the Group's business operations.

2.5 Liabilities to be assumed by ECMLFG

Save for the Remaining Renovation Costs *(estimated to be approximately RM26.34 million)* and the conversion of the category of land use for the Vacant Land *(estimated to be approximately RM0.25 million)*, there are no liabilities *(including any contingent liabilities and guarantees)* to be assumed by ECMLFG arising from the Proposed Acquisition.

2.6 Estimated additional financial commitments

Save for the Remaining Renovation Costs *(estimated to be approximately RM26.34 million)* and the conversion of the category of land use for the Vacant Land *(estimated to be approximately RM0.25 million)* which are expected to be funded internally, the Board does not foresee any other additional financial commitment required to put the assets acquired on-stream.

2.7 Original cost of investments

The original cost of investments of THSB in the Hospitality Assets is set out below:-

	Original cost of investment	**Date of investment**
Danga Bay Property	RM29,837,942	September 2009
KL Property	RM43,679,465	August 2006

2.8 Franchise agreement, service agreement and hotel management agreement

The operations of the Danga Bay Property are subject to certain agreements as follows:-

(a) the franchise agreement between THSB and Tune Hotels.Com (BVI) Limited dated 23 March 2010;

(b) the service agreement between THSB and THMSB dated 23 March 2010; and

(c) the hotel management agreement between THSB and THMSB dated 1 January 2011; and

Under the terms and part of the Proposed Acquisition, it has been agreed that the Hospitality Business for Danga Bay shall be transferred as a going concern from THSB to ECML to ensure the continuity of the hotel operations at the Danga Bay Property. Accordingly, the franchise agreement, service agreement and hotel management agreement for Danga Bay Property are to be novated as part of Operational Agreements and Licenses for Danga Bay to ECML on the Completion Date.

The salient terms of the franchise agreement, service agreement and hotel management agreement for the Danga Bay Property are set out in Appendix I of this announcement.

In respect of the KL Property, ECML has on 2 July 2019 been granted the license to use the Ormond and MoMo's brands in Malaysia for a 5-year royalty-free period by Ormond Group Pte Ltd *(being the joint venture entity between the Company and Plato Capital Limited and also the master licensee of the Ormond and MoMo's brands in South East Asia and Australia pursuant to the respective master licensing agreement with Ormond (HK) Limited and Plato Capital Holdings Limited, both wholly-owned subsidiaries of Plato Capital Limited)*.

2.9 Information on THSB

THSB was incorporated in Malaysia on 9 December 2005 as a private limited company. As at 31 July 2019, the latest practicable date prior to this announcement ("**LPD**"), THSB is a wholly-owned subsidiary of Tune Hotels Real Estate Holdings Limited, a BVI Business Company incorporated in the British Virgin Islands, which is in turn a wholly-owned subsidiary of Tune Hotels.Com Limited. The substantial shareholders of Tune Hotels.Com Limited are Tune Group Sdn Bhd (56.97%), Lim Kian Onn (13.59%) and Dato' Seri Kalimullah bin Masheerul Hassan (13.54%) and Orix Corporation (9.12%).

THSB is principally involved in the business of owning properties and operating hotels under the "Tune Hotels.Com" franchise.

As at the LPD, the issued share capital of THSB is RM25,000,000 comprising 25,000,000 ordinary shares.

As at the LPD, the details of the directors of THSB and their interests in THSB are as follows:-

Directors	Direct interest		Indirect interest	
	No. of ordinary shares	%	No. of ordinary shares	%
Tan Sri Dr Anthony Francis Fernandes	-	-	25,000,000[(1)]	100.00
Dato' Seri Kalimullah bin Masheerul Hassan	-	-	-	-
Datuk Kamarudin bin Meranun	-	-	25,000,000[(1)]	100.00
Lim Kian Onn	-	-	-	-
Christopher Mark Anthony Lankester	-	-	-	-
Lee Yu-Chern *(alternate director to Tan Sri Dr Anthony Francis Fernandes)*	-	-	-	-
Karena Fernandes *(alternate director to Datuk Kamarudin bin Meranun)*	-	-	-	-

Note:-

*(1) Deemed interest of 100.00% by virtue of his interest in Tune Group Sdn Bhd pursuant to Section 8(4) of the Companies Act, 2016 ("**Act**").*

3. RATIONALE OF THE PROPOSED ACQUISITION

On 12 December 2017, the shareholders of ECMLFG have approved the proposed diversification of the Group's business to include hotel ownership and management. The said business diversification is expected to benefit the Group in the following manner:-

(i) providing a new revenue and earnings stream to mitigate the volatility of the Group's financial performance; and

(ii) apart from deriving the economic benefits from operating the hotels, the Group may also benefit from capital appreciation from long term increase in the property values.

Since then, the Company had completed the acquisition of Tune Hotel Penang, Tune Hotel Kota Kinabalu and a 50% equity interest in TP Sepang Sdn Bhd which holds the concession to manage and operate the Tune Hotel KLIA2. The acquisition of the rights to operate and maintain Tune Hotel KLIA Aeropolis is pending completion. The contributions of the hospitality business to the Group in terms of revenue and profit after tax ("**PAT**") attributable to owners of the Company for the FYE 31 December 2018 are as follows:-

	Audited	
	For the FYE 31 December 2018	
At group level	**Revenue (RM'000)**	**PAT attributable to owners of the Company (RM'000)**
Hospitality business	14,722	1,651
ECMLFG Group	32,884[1]	5,136
Percentage of contribution (%)	**44.8**	**32.1**

[1] For the purpose of computing the percentage of contribution, the revenue of the ECMLFG Group shown in the table is inclusive of ECMLFG's share of revenue from its joint ventures.

The Proposed Acquisition is in line with and a continuation of the Group's business diversification initiative whereby:-

(i) the acquisition of the Danga Bay Property represents a further addition to the Group's portfolio of hotels operating under the existing hospitality franchise of the "Tune Hotels.Com" brand;

(ii) the KL Property is being re-developed into 2 hotels to be known as "The Chow Kit", an Ormond hotel and "MoMo's Kuala Lumpur" which are designed to match 3-star hotel standards. Pursuant to the refurbishment exercise, the Remaining Renovation Costs to be incurred for the KL Property may qualify for certain tax allowances, and if approved by the authority, would effectively lower the future tax expense of ECML. Further, ECML has been granted the license to use the Ormond and MoMo's brands in Malaysia for a 5-year royalty-free period on 2 July 2019. In addition to the enjoyment of a 5-year royalty-free period, the development of the new hotel brand names will also reduce the Group's reliance on the "Tune Hotels.Com" brand.

Moreover, the Danga Bay Property is situated in the development region of Iskandar Malaysia and the KL Property is situated within the Kuala Lumpur City Centre. The Hospitality Assets are expected to benefit from these catchment areas that bode well for demand. Please refer to Section 4.2 of this announcement for more information on the prospects of the Danga Bay Property and the KL Property.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Outlook and future prospects of the tourism and hospitality industry in Malaysia

In 2018, domestic tourism Malaysia achieved a higher record in number of visitor arrivals and tourism expenditure. A total of 221.3 million domestic visitors were recorded in 2018 with a growth of 7.7%. In terms of the volume of total tourism trips, domestic visitors undertook 302.4 million trips within the country. Domestic tourism expenditure continued to register a double-digit growth with 11.4% in 2018 (2017: 11.1%). A total of RM92,561 million was spent in domestic tourism during 2018 compared to RM83,103 million recorded in the previous year. Shopping registered the highest share of total expenditure made by a visitor for his/her trip with a share of 37.6%.

(*Source: Domestic Tourism Survey 2018, Department of Statistics Malaysia*)

The nation's tourism industry recorded a positive tourist arrivals growth of +4.8% for the January-May 2019 period, registering a total of 10,954,014 tourist arrivals compared to 10,454,447 in the same period last year.

(*Source: Media Release by Tourism Malaysia on 9 July 2019 entitled "Tourist Arrivals Grow +4.8% from January-May 2019"*)

Prospects of the Malaysian economy remain favourable largely supported by sound domestic demand.

The food and beverages and accommodation subsector is projected to expand 6.9% in tandem with aggressive promotional activities for Visit Malaysia 2020 and attractive tour packages offered via online travel fairs. In addition, the operationalisation of several new shopping centres and supporting retail components in Klang Valley, Pulau Pinang and Johor are anticipated to provide additional impetus to the growth of the subsector.

(Source: Chapter 3: Economic Performance and Prospects, Economic Outlook 2019, Ministry of Finance Malaysia)

Given the importance of the tourism industry, especially as a source of foreign exchange income, the Government will pay close attention towards achieving the Ministry of Tourism, Arts and Culture's target of 30 million foreign tourists contributing RM100 billion to the economy by 2020. To achieve these goals, the Government will allocate RM100 million on a matching grant basis to the private sector in relation to promotional and marketing campaigns to increase the number of tourists to the country.

(*Source: Annual Budget 2019, Ministry of Finance Malaysia*)

4.2 Prospects of the Danga Bay Property and KL Property

The prospect of the Proposed Acquisition is encouraging due to the promotion of Malaysia as a tourist destination as the Government recognises of tourism as an important major industry coupled with its efforts to improve and encourage tourism which augurs well for the hotel and tourism sector.

4.2.1 Danga Bay Property

Properties within the immediate vicinity are predominantly of mixed commercial, institution and residential in character. Geographically, the Danga Bay Property is situated within the development region of Iskandar Malaysia. Iskandar Malaysia is a strategic and important special economic zone located at the southern-most tip of Peninsular Malaysia. It covers the logistics triangle from Senai International Airport to the north and the Port of Tanjung Pelepas to the south-west, together with Johor Port in Pasir Gudang to the south-east, encompassing a total land area of about 2,217 square kilometres *(547,832.68 acres)*.

A prominent landmark in the vicinity is Danga Bay, the largest integrated waterfront project in Johor Bahru City Centre. It comprises leisure, commercial, financial, educational, lifestyle, health and family-oriented tourism development. This on-going development spreads over 1,800 acres of land with wide waterfront shoreline.

As the neighbour of Singapore, Johor was ranked as top 2 state visited by international tourists in Malaysia. With the growth of travellers in Johor, the existing supply of hotel rooms *(unrated to 5-star hotels)* as at Q1 2019 was recorded at 29,996 rooms *(in 461 hotels)* and majority are located within city / town areas *(24,602 rooms in 372 hotels were recorded under city / town areas)*.

In line with the state government's intent to develop the downtown area in Johor into a tourism and business core, there are a number of new hotel openings which have been planned in Johor Bahru from 2020 until 2022.

(Source: Henry Butcher Valuation Report)

Based on data collected by Tourism Malaysia, in 2018 alone, Johor has received 7.6 million domestic and international hotel guest arrivals, ranking Johor at number 3 at having the most registered hotel guests *(after Kuala Lumpur and Pahang).* Further, the 2018 average occupancy rate of hotels in Johor stands at 58.7%, which is higher than the 51.1% average of Malaysia's.

(Source: Tourism Malaysia Website (www.tourism.gov.my))

In line with Visit Malaysia 2020 and the hotel's location close to the vicinity of Danga Bay and border of Singapore, we envisage a positive outlook for the Danga Bay Property.

(*Source: Management of ECMLFG*)

4.2.2 KL Property

The KL Property was previously occupied by Tune Hotel Kuala Lumpur which ceased business in December 2018 to make way for the redevelopment project to convert the existing structures into 2 hotels to be known as “The Chow Kit”, an Ormond hotel and “MoMo’s Kuala Lumpur”. The ensuing hotel refurbishment exercise is aimed at furnishing the hotels with designs similar to 3-star rated hotels. With such design and appropriate hotel pricing, the hotels are expected to bode well for future demand.

Being in the heart of Kuala Lumpur City Centre, situated at the intersection of Jalan Tuanku Abdul Rahman and Jalan Sultan Ismail, the KL Property is strategically located within a vibrant section in town. The location is surrounded by old settlements dated back to pre-war era as well as modern structures that witness Kuala Lumpur transformed from a small mining town to a modern city today.

Other than excellent road linkages, the KL Property also enjoys being close to public transport in the forms of monorail and Light Railway Transit (LRT). The nearest monorail station is the Medan Tuanku Station which is about 250 meters due east, whilst the nearest LRT station is the Sultan Ismail Station which is located about 300 meters due west. Both services will enable one to travel without traffic hassle to and from the city center.

(Source: Henry Butcher Valuation Report)

Based on data collected by Tourism Malaysia, in 2018 alone, Kuala Lumpur has received 19.6 million domestic and international hotel guest arrivals, ranking Kuala Lumpur as having the most registered hotel guests amongst all the states in Malaysia. Further, the 2018 average occupancy rate of hotels in Kuala Lumpur stands at 63.3%, which is higher than the 51.1% average of Malaysia’s. From 2009 to 2018, Malaysia as a whole had a 57.5% increase in total receipts *(RM53.4 billion to RM84.1 billion)* on the back of an 8.8% increase in the number of tourist arrivals *(23.7 million to 25.8 million)*.

(Source: Tourism Malaysia Website (www.tourism.gov.my))

The numbers look promising for the hotel industry in Kuala Lumpur. Coupled with the renovation and refurbishment works which are expected to improve the branding of the hotels as well as the KL Property’s strategic location within the Kuala Lumpur City Centre, we envisage the KL Property to yield satisfactory performance in the future.

(*Source: Management of ECMLFG*)

5. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

In view that the Group has in 2017 diversified its business to include the business of hotel ownership and management, the risk factors associated with the Proposed Acquisition are similar to those currently faced by the Group for its hotel ownership and management business. The following are other key risk factors relating to the Proposed Acquisition:-

5.1 Brand recognition

The Danga Bay Property to be acquired under the Proposed Acquisition is dependent and reliant on the “Tune Hotels.Com” branding to market and promote their guest rooms. Any deterioration in this brand recognition may have an adverse effect on its business, operations and financial performance.

There is no assurance that there will be an increase in visibility of the “Tune Hotels.Com” brand and that any negative publicity that may affect the brand will not have an adverse effect on the Danga Bay Property’s business and performance.

The KL Property to be acquired under the Proposed Acquisition would be the maiden hotels to be operated under "The Chow Kit", an Ormond hotel and "MoMo's Kuala Lumpur" which are new hotel brands to be launched and developed. There is no assurance that the new hotel brands can achieve the brand recognition as planned. Nevertheless, the Board will ensure its best endeavour to build the brand recognition progressively.

5.2 Hotel renovation risk

There is risk that the expected benefits from the refurbishment of the KL Property will not materialise. There is no assurance that the completion of the renovation work will yield positive financial results as envisaged by the Group.

In addition, as the renovation of the KL Property is currently at the initial stage, there may be variations to the Remaining Renovation Costs to be incurred due to, amongst others, changes in design specifications, material supply or labour shortages and any other completion delays. This could result in delays in re-opening and re-commencement of the hotel operation, negatively affecting the financials of the Group.

In order to mitigate this risk, the Board will closely monitor the renovation works to ensure a smooth progress.

5.3 Investment risk

Property investments are subject to varying degrees of risks. The market value of the hotel properties is affected by, amongst others, changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. The value of the property may also fluctuate as a result of other factors outside of the Group's control, such as changes in regulatory requirements and applicable laws *(including in relation to taxation and planning)*, political conditions, the conditions of financial markets, potentially adverse tax consequences, interest and inflation rate fluctuations and higher accounting and control expenses.

There is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that the Group will be able to generate sufficient returns from the investments to offset the costs of investments. There is also no assurance that the expected financial performance of the Hospitality Businesses will be achieved after the completion of the Proposed Acquisition.

5.4 Compulsory acquisition

The Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act 1960 for certain purposes where the compensation to be awarded is based on the fair market value of a property assessed on the basis prescribed in the Land Acquisition Act 1960 and other relevant laws. Compulsory acquisition by the Government, depending on the quantum of compensation being awarded, could adversely affect the value of the properties under the Proposed Acquisition, which could impair the financial position and results of operations.

In the event of any compulsory acquisition of the Hospitality Assets, the Board will seek to minimise any potential losses from such situations by invoking the relevant provisions in the Land Acquisition Act, 1960 in relation to its rights to submit an objection in respect of compensation, where necessary.

5.5 Non-compliance of express condition of the Vacant Land

The Vacant Land *(being part of the KL Property to be acquired by ECML pursuant to the Proposed Acquisition)* is currently being left vacant and is not in compliance with its express condition. This may result in actions taken by the relevant authorities against the owner of the Vacant Land including amongst others, penalties, fines and/or repossession of land by the authorities.

Nevertheless, pursuant to the SPA, THSB shall indemnify and keep ECML indemnified against all losses, damages, costs, expenses and outgoings which ECML may incur or be liable for in respect of any claims, demands, liabilities, actions, proceedings or suits arising out of or in connection with the said non-compliance by the Vendor prior to the Completion Date.

Subsequent to the completion of the Proposed Acquisition, ECML intends to apply for a waiver of the express condition and/or conversion of the category of land use of the Vacant Land.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as it does not involve any issuance of new shares by the Company.

6.2 Net assets ("NA"), NA per share and gearing

Assuming the Proposed Acquisition had been effected at the end of the FYE 31 December 2018 and the Purchase Consideration is funded entirely by internally generated funds, the Proposed Acquisition will not have any effect on the NA, NA per share and gearing of the Group as at 31 December 2018.

Nonetheless, in light of the favourable outlook and prospects of the tourism and hospitality industry, the Danga Bay Property and the KL Property as outlined in Section 4 of this announcement, the Proposed Acquisition is expected to contribute positively to the future earnings of the Group *(which will in turn enhance the NA of the Group)*, driven by the Hospitality Businesses.

As set out in Section 2.4 of this announcement, the Purchase Consideration will be financed via internally generated funds and/or bank borrowings. The exact mix of funding will be decided at a later date taking into consideration the gearing level of the Group, interest costs as well as internal cash requirements for the Group's business operations.

In the event the Purchase Consideration is funded entirely by bank borrowings, the gearing of the Group as at 31 December 2018 is expected to increase from 0.06 times to 0.41 times upon completion of the Proposed Acquisition.

6.3 Earnings and earnings per share ("EPS")

For illustrative purposes only, assuming that the acquisition of the Danga Bay Property had been effected at the beginning of the FYE 31 December 2018, the pro forma effects on the earnings and EPS of ECMLFG are as follows:-

	Amount (RM'000)	**Basic EPS[(a)] (sen)**
PAT attributable to owners of the Company for the FYE 31 December 2018	5,136	1.30
Add: Loss after tax from the operations of the Danga Bay Property [1]	(98)	(0.02)
Pro forma PAT attributable to owners of the Company for the FYE 31 December 2018	**5,038**	**1.28**

Notes:-

(1) After excluding the Vendor's allocated interest cost to the Danga Bay Property of RM1.074 million (in the Purchaser's case pursuant to the Proposed Acquisition, it may fund the acquisition entire via internally generated funds. Nevertheless, any interest cost allocated will depend of the debts undertaken to fund the Danga Bay Property, if any)

(2) The KL property is being purchased on an "as is where is" basis comprising the Vacant Land and on-going development into 2 new hotels as set out in Section 2.1.2. As such, there is no historical financial information attributable to the said asset.

Moving forward, the effect of the Proposed Acquisition on the consolidated earnings and EPS of ECMLFG is dependent on the level of returns generated from the Hospitality Businesses in the future. Nonetheless, in light of the favourable outlook and prospects of the tourism and hospitality industry, the Danga Bay Property and the KL Property *(after completion of the on-going redevelopment)* as outlined in Section 4 of this announcement, the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of ECMLFG, driven by the Hospitality Businesses.

6.4 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

7. APPROVALS REQUIRED

The Proposed Acquisition is subject to the approvals being obtained from:-

(i) the non-interested shareholders at an EGM to be convened in relation to the Proposed Acquisition; and

(ii) any other relevant authorities or parties, if required.

The Proposed Acquisition is not conditional upon any other corporate exercise being or proposed to be undertaken by the Company.

<u>Highest percentage ratio</u>

The highest percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 50.75%.

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

Save as disclosed below, none of the Directors and/or major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition:-

(i) Tan Sri Dr Anthony Francis Fernandes, a major shareholder of ECMLFG via his indirect shareholding in ECMLFG, is also a director and major shareholder of THSB via his indirect interest in THSB;

(ii) Dato' Seri Kalimullah bin Masheerul Hassan, the Executive Chairman and a major shareholder of ECMLFG via his direct shareholding in ECMLFG, is also a director of THSB;

(iii) Datuk Kamarudin bin Meranun, a major shareholder of ECMLFG via his indirect shareholding in ECMLFG, is also a director and major shareholder of THSB, via his indirect interest in THSB;

(iv) Lim Kian Onn, the Managing Director and a major shareholder of ECMLFG via his direct and indirect shareholding in ECMLFG, is also a director of THSB;

(v) Gareth Lim Tze Xiang, a Non-Independent Non-Executive Director of ECMLFG, is also deemed interested in the Proposed Acquisition by virtue of him being the son of Lim Kian Onn;

(vi) Truesource Pte Ltd, a major shareholder of ECMLFG via its direct shareholding in ECMLFG, is also a wholly-owned subsidiary of Plato Capital Limited, which is ultimately controlled by Lim Kian Onn;

(vii) Garynma MY Capital Limited and Garynma MY Holdings Limited, being major shareholders of ECMLFG via their direct and indirect shareholding in ECMLFG respectively, are also companies in which Lim Kian Onn has an interest by virtue his interest via Garynma Trust which holds all the shares in Garynma MY Holdings Limited, which is the holding company of Garynma MY Capital Limited;

(viii) Julius Baer Trust Company (Singapore) Limited, a major shareholder of ECMLFG via its indirect shareholding in ECMLFG, is also the trustee of Garynma Trust in which Lim Kian Onn has an interest; and

(ix) Tune Group Sdn Bhd, a major shareholder of ECMLFG via its direct shareholding in ECMLFG, is also a company in which Tan Sri Dr Anthony Francis Fernances and Datuk Kamarudin bin Meranun have interest.

*(Collectively, all the parties above are referred to as the "**Interested Parties**" while Dato' Seri Kalimullah bin Masheerul Hassan, Lim Kian Onn and Gareth Lim Tze Xiang are referred to as the "**Interested Directors**")*

The details of the Interested Parties and their respective shareholdings in ECMLFG as at the LPD are as follows:-

	Direct interest		Indirect interest	
Interested Parties	**No. of ordinary shares**	**%**	**No. of ordinary shares**	**%**
Dato' Seri Kalimullah bin Masheerul Hassan	66,154,362	13.78	-	-
Lim Kian Onn	30,569,525	6.37	130,387,186(1)	27.17
Gareth Lim Tze Xiang(2)	-	-	-	-
Truesource Pte Ltd	56,694,973	11.81	-	-
Plato Capital Limited	-	-	56,694,973(3)	11.81
Garynma MY Capital Limited	72,255,050	15.06	-	-
Garyma MY Holdings Limited	-	-	72,255,050(4)	15.06
Julius Baer Trust Company (Singapore) Limited	-	-	72,255,050(5)	15.06
Tune Group Sdn Bhd	110,150,480	22.95	-	-
Tan Sri Dr Anthony Francis Fernandes	-	-	110,150,480(6)	22.95
Datuk Kamarudin bin Meranun	-	-	110,150,480(6)	22.95

Notes:-

(1) Deemed interest of 27.17% by virtue of his interest in Plato Capital Limited and his interest via Garynma Trust which holds all the shares in Garynma MY Holdings Limited pursuant to Section 8(4) of the Act and his spouse's shareholding pursuant to Section 59(11)(c) of the Act.

(2) Gareth Lim Tze Xiang is a person connected with Lim Kian Onn by virtue of being his son.

(3) Deemed interest of 11.81% by virtue of Plato Capital Limited being the holding company of Truesource Pte Ltd pursuant to Section 8(4) of the Act.

(4) Deemed interest of 15.06% by virtue of Garynma MY Holdings Limited being the holding company of Garynma MY Capital Limited pursuant to Section 8(4) of the Act.

(5) Deemed interest of 15.06% by virtue of Julius Baer Trust Company (Singapore) Limited being the trustee of Garynma Trust which holds all the shares in Garynma MY Holdings Limited pursuant to Section 8(4) of the Act.

(6) Deemed interest of 22.95% by virtue of his interest in Tune Group Sdn Bhd pursuant to Section 8(4) of the Act.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in relation to the Proposed Acquisition.

The Interested Parties will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

Further, the Interested Parties will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

9. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

Save for the Proposed Acquisition, the recurrent related party transactions which are not required to be disclosed pursuant to Paragraph 10.09(1)(a) of the Listing Requirements and those disclosed below, there were no transactions entered into between the Company and the Interested Parties and/or persons connected with them for the 12 months preceding the LPD:-

(i) formation of a joint venture with Plato Capital Limited via the incorporation of a company in Singapore known as Ormond Group Pte Ltd on 28 March 2019, which shall be principally involved in the provision of hospitality services including investments in the hospitality industry and developing hotel brands. Ormond Group Pte Ltd’s share capital of SGD100 is owned in equal proportion (50:50) by the Company and Plato Capital Limited;

(ii) acquisition of the Tune Hotel Penang together with existing tenancies for a purchase consideration of RM21,000,000, whereby RM11,926,000 is to be satisfied via the allotment and issuance of 33,127,777 new shares in ECMLFG and the remaining RM9,074,000 is to be satisfied in cash. The said acquisition was completed on 1 October 2018;

(iii) acquisition of the Tune Hotel Kota Kinabalu together with existing tenancies for a purchase consideration of RM9,000,000 to be satisfied entirely in cash. The said acquisition was completed on 29 April 2019; and

(iv) acquisition of the rights to operate and maintain the Tune Hotel KLIA Aeropolis together with an existing tenancy for a purchase consideration of RM926,000 to be satisfied entirely in cash. The said acquisition is currently ongoing, pending fulfilment of certain conditions precedent.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board *(save for the Interested Directors),* having considered all aspects of the Proposed Acquisition, including the salient terms of the SPA, the basis and justification for the Purchase Consideration as well as the rationale and prospects in relation to the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:-

(i) in the best interest of the Company;

(ii) fair and reasonable, and on normal commercial terms; and

(iii) not detrimental to the interest of the non-interested shareholders.

11. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of the Company, having considered all aspects of the Proposed Acquisition, including the salient terms of the SPA, the basis and justification for the Purchase Consideration as well as the rationale and prospects in relation to the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:-

(i) in the best interest of the Company;

(ii) fair and reasonable, and on normal commercial terms; and

(iii) not detrimental to the interest of the non-interested shareholders.

12. ADVISER

Mercury Securities has been appointed as the Principal Adviser for the Proposed Acquisition.

The Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, BDO has been appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of ECMLFG on the Proposed Acquisition in accordance with the Listing Requirements.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all required approvals being obtained, the Proposed Acquisition is expected to be completed in the 1st quarter of 2020.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of ECMLFG at 2nd Floor, West Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur, during normal business hours from Mondays to Fridays *(except public holidays)* for a period of 3 months from the date of this announcement:-

(i) the SPA; and

(ii) the valuation letter by Henry Butcher referred to in Section 2.

This announcement is dated 8 August 2019.

(A) FRANCHISE AGREEMENT

(i) Grant of franchise

Tune Hotels.com (BVI) Limited grants to THSB, during the term of the franchise agreement, the exclusive right and licence to use the "Tune Hotels.Com" brand and franchise system from the Danga Bay Property.

(ii) Term

The term of the franchise is for a period commencing on 23 March 2010 and, unless earlier terminated in accordance with the termination provisions of the franchise agreement, shall continue in full force and effect for an initial period of 10 years from 23 March 2010.

After the initial period, the term of the franchise shall either:-

(a) continue without limit of period, unless earlier terminated by either party on not less than 6 months' written notice; or

(b) continue for a further period of 10 years, if extended by THSB by a 9 months' advance written notice to Tune Hotels.com (BVI) Limited.

(iii) Payment obligations of THSB

THSB shall pay to Tune Hotels.com (BVI) Limited, amongst others, the following:-

(a) an upfront fee amounting to USD15,000;

(b) a monthly franchise fee calculated based on 4% of Room Revenue and shall be deducted directly from the booking proceeds received by Tune Hotels.Com (BVI) Limited; and

(c) a monthly transaction fee calculated based on RM1.25 per transaction.

"**Room Revenue**" means all room revenues whether including but not limited to room charges, admin charges, service charges, cancellation charges, air conditioner, amenities, Wi Fi, towel, TV and future add-ons *(product and services offered, provided and sold as part of the reservation booking process)*; and

"**Transaction**" means each individual room reservations made through the franchise system.

(iv) Termination

(a) Either party may terminate the franchise agreement by written notice to the other party if the other party is, amongst others, in material breach of its obligations under the agreement which is not remediable, or if remediable, it has failed to remedy within 30 days of written notice requiring it to do so.

(b) Tune Hotels.com (BVI) Limited may terminate the franchise agreement at any time forthwith by written notice to THSB if, amongst others, THSB is in breach of any other agreement with Tune Hotels.com (BVI) Limited giving Tune Hotels.com (BVI) Limited the right to terminate such agreement, THSB undergoes any material change of ownership or control, or THSB fails to achieve the minimum net sales target set *(unless Tune Hotels.com (BVI) Limited is satisfied that the non-achievement has resulted from any cause beyond THSB's reasonable control)*.

(c) Where Tune Hotels.com (BVI) Limited has a right to terminate the franchise agreement, Tune Hotels.com (BVI) Limited may at its option elect not to terminate the franchise agreement but convert the license granted to THSB from an exclusive grant to a non-exclusive grant.

(B) SERVICE AGREEMENT

(i) Provision of services

THSB appoints Tune Hotels Regional Services Sdn Bhd ("**THRS**") *(now known as THMSB)* to provide hotel support services to the Danga Bay Property in accordance to the provisions of the service agreement. The hotel support services include, amongst others, the following:-

(a) initial launch management of the business;

(b) induction training for employees employed by THSB;

(c) all advertising and promotion activities of the hotel; and

(d) pricing and revenue management.

(ii) Term

Unless otherwise terminated in accordance with the termination provisions of the service agreement, the term of the service agreement is for a period commencing 23 March 2010 and expire or terminate concurrently with the franchise agreement for Danga Bay Property.

(iii) Payment obligations of THSB

THSB shall pay to THRS, amongst others, the following:-

(a) daily allowance for staffs of RM90;

(b) induction training charges of USD200 per employee, subject to the prevailing rate charged according to the franchise system;

(c) advertising and promotion fee, calculated based on 2% of Room Revenue;

(d) revenue service fee of RM2,500 per month;

(e) credit card merchant fee, calculated based on 3% of the total value of transaction or any other rate indicated by the relevant authorities;

(f) direct debit fee, calculated at cost;

(e) call centre fee, calculated based on RM3.00 per transaction; and

(f) other distribution channel, such as SMS, credit card transaction fees.

(iv) Termination

(a) THRS may terminate the service agreement by written notice in the event THSB fails to make payment in accordance with the service agreement, and fails to cure such breach within 10 business days from the written notice from THRS of such failure.

(b) Either party can terminate the service agreement if a party's failure to materially and substantially perform any material obligation under the service agreement provided that the non-defaulting party shall give the defaulting party written notice and the defaulting party shall have at least 30 calendar days to cure such default.

(c) If either party is subject to an insolvency event then the other party may terminate the service agreement by giving the other party 10 business days' notice to terminate.

(C) HOTEL MANAGEMENT AGREEMENT

(i) Management of hotel

THSB engages and appoints THRS pursuant to the terms of the hotel management agreement, to operate and manage the hotel pursuant to the terms of the hotel management agreement.

(ii) Term

Unless otherwise terminated in accordance with the termination provisions of the hotel management agreement, the term of the service agreement is for a period commencing on 1 January 2011 or the date of opening of Danga Bay Property, whichever is later, and expire or terminate concurrently with the franchise agreement for the Danga Bay Property.

(iii) Payment obligations

THSB shall pay to THRS, management fees, calculated based on 2.5% of total Room Revenue *(excluding service charge)* per month. In the event that the hotel entity achieves performance benchmarks agreed between the parties, an additional incentive fee of 2% shall be payable.

(iv) Termination

Upon the occurrence of an event of default and failure to cure, *(if such right to cure is provided in the hotel management agreement, in addition to and cumulative of any and all rights and remedies available to the non-defaulting party)*, the non-defaulting party may:-

(a) terminate the hotel management agreement without penalty, effective upon receipt of written notice of termination to the defaulting party, provided that termination may be effective immediately in the case of fraud, gross negligence, wilful misconduct, criminal conduct or misappropriation of funds; and

(b) pursue any and all other remedies available to the non-defaulting party at law or in equity.

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