

ECM LIBRA GROUP BERHAD (“ECMLG” OR THE “COMPANY”)

PROPOSED ACQUISITION OF ENTIRE EQUITY INTEREST IN DESARU BEACHFRONT 2 SDN BHD (“DB2SB”) BY ECM LIBRA DESARU SDN BHD (“ECML DESARU”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF ECMLG

1. INTRODUCTION

The Board of Directors of ECMLG (“**Board**”) wishes to announce that on 8 September 2023, ECML Desaru had entered into a conditional share sale agreement (“**SSA**”) with Desaru Development Holdings One Sdn Bhd (“**DDH1SB**”) for the proposed acquisition of 2 ordinary shares and 1,195,916 redeemable convertible preference shares (collectively referred to as the “**Shares**”), representing 100% equity interest in DB2SB for cash consideration of RM17,047,160.14 (“**Purchase Consideration**”) (“**Proposed Acquisition of DB2SB**”). Upon completion of the Proposed Acquisition of DB2SB, DB2SB will become an indirect wholly-owned subsidiary of ECMLG.

Simultaneously with the Proposed Acquisition of DB2SB, ECMLG had via ECM Libra Beachfront Sdn Bhd, its wholly-owned subsidiary on even date, entered into a conditional sale and purchase agreement (“**SPA**”) with Desaru Beach Parks Sdn Bhd (“**DBPSB**”) for the proposed acquisition of a piece of leasehold land held under H.S.(D) 36682, PTD 8351, Mukim Pantai Timur, District of Kota Tinggi, State of Johor Darul Takzim, measuring in land area of approximately 44,427.00 square metres for cash consideration of RM19,812,954.67 (“**Proposed Acquisition of DBPSB Land**”). For details of the Proposed Acquisition of DBPSB Land, please refer to the announcement of ECMLG dated 8 September 2023.

2. DETAILS OF THE PROPOSED ACQUISITION OF DB2SB

2.1 Information on DDH1SB

DDH1SB was incorporated in Malaysia on 8 July 2011 as a private limited company. As at 7 September 2023, being the latest practicable date of this announcement (“**LPD**”), the details of DDH1SB are as follows:-

	DDH1SB
Nature of business	Investment holding company, a master developer and provides staff accommodation, destination marketing, common area maintenance and management services to its subsidiaries
Share capital	RM931,303,032.00 comprising of 100,000,002 ordinary shares and 83,130,303 redeemable convertible preference shares

<p>Directors</p>	<ul style="list-style-type: none"> ▪ Datuk Amran Hafiz Bin Affifudin (Chairman) ▪ Dato' Haji Mohammed Ridha Bin Dato' Haji Abd Kadir ▪ Dato' Haji Ramlee Bin A Rahman ▪ Dzulkifly Bin Hassan (Alternate Director to Dato' Haji Ramlee Bin A Rahman) ▪ Tan Sri Dato' Sri Haji Esa Bin Haji Mohamed ▪ Nazim Mohamed Bin Tan Sri Dato' Sri Haji Esa (Alternate Director to Tan Sri Dato' Sri Haji Esa Bin Haji Mohamed) ▪ Stephanie Saw Ai Lin ▪ Karina Binti Ridzuan <p>By virtue of Tan Sri Dato' Sri Haji Esa Bin Haji Mohamed's interests in the shares of the immediate holding company and intermediate holding company of DDH1SB namely Desaru Development Corporation Sdn Bhd ("DDCSB") and Stulang Ventures Sdn Bhd ("SVSB") respectively, he is deemed interested in the shares of DDH1SB.</p> <p>By virtue of Tan Sri Dato' Sri Haji Esa Bin Haji Mohamed's interests in the shares of DDCSB and SVSB, his son Nazim Mohamed Bin Tan Sri Dato' Sri Haji Esa is deemed interested in the shares of DDH1SB.</p> <p>None of the other directors of DDH1SB has interest in shares in DDH1SB.</p>
<p>Shareholders (and shareholdings)</p>	<ul style="list-style-type: none"> ▪ DDCSB (104,230,002 shares comprising 51,000,002 ordinary shares and 53,230,000 redeemable convertible preference shares, representing 51% equity interest in DDH1SB) ▪ SVSB (78,900,303 shares comprising 49,000,000 ordinary shares and 29,900,303 redeemable convertible preference shares, representing 49% equity interest in DDH1SB)

2.2 Information on DB2SB

DB2SB was incorporated in Malaysia on 6 June 2012 as a private limited company. As at the LPD, DB2SB does not have any subsidiary, associate or joint venture companies and the details of DB2SB are as follows:-

	DB2SB
Nature of business	Investment holding
Share capital	RM11,959,162.00 comprising of 2 ordinary shares and 1,195,916 redeemable convertible preference shares
Directors	<ul style="list-style-type: none"> ▪ Ronnie Khoo Boo Eam ▪ Muhammad Fauzan Bin Mansor <p>The directors of DB2SB do not hold any equity interest in DB2SB.</p>
Shareholders (and shareholdings)	DDH1SB (2 ordinary shares and 1,195,916 redeemable convertible preference shares, representing 100% equity interest in DB2SB)

As at the LPD, DB2SB is the registered proprietor and beneficial owner of a piece of leasehold land ("**DB2SB Land**"), information of which is set out below:-

Title No.	H.S.(D) 36686
PT No.	PTD 8355
Town, District, State	Mukim Pantai Timur, District of Kota Tinggi, State of Johor Darul Takzim
Category of land use	Building
Land area	36,831.00 square metres
Existing and proposed usage	Currently vacant. Its proposed usage in the future is for development into a beach resort or hotel or villa
Tenure	99-year leasehold expiring on 1 November 2114
Registered owner	DB2SB
Net book value	Based on the latest audited financial statements of DB2SB as at 31 December 2022, the net book value of DB2SB Land was RM9,462,435.00.
Encumbrances	Nil

2.3 Salient terms of the SSA

2.3.1 Agreement for sale

DDH1SB has agreed to sell and ECML Desaru has agreed to purchase from DDH1SB the Shares, free from all claims and encumbrances together with all rights now or hereafter attaching thereto, including without limitation all bonuses, rights, liabilities, dividends and other distributions declared, paid or made in respect of the Shares in accordance with the terms and conditions set out in the SSA.

2.3.2 Payment of the Purchase Consideration

In consideration of DDH1SB's agreement to sell the Shares to ECML Desaru, DDH1SB and ECML Desaru agree that the Purchase Consideration shall be paid to Messrs Foong & Partners ("**Purchaser's Solicitors**") as stakeholder in the following manner:-

- (i) deposit of RM3,409,432.03 (representing approximately 20% of the Purchase Consideration) to the Purchaser's Solicitors as stakeholder upon execution of the SSA; and
- (ii) balance Purchase Consideration of RM13,637,728.11 (representing approximately 80% of the Purchase Consideration) to the Purchaser's Solicitors as stakeholder within a period of 30 days from the fulfillment of the conditions precedent as stated in the SSA.

2.3.3 Conditions precedent

The following conditions precedent is to be fulfilled within a period of 30 days from the date of the SSA, or such other date as to be mutually agreed by ECML Desaru and DDH1SB in writing:-

- (i) the delivery to ECML Desaru by DDH1SB, a certified true copy resolution of the board of directors and the shareholders of DDH1SB approving the sale of the Shares and the affixing of the common seal (if applicable and if required by its Constitution) of DDH1SB on the share transfer form ("**Transfer Documents**"); and
- (ii) the delivery to DDH1SB by ECML Desaru, certified true copies resolutions of the board of directors and the shareholders of ECML Desaru approving the purchase of the Shares and the affixing of the common seal (if applicable and if required by its Constitution) of ECML Desaru on the Transfer Documents.

The SSA shall become unconditional upon the date where all the conditions precedent set out above have been satisfied and/or waived by ECML Desaru and DDH1SB, as the case may be.

2.4 Basis and justification for the Purchase Consideration

For information of ECMLG's shareholders, the objective of the Proposed Acquisition of DB2SB is to acquire the DB2SB Land which is the only asset in DB2SB.

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

- (i) the management had conducted an internal review, taking into consideration of potential development of the DB2SB Land, accessibility, suitability of the sites, availability of public services, development of the surrounding area of DB2SB Land and the demand and price of the properties in the surrounding area;
- (ii) the rationale of the Proposed Acquisition of DB2SB as set out in Section 3 of this announcement; and
- (iii) the prospects of the DB2SB Land as set out in Section 4 of this announcement.

No valuation was carried out on the DB2SB Land.

2.5 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 ECMLG group of companies ("**Group**"), interest costs as well as internal cash requirements for the Group's business operations.

2.6 Liabilities to be assumed by ECMLG

Saved for the obligations and liabilities in and arising from, pursuant to or in connection with the SSA, there are no other liabilities including contingent liabilities and/or guarantees to be assumed by ECMLG arising from the Proposed Acquisition of DB2SB. However, ECMLG is expected to provide additional post-acquisition capital investments to develop the DB2SB Land over the next few years; the amounts of which will only be determined upon finalisation of the development plans.

3. RATIONALE OF THE PROPOSED ACQUISITION OF DB2SB

In 2017, the shareholders of ECMLG had 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 Group had completed the acquisition of 6 hospitality assets. Based on the audited consolidated financial statements for the financial year ended 31 December 2022, hospitality business has generated revenue of RM24,568,000.00 and is expected to improve as domestic and inbound travel demand remains robust.

Premised on the above, the Proposed Acquisition of DB2SB is in line with and a continuation of the Group's business diversification initiative whereby:-

- (i) the DB2SB Land represents a further addition to the Group's existing hospitality assets. The DB2SB Land is currently vacant and its proposed usage in the future is for development as a beach resort or hotel or villa; and
- (ii) the DB2SB Land is located within the overall development of Desaru Coast and is expected to benefit from the local and international tourist market catchments that the destination attracts.

Please refer to Section 4 of this announcement for more information on the prospects of the DB2SB Land.

4. INDUSTRY OVERVIEW AND PROSPECTS

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

The services sector grew by 10.9% in 2022, mainly supported by the wholesale and retail trade; transportation and storage; as well as real estate and business services subsectors. The performance was attributed to the upswing in tourism-related activities following the reopening of international borders, increased consumer spending, higher adoption of digitalisation across all sectors as well as improved demand for professional services.

The performance of food & beverages and accommodation subsector turned around significantly by 33.2% following continuous expansion in tourism-related activities in line with the substantial recovery in hotel occupancy rate and patronage at eateries.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Section 1: Economic Performance and Outlook, Malaysia's Economic Performance 2022, Services Sector, Ministry of Finance Malaysia)

The services sector is projected to expand by 5.3% in 2023, driven by domestic demand amid moderate global activities. The growth will continue to be buoyed by wholesale and retail trade; transportation and storage; information and communication; food & beverages and accommodation; and finance and insurance subsectors.

The food and beverages and accommodation subsector is forecast to continue its growth momentum attributed to continuous implementation of initiatives under the Tourism Recovery Plan 2022. The recovery plan focuses on strengthening the industry players to remain competitive and resilient. These include collaboration with the industry players to identify and produce tourism and cultural products that cater travellers' preferences as well as diversify business events towards emerging activities. In addition, the expansion of food and beverages franchise outlets is expected to further boost the subsector.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Section 1: Economic Performance and Outlook, Malaysia's Economic Outlook 2023, Services Sector, Ministry of Finance Malaysia)

4.2 Prospects of the DB2SB Land

The Proposed Acquisition of DB2SB present an attractive opportunity for the Group to further expand its footprint in the hospitality sector by diversifying into Desaru Coast, the Group envisage a positive outlook for the DB2SB Land.

4.2.1 Desaru Coast

Located in the southeastern region of the Johor state, Desaru Coast spans approximately 4,000 acres along a pristine 17km beachfront facing eastwards and overlooking the South China Sea. The sprawling destination offers guests a selection of globally-renowned resorts to stay, play, and dine in.

Desaru Coast holds a curated portfolio of globally-renowned hotels and resorts, namely Hard Rock Hotel Desaru Coast, The Westin Desaru Coast Resort, Anantara Desaru Coast Resort & Villas, and One&Only Desaru Coast. The destination is also home to Adventure Waterpark Desaru Coast - one of the world's biggest waterparks; Desaru Coast Conference Centre - a fully-equipped conference facility; The Els Club Malaysia Desaru Coast - 45 holes of golf in total across two courses, Ocean Course by Ernie Els and Valley Course by Vijay Singh; and Desaru Coast Riverside.

Desaru Coast is easily accessible via land, air and sea. Ferry services between Desaru Coast Ferry Terminal and Tanah Merah Ferry Terminal in Singapore provide a fast and reliable way for tourists to arrive at the doorstep of the destination.

As an international holiday resort destination built with the essential infrastructure and ample wide-open scenic spaces, Desaru Coast is geared to become a leading event venue in the region. In 2023, the destination hosted the Desaru Coast Multisports Festival presented by IRONMAN, L'Étape Malaysia by Tour de France, and an eight-week Dior Café and Dioriviera pop-up.

The integrated destination resort earned a premier global accolade as one of TIME Magazine's World's Greatest Places of 2021, and continues to live up to its reputation as an indulgent getaway for the discerning traveller, for both business and pleasure.

(Source: Desaru Coast Corporate Communications)

5. RISKS

5.1 Investment risk

Property investments and developments are subject to varying degrees of risks. The market value of the hospitality assets 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 hospitality assets 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, economic downturn, natural disasters and outbreak of infectious diseases, unfavourable monetary and fiscal policy changes, exchange control regulations or introduction of new rules and regulations, 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 of DB2SB will be realised or that the Group will be able to generate sufficient returns from the investments to offset the costs of investments.

6. EFFECTS OF THE PROPOSED ACQUISITION OF DB2SB

The effects of the Proposed Acquisition of DB2SB are set out below:-

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition of DB2SB will not have any effect on the issued share capital and shareholdings of the Company's substantial shareholders as it does not involve any issuance of new shares by the Company.

6.2 Net assets (“NA”), NA per share and gearing

The Proposed Acquisition of DB2SB is not expected to have any material effect on the NA and NA per share of the Group for the financial year ending 31 December 2023.

As set out in Section 2.5 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.

For illustrative purposes, on the assumption that the Proposed Acquisition of DB2SB had been effected at the end of the financial year ended 31 December 2022 and the Purchase Consideration was funded entirely by bank borrowings, the gearing of the Group as at 31 December 2022 would have increased from 0.24 times to 0.34 times.

6.3 Earnings and earnings per share (“EPS”)

Upon completion of the Proposed Acquisition of DB2SB, the Group will consolidate the earnings of DB2SB. The Proposed Acquisition of DB2SB is not expected to have any material effect on the Group’s earnings and EPS for the financial year ending 31 December 2023.

7. APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION OF DB2SB

The Proposed Acquisition of DB2SB is not subject to the approval of the shareholders of ECMLG.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”) for the Proposed Acquisition of DB2SB is approximately 10.46%, calculated based on the Purchase Consideration over the NA of the Group as at 31 December 2022.

The Proposed Acquisition of DB2SB and Proposed Acquisition of DBPSB Land are collectively referred to as the “**Proposed Acquisitions**”.

Pursuant to paragraph 10.12(2)(a) of the Listing Requirements, the Proposed Acquisitions are to be aggregated and to treat the Proposed Acquisitions as if they were one transaction as DBPSB and DB2SB who are the parties to the Proposed Acquisitions are deemed connected to each other via Balau Hospitality Sdn Bhd (formerly known as Destination Resorts and Hotels Sdn Bhd) (“**BHSB**”). BHSB is the holding company of DBPSB and at the same time, BHSB has deemed interest

in the shares of DB2SB via DDCSB and SVSB who are the shareholders of DDH1SB who in turn is the holding company of DB2SB.

The aggregate cash consideration for the Proposed Acquisitions amounts to RM36,860,114.81 (“**Total Purchase Consideration**”) and is to be satisfied upon the terms and conditions as set out in the SPA and SSA.

The highest percentage ratio applicable pursuant to paragraph 10.02(g) of the Listing Requirements for the Proposed Acquisitions is approximately 22.61%, calculated based on the Total Purchase Consideration over the NA of the Group as at 31 December 2022.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition of DB2SB.

10. DIRECTORS’ STATEMENT AND RECOMMENDATION

The Board having considered all aspects of the Proposed Acquisition of DB2SB (including but not limited to the salient terms of the SSA, the basis and justification for the Purchase Consideration as well as the rationale and prospects in relation to the Proposed Acquisition of DB2SB), is of the opinion that the Proposed Acquisition of DB2SB is in the best interests of the Company.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition of DB2SB is expected to be completed in the fourth quarter of 2023.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the SSA will be made available for inspection at our registered office 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.

This announcement is dated 8 September 2023.