

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

PROPOSED ACQUISITION OF LAND BY ECM LIBRA BEACHFRONT SDN BHD (“ECML BEACHFRONT”), A WHOLLY-OWNED SUBSIDIARY OF ECMLG

1. INTRODUCTION

The Board of Directors of ECMLG (“**Board**”) wishes to announce that on 8 September 2023, ECML Beachfront had 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 (“**DBPSB Land**”) for cash consideration of RM19,812,954.67 (“**Purchase Consideration**”) (“**Proposed Acquisition of DBPSB Land**”).

Simultaneously with the Proposed Acquisition of DBPSB Land, ECMLG had via ECM Libra Desaru Sdn Bhd, its indirect wholly-owned subsidiary on even date, 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, representing 100% equity interest in Desaru Beachfront 2 Sdn Bhd (“**DB2SB**”) for cash consideration of RM17,047,160.14 (“**Proposed Acquisition of DB2SB**”). For details of the Proposed Acquisition of DB2SB, please refer to the announcement of ECMLG dated 8 September 2023.

2. DETAILS OF THE PROPOSED ACQUISITION OF DBPSB LAND

2.1 Information on DBPSB

DBPSB was incorporated in Malaysia on 3 January 1990 as a private limited company. As at 7 September 2023, being the latest practicable date of this announcement, the details of DBPSB are as follows:-

	DBPSB
Nature of business	To own and operate chalet
Directors	<ul style="list-style-type: none">▪ Ronnie Khoo Boo Eam▪ Watt Miew Ling The directors of DBPSB do not hold any equity interest in DBPSB.
Shareholders (and shareholdings)	Balau Hospitality Sdn Bhd (formerly known as Destination Resorts and Hotels Sdn Bhd) (“ BHSB ”) (3 ordinary shares, representing 100% equity interest in DBPSB)

2.2 Information on DBPSB Land

The details of DBPSB Land are as follows:-

Title No.	H.S.(D) 36682
PT No.	PTD 8351
Town, District, State	Mukim Pantai Timur, District of Kota Tinggi, State of Johor Darul Takzim
Category of land use	Building
Land area	44,427.00 square metres
Existing and proposed usage	Currently vacant. Its proposed usage in the future is for development of villas
Tenure	99-year leasehold expiring on 1 November 2114
Registered owner	DBPSB
Net book value	The Board is unable to disclose the net book value of DBPSB Land as it is not privy to this information.
Encumbrances	A private caveat registered on 9 October 2020 in favour of Destination Resorts and Hotels Sdn Bhd (formerly known as Themed Attractions Resorts & Hotels Sdn Bhd)

2.3 Salient terms of the SPA

2.3.1 Condition of DBPSB Land

ECML Beachfront has inspected and examined DBPSB Land prior to the execution of the SPA and ECML Beachfront is satisfied with the condition of the DBPSB Land and agrees to accept DBPSB Land on an “as is where is” basis but free from squatters, obstructions, encumbrances and strictly subject to the terms and conditions contained in the SPA.

2.3.2 Payment of Purchase Consideration

In consideration of DBPSB’s agreement to sell DBPSB Land to ECML Beachfront, DBPSB and ECML Beachfront agree that the Purchase Consideration shall be paid to Messrs Foong & Partners (“**Purchaser’s Solicitors**”) as stakeholder in the following manner:-

- (i) deposit of RM4,112,590.93 (representing approximately 20% of the Purchase Consideration) to the Purchaser’s Solicitors as stakeholder upon execution of the SPA; and

- (ii) balance Purchase Consideration of RM15,700,363.74 (representing approximately 80% of the Purchase Consideration) to the Purchaser's Solicitors as stakeholder within a period of 30 days from the date of receipt of the notice by ECML Beachfront on the fulfillment of the conditions precedent as stated in the SPA.

2.3.3 Conditions precedent

The SPA is conditional and strictly subject to the following conditions precedent:-

- (i) delivery to ECML Beachfront by DBPSB, the resolutions of the board of directors and the shareholders of DBPSB approving the sale of DBPSB Land and the affixing of the common seal (if required by its Constitution) of DBPSB on the instrument of transfer in the format prescribed as Form 14A of the National Land Code, 1965 ("**Instrument of Transfer**") in respect of DBPSB Land;
- (ii) delivery to DBPSB by ECML Beachfront, the resolutions of the board of directors and the shareholders of ECML Beachfront approving the purchase of DBPSB Land and the affixing of the common seal (if required by its Constitution) of ECML Beachfront on the Instrument of Transfer in respect of DBPSB Land;
- (iii) DBPSB at its own cost and expense, to procure the issuance of the approval of the relevant authorities for the transfer of DBPSB Land ("**State Authority Approval**"); and
- (iv) DBPSB or its affiliated company shall complete the enclosure of the sewerage treatment plant 2 in accordance with the requirements by Indah Water Konsortium for enclosed sewerage treatment plants.

The conditions precedent under sub paragraphs 2.3.3(i) and 2.3.3(ii) above are to be satisfied within 14 days from the date of the SPA ("**Pre Conditional Period**") whereas sub paragraphs 2.3.3(iii) and 2.3.3(iv) are to be satisfied within 18 months from the date of the fulfilment of last of the conditions precedent in sub-paragraphs 2.3.3(i) and 2.3.3(ii) within the Pre Conditional Period.

The SPA shall become unconditional upon the date when the last of the conditions precedent set out above have been satisfied and/or waived by ECML Beachfront and DBPSB, as the case may be.

2.3.4 Vacant possession

Vacant possession shall be granted to ECML Beachfront upon the completion of the SPA ("**Vacant Possession**"). It is mutually agreed by ECML Beachfront and DBPSB that risk to the DBPSB Land will pass to ECML Beachfront on the date of Vacant Possession.

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

No valuation was carried out on the DBPSB 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

There are no liabilities including contingent liabilities and/or guarantees to be assumed by ECMLG arising from the Proposed Acquisition of DBPSB Land. However, ECMLG is expected to provide additional post-acquisition capital investments to develop the DBPSB 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 DBPSB LAND

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 DBPSB Land is in line with and a continuation of the Group's business diversification initiative whereby:-

- (i) the DBPSB Land represents a further addition to the Group's existing hospitality assets. The DBPSB Land is currently vacant and its proposed usage in the future is for development of villas; and
- (ii) the DBPSB 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 DBPSB 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 DBPSB Land

The Proposed Acquisition of DBPSB Land 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 DBPSB 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 DBPSB Land 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 DBPSB LAND

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

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition of DBPSB Land 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 DBPSB Land 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 DBPSB Land 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 0.36 times.

6.3 Earnings and earnings per share ("EPS")

The Proposed Acquisition of DBPSB Land 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 DBPSB LAND

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

The Proposed Acquisition of DBPSB Land would require State Authority Approval to transfer DBPSB Land from DBPSB to ECML Beachfront, which is stipulated as a condition precedent to be fulfilled.

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 DBPSB Land is approximately 12.15%, calculated based on the Purchase Consideration over the NA of the Group as at 31 December 2022.

The Proposed Acquisition of DBPSB Land and Proposed Acquisition of DB2SB 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 BHSB. BHSB is the holding company of DBPSB and at the same time, BHSB has deemed interest in the shares of DB2SB via Desaru Development Corporation Sdn Bhd and Stulang Ventures Sdn Bhd 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 DBPSB Land.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board having considered all aspects of the Proposed Acquisition of DBPSB Land (including but not limited to 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 of DBPSB Land), is of the opinion that the Proposed Acquisition of DBPSB Land is in the best interests of the Company.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition of DBPSB Land is expected to be completed in the first quarter of 2025.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the SPA 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.