

**ECM LIBRA FINANCIAL GROUP BERHAD (“ECM” or the “Company”)  
SUBSCRIPTION OF SHARES IN EDUC8 GROUP SDN BHD**

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**1. INTRODUCTION**

The Board of Directors of ECM Libra Financial Group Berhad (“**Board**”) (“**ECM**” or the “**Company**”) wishes to announce that the Company had on 12 February 2015 accepted an offer by Educ8 Group Sdn Bhd (“**Educ8**” or “**Investee Company**”) to subscribe for up to 12,788,294 ordinary shares of RM1.00 each (“**Educ8 Subscription**”) representing 12.4% of the enlarged share capital of Educ8 pursuant to Educ8’s placement exercise of up to 15,638,339 ordinary shares of RM1.00 each (“**Educ8 Placement**”).

**2. DETAILS OF THE EDUC8 SUBSCRIPTION**

**2.1 Pricing of the Educ8 Subscription**

The Educ8 Subscription involves the Company subscribing for up to 12,788,294 ordinary shares of RM1.00 each in Educ8 (“**Educ8 Shares**”) representing 12.4% of the enlarged share capital of Educ8 pursuant to the Investee Company’s Educ8 Placement. The issue price for the said Educ8 Shares shall be RM1.00 per share. We expect to subscribe to the Educ8 Shares in several tranches between February and April 2015.

The total subscription consideration was arrived at on a “willing buyer willing seller” basis, taking into account the par value of Educ8 of RM1.00 and the prospects of Educ8 going forward.

The total cash consideration for the Educ8 Subscription of RM12,788,294 shall be funded from our internally generated funds.

There are no liabilities including contingent liabilities and guarantees to be assumed by ECM arising from the Educ8 Subscription.

**2.2 Salient terms of the Educ8 Subscription**

The salient terms of the Educ8 Subscription are as follows:

- (i) in conjunction with the Educ8 Subscription, the Irredeemable Convertible Preference Shares of RM0.01 each (“**ICPS**”) in Educ8 which are currently outstanding shall be redeemed and cancelled or shall be redistributed in proportion to the holdings of ordinary shares by the existing ICPS holders and ECM at the time of distribution (please see section 2.4 below);
- (ii) ECM has been granted tag-along and pre-emption rights on any intended disposal by the major shareholders of Educ8 of their shareholdings in Educ8 (please see section 2.4 below); and
- (iii) the appointment of one (1) director on the board of directors of Educ8 to represent the interest of ECM.

## 2.3 Background information on Educ8

Educ8 is a company incorporated in Malaysia under the Companies Act 1965 as a private limited company on 29 May 2012 with a current issued and paid-up capital of RM84,726,308 comprising 84,726,208 ordinary shares of RM1.00 each and 10,000 irredeemable convertible preference shares of RM0.01 each. The Company is principally engaged in the businesses of investment holding and providing primary and secondary education based on the British syllabus. The principal activity of its wholly-owned subsidiary, Epsom College Malaysia Sdn Bhd is to provide educational services by operating a preparatory and senior boarding school.

The board of directors of Educ8 are:

- (i) Tan Sri Tony Fernandes;
- (ii) Datuk Kamarudin Meranun;
- (iii) Lim Kian Onn; and
- (iv) Dr Andrew John Vallance-Owen.

## 2.4 Shareholding structure of Educ8

The existing and enlarged shareholding structure of Educ8 after the Educ8 Placement (including the Educ8 Subscription) is as follows:

Shareholders	Existing		After Educ8 Placement	
	No of Educ8 Shares	%	No of Educ8 Shares	%
Tan Sri Tony Fernandes*	33,905,461	38.9	33,905,461	33.0
Datuk Kamarudin Meranun*	22,725,035	26.0	22,725,035	22.1
ASIG*	27,547,373	31.6	30,397,418	29.5
Sesama Education	1,560,000	1.8	1,560,000	1.5
Rezeki Bahagia	1,000,000	1.1	1,000,000	1.0
Epsom College Ltd	500,000	0.6	500,000	0.5
ECM	-	-	12,788,294	12.4

\* The major shareholders with whom ECM has been granted tag-along and pre-emption rights on any intended disposal by the same of their shareholdings in Educ8 (please see section 2.2(ii) above).

The existing ICPS holders are as follows:

ICPS holders*	No of ICPS	%
Tan Sri Tony Fernandes	4,146	41.5
Datuk Kamarudin Meranun	2,802	28.0
ASIG	2,802	28.0
Sesama Education	-	-
Rezeki Bahagia	-	-
Epsom College Ltd	250	2.5

\* The ICPS currently held by the ICPS holders shall be redeemed and cancelled or shall be redistributed in proportion to the holdings of ordinary shares by the existing ICPS holders and ECM at the time of distribution (please see section 2.2 (i) above).

### 3. PROSPECTS OF EDUC8 AND THE PRIVATE EDUCATION SECTOR IN THE REGION

Educ8 was established by Tan Sri Tony Fernandes and Dato' Kamarudin Meranun to capture the demand for quality education in the ASEAN region from the growing affluence of the middle class and continued existence of expatriate communities in the region. Educ8's flagship school is Epsom College Senior School in Malaysia (the "**School**" or the "**College**") (held under Educ8's wholly-owned subsidiary Epsom College Malaysia Sdn Bhd) which commenced operations in September 2014 and is located in Bandar Enstek. The College was purpose-built with a boarding school infrastructure equipped with all necessary academic and sporting facilities from Reception (kindergarten) until Year 13 ('A' Levels).

The private education sector is expected to see strong growth driven by economic development, rising per capita incomes and growth in the middle class, and is also expected to continue to be supported by demand from the expatriate communities. With the government's drive to bring Malaysian talent back to the country, this is also expected to increase demand for private education, on the back of further stimulus provided through the "opening up" of private education sector in Malaysia as we see more and more local students being enrolled into private international schools.

### 4. HISTORICAL FINANCIAL INFORMATION ON EDUC8

The historical financials of Educ8 for the financial period ended 31 December ("**FPE**") 2012 and the financial years ended 31 December ("**FYE**") 2013 and FYE 2014 are set out below:

	<b>Audited FPE 29 May 2012 to 31 Dec 2012 RM</b>	<b>Audited FYE 31 Dec 2013 RM</b>	<b>Unaudited FYE 31 Dec 2014 RM</b>
Revenue	4,000	26,000	4,821,632
Gross profit	4,000	26,000	4,821,632
Other income	716	422,023	-
(Loss)/Profit before taxation	(1,271,471)	(5,069,389)	(2,830,090)
(Loss)/Profit after taxation	(1,271,471)	(5,069,389)	(2,830,090)

The College commenced operations only in September 2014.

For the FPE 2012 and FYE 2013, the Educ8 group recorded a loss of RM1.271 million and RM5.069 million respectively mainly due to the fact that there was no revenue being generated yet from tuition fees and boarding fees, whilst the School was still under construction. Revenue increased to RM4.821 million in FYE 2014 after the School's operations commenced in September 2014.

## 5. RATIONALE FOR THE EDUC8 SUBSCRIPTION

ECM had, in our announcement dated 28 May 2014 in relation to the upliftment of our then Practice Note 17 status, mentioned the following in relation to our financial services business:

*“The Group sees private equity as a growth area, and we continue to explore potential opportunities to expand the private equity portfolio.”*

In this regard, the Educ8 Subscription is in line with our intention to grow our private equity portfolio, where we have considered the prospects of Educ8 and the private education sector and believe that it can contribute positively to our private equity portfolio.

The College has already commenced operations with a current student population of 192 students and is expected to see continued increases in student enrolment over the next few academic years, where all of the requisite infrastructure of the College is already in place save for the progressive increase in the size of the faculty which will grow in tandem with the increase in student enrolment over the next few years.

## 6. RISK FACTORS

The risk factors associated with the Educ8 Subscription which are not meant to be exhaustive are as follows:

### **Risk of student enrolment being lower than expected**

Other than being subjected to the general operations and business risks (including but not limited to changes in government policy, legislation or regulation *etc*), the key revenue driver for Educ8 is student enrolment where there are risks that the actual student enrolment may not be achieved as projected. In addition, the College faces competition from other providers of international education in Malaysia, and there is no assurance that the College's performance will not be affected by competition, notwithstanding the strategy of the College to offer a value proposition that is differentiated from its competitors. Whilst there is no guarantee on the student enrolment being achieved, efforts are well underway to capture the target markets.

### **Our investment in Educ8 is illiquid**

Our investment in Educ8 is illiquid where there may not be a ready market to dispose our holdings (unlike holdings of listed securities), where we may not be able to find a buyer for our interest in Educ8 to realise any gain on the investment in the future. Any future sale is subject to the general market, political and economic conditions, changes in earnings estimates, changes in government policy, legislation or regulation, and general operational and business risks.

### **Dependency on the key management of the College**

The success of the College depends on the ability and continuous efforts of the existing senior faculty as well as the key management (such as the marketing team). A change or a departure in any of these individuals may affect the reputation and branding of the College, although we note that the faculty are all on at least a 2-year contract basis to provide stability in the academic faculty.

## **7. EFFECTS OF THE EDUC8 SUBSCRIPTION**

### **7.1 Share Capital**

The Educ8 Subscription will not have any effect on the share capital of the Company as the Educ8 Subscription would be satisfied entirely by cash.

### **7.2 Earnings**

The Educ8 Subscription is not expected to have a material effect on the earnings of ECM for the financial year ending 31 January 2016. Nonetheless, the Educ8 Subscription is expected to contribute positively towards the future earnings of ECM in the event of any gain at the time of disposal.

### **7.3 Net assets per share and gearing**

While the Educ8 Subscription will result in a decrease in the Company's cash and short-term funds, there would be a corresponding increase in the Company's investment in unquoted shares. In addition, the Company is in a net cash position; hence, the Educ8 Subscription is not expected to have any effect on the net assets per share or gearing of the Company as at the date of the Educ8 Subscription.

### **7.4 Substantial shareholders' shareholdings**

The Educ8 Subscription will not have any effect on the Company's substantial shareholders' shareholdings.

## **8. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Other than disclosed below, none of the directors and major shareholders of the Company and/or persons connected to them have any interest, either direct or indirect, in the Educ8 Subscription:

Educ8 is a company related to one of our directors, namely Mr Lim Kian Onn. He is an indirect substantial shareholder of Educ8 by virtue of his substantial shareholdings in Plato Capital Limited which in turn is the investment holding company of ASIG which currently holds 31.6% in Educ8. ASIG is expected to participate in the Educ8 Placement.

In this regard, Mr Lim Kian Onn has abstained and will continue to abstain from all deliberations and voting on the resolution pertaining to the Educ8 Subscription at the relevant Board meetings.

## **9. DIRECTORS' STATEMENT**

The Board (other than the interested director as disclosed in section 8 above), after careful deliberation and having considered all aspects of the Educ8 Subscription, is of the opinion that the Educ8 Subscription is in the best interest of the Company.

#### **10. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee, after taking into account the prospects of the College and the investment strategy of the Company, and having deliberated on all aspects of the Educ8 Subscription including the total consideration thereto, is of the opinion that the Educ8 Subscription is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders.

#### **11. PERCENTAGE RATIOS**

Based on the Company's audited financial statements for the financial year ended 31 January 2014 and pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to the Educ8 Subscription is 4.53%.

#### **12. APPROVALS REQUIRED**

Apart from the approval of the Board of Directors of the Company, the Educ8 Subscription is not subject to the approval of the shareholders of the Company or any government or regulatory authorities.

#### **13. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the Educ8 Subscription is expected to be completed in April 2015.

This announcement is dated 12 February 2015.