THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the next course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused the content of this Circular in relation to the Proposed Change of Name *(as defined herein)* prior to the issuance of this Circular.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

ECM LIBRA FINANCIAL GROUP BERHAD

(Registration No: 200501031433 (713570-K))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

PROPOSED ACQUISITION OF HOSPITALITY ASSETS TOGETHER WITH THE HOSPITALITY BUSINESSES BY ECML HOTELS SDN BHD *(A WHOLLY-OWNED SUBSIDIARY OF ECM LIBRA FINANCIAL GROUP BERHAD ("ECMLFG"))* FROM OMT HOTELS SDN BHD *(FORMERLY KNOWN AS TUNE HOTELS SDN BHD)* FOR A TOTAL CASH CONSIDERATION OF RM62.04 MILLION AND TO ASSUME THE REMAINING COSTS AND EXPENSES *(ESTIMATED TO BE APPROXIMATELY RM26.34 MILLION)* FOR THE RENOVATION WORKS ON THE HOSPITALITY ASSETS IN KUALA LUMPUR ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER FROM BDO CAPITAL CONSULTANTS SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF ECMLFG IN RELATION TO THE PROPOSED ACQUISITION

PART C

PROPOSED CHANGE OF NAME OF OUR COMPANY FROM "ECM LIBRA FINANCIAL GROUP BERHAD" TO "ECM LIBRA GROUP BERHAD"

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A of this Circular

MERCURY SECURITIES SDN BHD
(Registration No: 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B of this Circular

BDO CAPITAL CONSULTANTS SDN BHD
(Registration No: 199601032957 (405309-T))
(Incorporated in Malaysia under the Companies Act, 1965)

The Notice of the Extraordinary General Meeting ("**EGM**") of ECMLFG together with the Form of Proxy are set out in this Circular.

If you decide to appoint a proxy or proxies for the EGM, you must complete the Form of Proxy for the EGM strictly in accordance with the instructions contained therein and lodge the Form of Proxy at our registered office at 2nd Floor, West Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

Date of Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the EGM	:	Tuesday, 26 November 2019
Last date and time for lodging the Form of Proxy	:	Sunday, 1 December 2019 at 2.30 pm
Date and time of EGM	:	Tuesday, 3 December 2019 at 2.30 pm
Venue of the EGM	:	MAKAN at Tune Hotel KLIA2, Lot Pt 13, Jalan KLIA 2/2, 64000 KLIA, Selangor

This Circular is dated 5 November 2019

Except where the context otherwise requires or defined herein, the following definitions shall apply throughout this Circular:-

Act	:	Companies Act, 2016
BDO or Independent Adviser	:	BDO Capital Consultants Sdn Bhd (Registration No: 199601032957 (405309-T)), being the independent adviser appointed by the Board on 17 July 2019 to advise the non-interested Directors and non-interested shareholders of ECMLFG in relation to the Proposed Acquisition
Board	:	Board of Directors
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No: 200301033577 (635998-W))
Circular	:	This circular to our shareholders dated 5 November 2019 in relation to the Proposed Acquisition and the Proposed Change of Name
Conditions Precedent	:	Conditions precedent as set out in Section 2.2.3, Part A of this Circular
Danga Bay Property	:	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 sqm *(approximately 45,821.97 sq ft)*, together with a 7-storey limited-service hotel known as "Tune Hotel @ Danga Bay" comprising 218 hotel rooms
Directors	:	Directors of our Company
ECMLFG or our Company	:	ECM Libra Financial Group Berhad (Registration No: 200501031433 (713570-K))
ECMLFG Group or our Group	:	ECMLFG and its subsidiaries
ECML or Purchaser	:	ECML Hotels Sdn Bhd (Registration No: 201701022399 (1236565-X)) *(our wholly-owned subsidiary),* the purchaser in relation to the Proposed Acquisition
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
FPE	:	Financial period ended
FYE	:	Financial year ended
Henry Butcher	:	Henry Butcher Malaysia Sdn Bhd (Registration No: 198701001968 (160636-P))
Hospitality Assets	:	Collectively, the Danga Bay Property and the KL Property
Hospitality Businesses	:	Collectively, the Hospitality Business for Danga Bay and Hospitality Business for KL
Hospitality Business for Danga Bay	:	The operation of a limited-service hotel known as “Tune Hotel @ Danga Bay”

Hospitality Business for KL	:	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"
IAL	:	Independent advice letter by BDO dated 5 November 2019 to the non-interested shareholders of ECMLFG in relation to the Proposed Acquisition as set out in Part B of this Circular
KL Property	:	Collectively, 3 pieces of land held under:- (i) 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)*; (ii) 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 (iii) 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
LAT	:	Loss after tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	25 October 2019, being the latest practicable date prior to printing of this Circular
Mercury Securities or Principal Adviser	:	Mercury Securities Sdn Bhd (Registration No: 198401000672 (113193-W))
NA	:	Net assets
OHSB or Vendor	:	OMT Hotels Sdn Bhd *(formerly known as Tune Hotels Sdn Bhd)* (Registration No: 200501035610 (717756-M)), the vendor in relation to the Proposed Acquisition
PAT	:	Profit after tax
Proposed Acquisition	:	Proposed acquisition of Hospitality Assets together with the Hospitality Businesses by ECML from OHSB for the Purchase Consideration and to assume the Remaining Renovation Costs upon the terms and conditions as set out in the SPA
Proposed Change of Name	:	Proposed change of name of our Company from "ECM Libra Financial Group Berhad" to "ECM Libra Group Berhad"

Purchase Consideration	:	Total cash consideration of RM62.04 million payable by ECML to OHSB pursuant to the Proposed Acquisition comprising:- (i) RM16.45 million for the Danga Bay Property; and (ii) RM45.59 million for the KL Property
Remaining Renovation Costs	:	The remaining costs and expenses *(estimated to be approximately RM26.34 million)* to be incurred by ECML based on the invoices issued for the renovation works on the KL Property *(including costs to set up the Vacant Land as an open air car park)* after the date of novation of OHSB's rights, title, benefits and interests to ECML under the Renovation Agreements
Renovation Agreements	:	Agreements for the renovation and fit-out works on the KL Property entered into by OHSB and novated to ECML
SGD	:	Singapore Dollars
SPA	:	Conditional sale and purchase agreement dated 8 August 2019 entered into between ECML and OHSB in relation to the Proposed Acquisition
sq ft	:	square feet
sqm	:	square metres
Vacant Land	:	A piece of vacant land held under 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)*, forming part of the KL Property

All references to "**our Company**" or "**ECMLFG**" in this Circular are to ECM Libra Financial Group Berhad and references to "**our Group**" or "**ECMLFG Group**" are to our Company and its subsidiaries, collectively.

All references to "**you**" in this Circular are to the shareholders of our Company.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated. Any discrepancies in the tables between amounts stated and the totals in this Circular are due to rounding. "RM" and "sen" refer to Ringgit Malaysia and sen respectively.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Company's plans and objectives will be achieved.

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PART A

LETTER TO THE SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSED ACQUISITION

ECM LIBRA FINANCIAL GROUP BERHAD
(Registration No: 200501031433 (713570-K))
(Incorporated in Malaysia)

Registered office:

2nd Floor, West Wing
Bangunan ECM Libra
8 Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur

5 November 2019

Board of Directors

Dato' Seri Kalimullah bin Masheerul Hassan *(Executive Chairman)*
Lim Kian Onn *(Managing Director)*
Datuk Kamarudin bin Md Ali *(Independent Non-Executive Director)*
Dato' Othman bin Abdullah *(Independent Non-Executive Director)*
Mahadzir bin Azizan *(Independent Non-Executive Director)*
Gareth Lim Tze Xiang *(Non-Independent Non-Executive Director)*

To: Our shareholders

Dear Sir / Madam,

PROPOSED ACQUISITION OF HOSPITALITY ASSETS TOGETHER WITH THE HOSPITALITY BUSINESSES BY ECML HOTELS SDN BHD *(OUR WHOLLY-OWNED SUBSIDIARY)* FROM OMT HOTELS SDN BHD *(FORMERLY KNOWN AS TUNE HOTELS SDN BHD)* FOR A TOTAL CASH CONSIDERATION OF RM62.04 MILLION AND TO ASSUME THE REMAINING COSTS AND EXPENSES *(ESTIMATED TO BE APPROXIMATELY RM26.34 MILLION)* FOR THE RENOVATION WORKS ON THE HOSPITALITY ASSETS IN KUALA LUMPUR

1. INTRODUCTION

On 8 August 2019, Mercury Securities, on behalf of our Board, announced that ECML *(our wholly-owned subsidiary)* had on even date entered into the SPA with OHSB in relation to the Proposed Acquisition.

The Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of ECMLFG as set out in Section 8, Part A of this Circular.

Accordingly, on 17 July 2019, BDO was appointed as our Independent Adviser to advise our non-interested Directors and non-interested shareholders on:-

(i) whether the Proposed Acquisition is fair and reasonable so far as our non-interested shareholders are concerned;

(ii) whether the Proposed Acquisition is to the detriment of our non-interested shareholders; and

(iii) whether our non-interested shareholders should vote in favour of the Proposed Acquisition.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND PART B CONSISTING OF THE IAL BEFORE VOTING ON THE RESOLUTION PERTAINING TO 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 OHSB 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.

In addition, ECML will assume the Remaining Renovation Costs *(further details are set out in Section 2.5, Part A of this Circular)* to be incurred for the renovation works on 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 * *A no frills business model that offers limited on-site amenities and basic accommodations.*
Tenure	:	Freehold

Registered owner	:	OHSB
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 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 which relates to the portion of bank loan taken by the Vendor in connection with the Danga Bay Property (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	:	GRN 76084 383.00 sqm *(approximately 4,122.58 sq ft)* PN 10025 348.00 sqm *(approximately 3,745.84 sq ft)* PN 24460 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)], with an open air car park on the Vacant Land
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	:	OHSB
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

Encumbrances : GRN 76084

Charged to Public Bank Berhad vide Presentation No. PDSC27743/2012 dated 10 July 2012 and Presentation No. PDSC52571/2014 dated 30 December 2014

PN 10025

Charged to Public Bank Berhad vide Presentation No. PDSC27741/2012 dated 10 July 2012 and Presentation No. PDSC51123/2014 dated 23 December 2014

PN 24460

Charged to Public Bank Berhad vide Presentation No. PDSC27742/2012 dated 10 July 2012 and Presentation No. PDSC51113/2014 dated 23 December 2014

Notes:-

(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) The Vacant Land (PN 10025) is currently being left vacant instead of a shop house being built thereon and is not in compliance with the express condition. For further details, please refer to Section 5.5, Part A of this Circular.

It is intended for the Vacant Land to be set up as an open air car park for "The Chow Kit" and "Momo's Kuala Lumpur". Upon completion of the transfer of the land title, ECMLFG intends to apply for a waiver of the express condition and/or the conversion of the category of land use (if required) from "building" to "commercial". The land conversion premium is estimated to be approximately RM0.25 million and shall be borne by ECMFLG based on negotiations between the parties after taking into consideration, amongst others, ECMLFG's future plans for the Vacant Land and that the Purchase Consideration was arrived at after taking into account, amongst others, the market value of the KL Property as at 1 July 2019 (which has deducted the remaining costs to incur to completion as at 1 July 2019, which would have been lower if determined as at the date of SPA).

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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 Hospitality Businesses.

The Hospitality Assets are sold to the Purchaser free from any encumbrances and on an "as is where is basis" as inspected by the Purchaser on 26 July 2019 *(fair wear and tear excepted)* ("**Agreed Condition**") but subject to the tenancy agreements entered between the Vendor and the tenant for the KL Property ("**Relevant Tenant 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.

* *In addition to the Purchase Consideration, ECML is obliged to assume the Remaining Renovation Costs (estimated to be approximately RM26.34 million, as disclosed in Section 2.5, Part A of this Circular) pursuant to the SPA as set out in Sections 2.2.7(B)(i) and Sections 2.2.7(B)(iii), Part A of this Circular.*

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, Part A of this Circular)* 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) your approval by way of resolution passed at an 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 Renovation Costs in accordance with Section 2.2.7(B)(iii), Part A of this Circular;

(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 has 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.

On the other hand, if all the Conditions Precedent have been fulfilled and/or waived by the Conditions Precedent Fulfilment Due Date, the SPA shall become unconditional and the parties shall proceed with the completion of the sale and purchase of the Hospitality Assets together with the Hospitality Businesses, which shall include the payment of the Purchase Consideration by the Purchaser to the existing chargee on behalf of the Vendor to redeem the Hospitality Assets and the Transfers.

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), Part A of this Circular;

(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, Part A of this Circular 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, Part A of this Circular.

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), Part A of this Circular;

(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, Part A of this Circular 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, Part A of this Circular.

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, Part A of this Circular 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), Part A of this Circular; 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) In relation to the Danga Bay Property

(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) In relation to the KL Property

(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), Part A of this Circular have 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), Part A of this Circular, be terminated on the Completion Date;

(v) The parties shall sign and the Vendor shall procure for the tenant of the Relevant Tenancy Agreements 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

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) Notel Management Sdn Bhd *(formerly known as Tune Hotels Management Sdn Bhd)* ("**NMSB**") 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, damaged 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, Part A of this Circular; and

(iii) the prospects of the Danga Bay Property and the KL Property as set out in Section 4.2, Part A of this Circular.

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.

In arriving at the market value, Henry Butcher had, in accordance with the Securities Commission Malaysia's Asset Valuation Guidelines, adopted 2 valuation approaches whereby they adopted the profit method of valuation and the comparison approach of valuation.

The profit method of valuation is by a discounted cash flow technique and used to determine the market value of property, whose value is driven by the profitability of the business that occupies the property to be valued whereas the comparison approach of valuation is a method comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities.

The profit method of valuation was selected as the preferred method for hotel as an income generating property and reflects the subject property investment potential as it analyses the present worth of the projected future cash flow over an assumed holding period. Therefore, Henry Butcher had only used the comparison approach of valuation as a counter-check method only.

Based on the above, Henry Butcher had arrived at the market value of RM16.45 million for the Danga Bay 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 they were undergoing reconstruction works in accordance with the approved redevelopment proposal.

Generally, the profit method of valuation will be used to value a typical operating hotel with track record. In this instance, Henry Butcher is unable to use the profit method of valuation as it involved a redevelopment project 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. The profit method of valuation and residual method of valuation are not adopted for this subject property as it is a piece of vacant land and there is no immediate plan to develop the said land nor any development proposal was submitted previously to the local authority.

Please refer to Appendix I of this Circular for the valuation certificate for the Danga Bay Property and the KL Property.

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 our Group, interest costs as well as internal cash requirements for our 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, as disclosed in the table below)* and the intended application for a waiver of express condition and/or conversion of the category of land use for the Vacant Land *(if required)* from "building" to "commercial" *(estimated to be approximately RM0.25 million (see Section 2.1.2, Part A of this Circular))*, there are no liabilities *(including any contingent liabilities and guarantees)* to be assumed by ECMLFG arising from the Proposed Acquisition.

Nature	**Projected costs *(based on an open tender exercise conducted by the Vendor)* (RM'000)**	**Costs incurred prior to signing of the SPA (RM'000)**	**Remaining Renovation Costs (RM'000)**
"The Chow Kit"			
Professional / Consultancy fee	2,229	1,637	592
Construction costs	22,286	5,690	16,597
Fitting costs	3,787	523	3,263
	28,302	**7,850**	**20,452**
"Momo's Kuala Lumpur"			
Professional / Consultancy fee	355	217	138
Construction costs	4,241	221	4,020
Fitting costs	1,804	73	1,731
	6,400	**511**	**5,889**
Total	**34,702**	**8,361**	**26,341**

2.6 Estimated additional financial commitments

Save for the Remaining Renovation Costs *(estimated to be approximately RM26.34 million, as disclosed in Section 2.5, Part A of this Circular)* and the intended application for a waiver of express condition and/or conversion of the category of land use for the Vacant Land *(if required)* from "building" to "commercial" *(estimated to be approximately RM0.25 million (see Section 2.1.2, Part A of this Circular))* which are expected to be funded internally, our 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 OHSB 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 Other Agreements

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

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

(b) the service agreement between OHSB and NMSB dated 23 March 2010; and

(c) the hotel management agreement between OHSB and NMSB dated 1 January 2011.

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 OHSB 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 per the existing terms of the respective agreements)* 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 II of this Circular.

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[1] *(being our joint venture entity with Plato Capital Limited ("**Plato**")[2] 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)* for the Hospitality Business for KL.

<u>Notes:-</u>

(1) Ormond Group Pte Ltd was incorporated in Singapore on 28 March 2019 and is a joint venture company owned in equal proportion by ECMLFG and Plato with an initial issued share capital of SGD100. As at the LPD, the directors of Ormond Group Pte Ltd are Gareth Lim Tze Xiang, Oh Teik Khim, John William M Beveridge and Caroline Sarah Felicity King. The principal business activity of the company is the provision of hospitality services including investments in the hospitality industry, developing hotel brands and potentially any other businesses as may be agreed upon by ECMLFG and Plato from time to time.

(2) Plato (which is also one of our major shareholders) is a limited liability company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited. As at 30 September 2019, the issued share capital of Plato is SGD40,875,023. The current directors of Plato are (i) Michael Kan Yuet Yun, (ii) Lim Kian Onn (who is the sole major shareholder holding approximately 64.97% equity interest in Plato) and (iii) Chong Huai Seng. The principal activity of Plato is investment holding.

In addition to the Hospitality Business for KL, the KL Property will include the operations of the Relevant Tenant for KL. As set out in Section 2.2.7(B)(v), Part A of this Circular, the Relevant Tenancy Agreements for KL shall be subsequently novated to the Purchaser.

The salient terms of the Relevant Tenancy Agreements for KL and the licensing agreement with Ormond Group Pte Ltd for the KL Property are set out in Appendix III of this Circular.

2.9 Information on OHSB

OHSB was incorporated in Malaysia on 9 December 2005 as a private limited company. As at the LPD, OHSB 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%).

OHSB 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 OHSB is RM25,000,000 comprising 25,000,000 ordinary shares.

As at the LPD, the details of the directors of OHSB and their interests in OHSB 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 Act.

3. RATIONALE OF THE PROPOSED ACQUISITION

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

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

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

Since then, our 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 currently ongoing and the expected completion date of the acquisition cannot be determined at this juncture, pending fulfilment of certain conditions precedent by the extended time period ending 2 March 2020 or such longer period as may be agreed by the parties. The contributions of the hospitality business to our Group in terms of revenue and PAT attributable to owners of our 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 our 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 our joint ventures.

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

(i) the acquisition of the Danga Bay Property represents a further addition to our Group's portfolio of hotels operating under the existing hospitality franchise of the "Tune Hotels.Com" brand. Notwithstanding that the Danga Bay Property is currently loss-making, the purchase consideration of RM16.45 million is equivalent to the market value as at 1 July 2019 as ascribed by Henry Butcher based on the profit method of valuation, which analyses the present worth of the projected future cash flow of the subject property over an assumed holding period. Assuming ECMLFG is able to turnaround and improve the performance of the Hospitality Business for Danga Bay amidst the expectation of an improved tourism industry in Malaysia driven by amongst others the Government's initiatives to promote the industry, there is potential upside on the value of the Danga Bay Property; and

(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 rated hotel standards, with an open air car park on the Vacant Land. Pursuant to the refurbishment exercise, the Remaining Renovation Costs to be incurred for the KL Property *(further details are set out in Section 2.5, Part A of this Circular)* may qualify for tax allowances *(i.e. industrial building allowances for construction costs and capital allowances for fitting costs),* 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 our 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, Part A of this Circular 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 +4.9% for the January-July 2019 period, registering a total of 15,769,672 tourist arrivals compared to 15,035,692 in the same period last year.

(*Source: Tourism Malaysia website (mytourismdata.tourism.gov.my), October 2019*)

The prospect of the Malaysian economy remains robust amid increasing uncertainties in the external environment. Real gross domestic products (GDP) is expected to grow by 4.7% in 2019 and 4.8% in 2020. The growth is underpinned by resilient domestic demand, particularly household spending following stable labour market and low inflation.

The tourism industry is one of the primary drivers of economic growth, accounting for 15.2% of GDP in 2018. Malaysia was ranked 15th in terms of tourist arrivals and 21st among 50 countries in terms of tourism receipts. While Malaysia is blessed with beautiful and unique natural assets, multiracial and cultural diversity as well as a variety of food and entertainment, the tourism industry has yet to achieve its true potential.

(Source: Chapter 1: Economic Management and Prospects, Economic Outlook 2020, Ministry of Finance Malaysia)

Tourism is one of the major contributors to economic growth and is identified as the main sources of foreign exchange earnings. In 2018, gross value added of tourism industries grew 10% to RM220.6 billion, accounting for 15.2% of Malaysia's GDP.

The number of tourist arrivals and receipts is expected to expand following the launch of Visit Malaysia 2020 (VM2020). For 2019, tourist arrivals are estimated to reach 28.1 million, with total receipts of RM92.2 billion.

The food and beverages and accommodation subsector is projected to record a strong growth of 9.2% in 2019 mainly supported by household and tourist spending. In 2020, the growth is expected to expand by 8.9% following increasing tourist arrivals and receipts amid VM2020, which targets 30 million tourists and RM100 billion receipts. Furthermore, the extended Visa On Arrival (VOA) from 7 to 13 entry-points nationwide for Chinese and Indian tourists are anticipated to provide additional impetus to the growth of the subsector. The hosting of Asia-Pacific Economic Cooperation (APEC) meetings starting December 2019 until November 2020 and the commencement of a new outdoor theme park are expected to spur the growth of the subsector.

Many countries in the world, including Malaysia, have identified tourism as one of the main sources for socio-economic development within the national policies. With an abundance of natural resources; well-diversified cultural and cuisines; modern infrastructure; and strategic location, Malaysia has great potential to boost further the tourism industry. In this regard, various efforts have been undertaken by the Government and media partners to market and brand Malaysia as one of the most preferred tourist destinations in the region, while promoting innovative tourism products. The Government has also intensified efforts to improve safety and security in the country, including measures to curb intrusion and other threats. These efforts are expected to raise the number of tourist arrivals and receipts, which in turn will increase business opportunities and income, particularly to small-to-medium enterprises (SMEs).

(Source: Chapter 3: Macroeconomic Outlook, Economic Outlook 2020, Ministry of Finance Malaysia)

Visit Malaysia 2020 (VMY2020) is the Government's primary effort to brand Malaysia as a top destination for tourism, with a target of achieving 30 million tourist arrivals. The Government will continue to allocate 50% of tourism tax to respective State Governments to support their efforts in conjunction with VMY2020. To fulfil the aspirations of VMY2020, the Government has allocated RM1.1 billion to the Ministry of Tourism, Arts and Culture, including an allocation of RM90 million to drive awareness, promotions and programmes for the VMY2020 campaign. A substantial portion of the departure levy imposed on outbound air passengers beginning 1 September 2019 will be allocated for tourism infrastructure projects.

(*Source: Annual Budget 2020, 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 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.

The hotels in Johor had enjoyed steady growth in term of the average occupancy rate from 2011 to 2017. However, it experienced a drop in 2018 to 58.7% due to the decline of tourists’ arrivals, rise in the supply of hotels and rooms in popular locations as well as the expansion of Airbnb. The average occupancy rate for Johor was recorded at 58.7% last year.

The growing demand for home-share schemes *(i.e. Airbnb and similar platforms)* and declining tourist arrivals exert pressure on occupancy and room rates especially for budget to 3-star hotels as both are sharing similar target market who are especially price sensitive to accommodation.

The occupancy rates of the Danga Bay Property were 48.1%, 55.5% and 60.4% in years 2016, 2017 and 2018, respectively.

(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), October 2019)

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, October 2019*)

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), October 2019)

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, October 2019*)

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 our 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 the opening and commencement of the hotel operation, negatively affecting the financials of our Group.

In order to mitigate this risk, we 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 our 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 our 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 our financial position and results of operations.

In the event of any compulsory acquisition of the Hospitality Assets, we will seek to minimise any potential losses from such situations by invoking the relevant provisions in the Land Acquisition Act, 1960 in relation to our 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 as set out in Section 2.1.2, Part A of this Circular. This may result in actions taken by the relevant authorities against the owner of the Vacant Land pursuant to the provisions of the National Land Code 1965, including amongst others, penalties, fines *(i.e. a fine not less than RM 500 and in a case of continuing breach, a further fine not less than RM 100 each day which the breach continues)* and/or repossession of land by the authorities.

Nevertheless, pursuant to the SPA, OHSB 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 *(if required)*.

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 our Company as it does not involve any issuance of new shares by our Company.

6.2 NA and gearing

The Proposed Acquisition will not have any effect on the NA and NA per share of our Group. 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, Part A of this Circular, 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, Part A of this Circular, 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 our Group, interest costs as well as internal cash requirements for our Group's business operations.

For illustrative purposes, assuming the Proposed Acquisition had been effected at the end of the FYE 31 December 2018 and the Purchase Consideration is funded entirely by bank borrowings, the pro forma effects of the Proposed Acquisition on the gearing of our Group are as follows:-

	Audited as at 31 December 2018 (RM'000)	**Pro forma after the Proposed Acquisition (RM'000)**
Borrowings	9,941	71,981
Total equity / NA	174,135	174,135
Gearing (times)	0.06	0.41

6.3 Earnings

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)	Pro forma Basic EPS (sen)
PAT attributable to owners of our Company for the FYE 31 December 2018	5,136	1.30
Add: LAT from the operations of the Danga Bay Property[1]	(98)	(0.02)
Pro forma PAT attributable to owners of our 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 (given that the Purchaser may fund the Proposed Acquisition entirely via internally generated funds)

(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, Part A of this Circular. 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, Part A of this Circular, 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, our Company does not have any outstanding convertible securities.

7. APPROVALS REQUIRED

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

(i) our 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 our Company.

Highest percentage ratio

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 our 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 OHSB via his indirect interest in OHSB;

(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 OHSB;

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

(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 OHSB;

(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 Fernandes 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

	Direct interest		Indirect interest	
Interested Parties	No. of ordinary shares	%	No. of ordinary shares	%
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 our 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, developing hotel brands and potentially any other businesses as may be agreed upon by ECMLFG and Plato from time to time. Ormond Group Pte Ltd's share capital of SGD100 is owned in equal proportion by the Company and Plato Capital Limited;

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

(iii) 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 and the expected completion date of the acquisition cannot be determined at this juncture, pending fulfilment of certain conditions precedent by the extended time period ending 2 March 2020 or such longer period as may be agreed by the parties.

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 our Company;

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

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

Accordingly, our Board *(save for the Interested Directors)* recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

11. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of our 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 our Company;

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

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

12. INDEPENDENT ADVICE

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 on the Proposed Acquisition in accordance with the Listing Requirements.

The role of the Independent Adviser is to:-

(i) comment as to:-

(a) whether the Proposed Acquisition is fair and reasonable so far as our non-interested shareholders are concerned; and

(b) whether the Proposed Acquisition is to the detriment of our non-interested shareholders,

and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise our non-interested shareholders on whether they should vote in favour of the Proposed Acquisition; and

(iii) take all reasonable steps to satisfy itself that it has reasonable basis to make the comments and advice in subparagraphs (i) and (ii) above.

The IAL from BDO is set out in Part B of this Circular. You should read the contents of this Circular *(including the IAL)* carefully before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all required approvals being obtained, our Board expects the estimated timeframe for the completion of the Proposed Acquisition as follows:-

Events	Tentative timeline
EGM for the Proposed Acquisition	3 December 2019
Completion of the Proposed Acquisition	1st quarter of 2020

14. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save for the Proposed Acquisition and the proposed acquisition of Tune Hotel KLIA Aeropolis *(which was announced on 4 May 2017)*, there is no other corporate exercise that was announced but pending completion by our Company.

15. EGM

We will hold our EGM, the notice of which is enclosed in this Circular, at MAKAN at Tune Hotel KLIA2, Lot Pt 13, Jalan KLIA 2/2, 64000 KLIA, Selangor on Tuesday, 3 December 2019 at 2.30 p.m. for the purpose of considering and if thought fit, passing the resolution to give effect to the Proposed Acquisition.

If you decide to appoint a proxy or proxies for the EGM, you must complete the Form of Proxy for the EGM strictly in accordance with the instructions contained therein and lodge the Form of Proxy at our registered office at 2nd Floor, West Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

16. FURTHER INFORMATION

We advise you to refer to Part B of this Circular and the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of Directors of
ECM LIBRA FINANCIAL GROUP BERHAD

DATUK KAMARUDIN BIN MD ALI
Independent Non-Executive Director

PART B

IAL FROM BDO TO THE NON-INTERESTED SHAREHOLDERS OF ECMLFG
IN RELATION TO THE PROPOSED ACQUISITION

EXECUTIVE SUMMARY

Definitions or defined terms used in this Executive Summary shall have the same meanings as defined in the "Definitions" section of the Circular except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this executive summary are ascribed to BDO, being the Independent Adviser for the Proposed Acquisition.

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED ACQUISITION. THE SHAREHOLDERS OF ECMLFG ARE ADVISED TO READ AND UNDERSTAND THIS IAL IN ITS ENTIRETY, TOGETHER WITH PART A OF THE CIRCULAR AND THE APPENDICES THERETO FOR ANY OTHER RELEVANT INFORMATION, AND ARE NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED ACQUISITION. YOU ARE ALSO ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION RELATING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

1. INTRODUCTION

On 8 August 2019, Mercury Securities, on behalf of the Board announced that ECML (*a wholly-owned subsidiary of ECMLFG*) had entered into the SPA with OHSB in relation to the Proposed Acquisition.

The Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of ECMLFG as set out in Section 8, Part A of the Circular.

Pursuant to the above, BDO was appointed by ECMLFG on 17 July 2019 as the Independent Adviser to advise the non-interested shareholders of ECMLFG in relation to the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders of ECMLFG.

The purpose of the IAL is to provide the non-interested shareholders of ECMLFG with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in the IAL.

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2. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following:

Section in this IAL	Area of evaluation	Comments
Section 7	Rationale of the Proposed Acquisition	We noted the Proposed Acquisition is in line with and a continuation of ECMLFG Group's business diversification initiative whereby:- (i) the acquisition of Danga Bay Property represents a further addition to ECMLFG Group's portfolio of hotels operating under existing hospitality franchise of the "TuneHotels.com" brand; and (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 rated hotel standards, with an open air car park on the Vacant Land. Further, ECML has been granted the licence to use the Ormond and MoMo's brands in Malaysia for a 5-year royalty-free period and will reduce the Group's reliance on the "Tune Hotels.com" brand. Notwithstanding Danga Bay Property was in loss making position in FYE 2018, we noted that the proposed acquisition of Danga Bay Property is in line with the continuation of ECMLFG's business diversification initiative and the location of Danga Bay Property is situated in the development region of Iskandar Malaysia. The outlook and prospects of the tourism and hospitality industry where the Danga Bay Property is located appears to be positive. Furthermore, the purchase consideration of RM16.45 million of Danga Bay Property is equivalent to the market value as ascribed by Henry Butcher. Premised on this, we are of the view that the rationale for the Proposed Acquisition is **reasonable**. Nevertheless, non-interested shareholders of ECMLFG should note that the potential benefits arising from the Proposed Acquisitions are subject to certain risk factors as disclosed in Section 5 Part A of the Circular.
Section 8	Basis and justification of Purchase Consideration	The Purchase Consideration is equivalents to the total Market Value of the Hospitality Assets as at 1 July 2019 of RM62.04 million as appraised by Henry Butcher. Based on this, we are of the view that the Proposed Acquisition is **fair**.
Section 9	Evaluation of salient terms of the SPA	The salient terms of the SPA for the Proposed Acquisition are mutually agreed upon by the parties pursuant and are considered **reasonable** and not detrimental to the interest of the non-interested shareholders of ECMLFG.

Section in this IAL	Area of evaluation	Comments
Section 10	Financial effects of the Proposed Acquisition	The Proposed Acquisition does not involve any issuance of new shares by ECMFLG. Hence, it will not have any effect on the issued share capital and substantial shareholders' shareholdings of ECMLFG. The Proposed Acquisition will not have any effect on the NA, NA per share and gearing of ECMLFG Group as at 31 December 2018 if the Purchase Consideration is funded entirely by internally generated funds. As set out in Section 2.4, Part A of the Circular, the exact mix of funding (whether funded via internally generated funds and/or borrowings) will be decided at a later date. Moving forward, the effect of the Proposed Acquisition on the consolidated earnings and EPS of ECMLFG Group is dependent on the level of returns generated from the Hospitality Businesses in the future. Nonetheless, the Board is of the view that the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of ECMLFG Group, driven by the Hospitality Businesses due to favourable outlook and prospects of the tourism and hospitality industry. Premised on the above, the overall financial effects of the Proposed Acquisition are not detrimental to the interests of the non-interested shareholders of ECMLFG.
Section 11	Industry outlook and prospects	We noted that the management of ECMLFG envisage a positive outlook for the Danga Bay Property mainly due to Visit Malaysia 2020 and Visit Johor 2020 campaigns and also the strategic location of the hotel. We noted that the management of ECMLFG envisage the KL Property to yield satisfactory performance in the future based on the growth in the number of tourist arrivals in Kuala Lumpur, the renovation and refurbishment works which are expected to improve the branding of the hotels and also the KL Property's strategic location within Kuala Lumpur City Centre. Based on the above, we are of the view that the prospect of the Proposed Acquisition appears to be positive in view of the Visit Malaysia 2020 campaign as well as the strategic location of Danga Bay Property and KL Property.

Section in this IAL	Area of evaluation	Comments
Section 12	Risk factors associated with the Proposed Acquisition	In view that ECMLFG 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 ECMLFG Group for its hotel ownership and management business. The other key risk factors relating to the Proposed Acquisition are (i) brand recognition; (ii) hotel renovation risk; (iii) investment risk; (iv) compulsory acquisition and (v) non-compliance of express condition of the Vacant Land. We wish to highlight that although measures will be taken by the Board to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operation and its financial performance, position or prospects of ECMLFG Group. We are of the view that the risks are reasonable and the Board and management of ECMLFG are expected to take measures to mitigate the risks to the extent possible.

3. CONCLUSION AND RECOMMENDATION

The non-interested shareholders should consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors as set out in this IAL, the Circular and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Acquisition.

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors which are summarised in the table above. Based on the above, BDO views that the Proposed Acquisition is **fair** and **reasonable** and is **not detrimental** to the non-interested shareholders of ECMLFG.

Accordingly, we advise and recommend that the non-interested shareholders **vote in favour** of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

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50100 Kuala Lumpur
Malaysia

5 November 2019

To: The non-interested shareholders of ECM Libra Financial Group Berhad

Dear Sir / Madam,

ECM Libra Financial Group Berhad ("ECMLFG" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF ECMLFG IN RELATION TO THE PROPOSED ACQUISITION OF HOSPITALITY ASSETS TOGETHER WITH THE HOSPITALITY BUSINESSES BY ECML *(WHOLLY-OWNED SUBSIDIARY OF ECMLFG)* FROM OMT HOTELS SDN BHD *(FORMERLY KNOWN AS TUNE HOTELS SDN BHD)* FOR A TOTAL CASH CONSIDERATION OF RM62.04 MILLION AND TO ASSUME THE REMAINING COSTS AND EXPENSES (ESTIMATED TO BE APPROXIMATELY RM26.34 MILIION) FOR THE RENOVATION WORKS ON THE HOSPITALITY ASSETS IN KUALA LUMPUR ("PROPOSED ACQUISITION")

1. INTRODUCTION

On 8 August 2019, Mercury Securities, on behalf of the Board announced that ECML *(wholly-owned subsidiary of ECMLFG)* had entered into the SPA with OHSB in relation to the Proposed Acquisition.

The Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of ECMLFG as set out in Section 8, Part A of the Circular.

Pursuant to the above, BDO was appointed by ECMLFG on 17 July 2019 as the Independent Adviser to advise the non-interested shareholders of ECMLFG in relation to the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders of ECMLFG.

The purpose of the IAL is to provide the non-interested shareholders of ECMLFG with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition, together with our recommendation thereon, subject to the limitations of our role and evaluation as specified in the IAL.

NON-INTERESTED SHAREHOLDERS OF ECMLFG ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR, TOGETHER WITH THE ACCOMPANYING APPENDICES, AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF ECMLFG.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

BDO Capital Consultants Sdn Bhd (405309-T), a Malaysian Limited Liability Company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

2. **INTEREST OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

The Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of ECMLFG as set out in Section 8, Part A of the Circular.

3. **SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION**

BDO was not involved in the formulation of the Proposed Acquisition and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Acquisition. BDO's terms of reference as an Independent Adviser is limited to expressing an independent evaluation of the Proposed Acquisition which is based on the information provided to us or which are available to us, including but not limited to the following:

(i) The information contained in Part A of the Circular and the appendices attached thereto;

(ii) Audited consolidated financial statements of ECMLFG Group from 11-month FPE 31 December 2016 to FYE 31 December 2018;

(iii) The SPA dated 8 August 2019 entered between ECML and OHSB;

(iv) Valuation reports dated 22 August 2019 by the independent valuer, Henry Butcher in relation to the valuation of the Hospitality Assets;

(v) Discussions with and representations by the Board and management of ECMLFG;

(vi) Other relevant information, documents, confirmations and representations furnished to us by the Board and management of ECMLFG; and

(vii) Other publicly available information which we deemed to be relevant.

We have made such reasonable enquiries to the Board and management of ECMLFG and have relied upon the information and/or documents as mentioned above and also that relevant facts and information and/or representations necessary for our evaluation of the Proposed Acquisition have been disclosed to us and that such information is accurate, valid and there is no omission of material facts which would make any information provided to us to be incomplete, misleading or inaccurate. We express no opinion on any such information and have not undertaken any independent investigation into the business and affairs of ECMLFG Group and all relevant parties involved in the Proposed Acquisition. Based on the above, we are satisfied with the information and documents provided by ECMLFG Group and are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL.

In rendering our advice, BDO had taken note of pertinent issues, which we believe are necessary and important to an assessment of the implications of the Proposed Acquisition and therefore of general concern to the non-interested shareholders of ECMLFG. As such:

(i) The scope of BDO's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions of the Proposed Acquisition and other implications of the Proposed Acquisition only. Comments or points of consideration which may be commercially oriented such as the rationale of the Proposed Acquisition are included in our overall evaluation as we deem it necessary for disclosure purposes to enable the shareholders of ECMLFG to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Acquisition;

(ii) BDO's views and advice as contained in this IAL only cater to the non-interested shareholders of ECMLFG at large and not to any shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual shareholder or any specific group of shareholders; and

(iii) We recommend that any individual shareholder or group of shareholders of ECMLFG who are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account the information, events and conditions arising after the LPD.

The Board has seen and approved the contents of the IAL. They collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this IAL and confirm that, after making all enquiries as were reasonable in the circumstances and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any information in this IAL false or misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by BDO in relation to the Proposed Acquisition as set out in Part B of the Circular, is to ensure that accurate information in relation to the ECMLFG Group was provided to BDO for its evaluation of the Proposed Acquisition and to ensure that all information in relation to the ECMLFG Group that is relevant to BDO's evaluation of the Proposed Acquisition have been completely disclosed to BDO and that there is no omission of material facts which would make any information provided to BDO false or misleading.

4. DECLARATION OF CONFLICT OF INTEREST

BDO confirms that it is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of BDO's appointment as the Independent Adviser in respect of the Proposed Acquisition.

BDO also confirms that it did not have any other professional relationship with ECMLFG at any time during the past two (2) years prior to the date of the IAL.

5. CREDENTIALS, EXPERIENCE AND EXPERTISE OF BDO

BDO is a corporate advisory firm in Malaysia with a corporate finance advisory team which provides an extensive range of services to both the corporate and financial sectors as well as the investment community. The areas of expertise include valuation services, capital market transactions, due diligence works and mergers and acquisitions.

The credentials and experience of BDO as an Independent Adviser, where we have been appointed in the past two (2) years prior to the date of the IAL, include the following proposals:

(i) Appointment by Scomi Energy Services Berhad as Independent Adviser for its proposed merger with Scomi Group Berhad to be undertaken by way of a members' scheme of arrangement pursuant to Section 366 of the Companies Act 2016;

(ii) Appointment by Iskandar Waterfront City Berhad as Independent Adviser in relation to the conditional voluntary take-over offer from Ekovest Berhad;

(iii) Appointment by Melewar Industrial Group Berhad as Independent Adviser for the Proposed Exemption to Melewar Khyra Sdn Bhd, Melewar Equities (BVI) Ltd and persons acting in concert with them from the obligation to undertake a mandatory take-over offer for all the shares of Melewar Industrial Group Berhad not already held by them;

(iv) Appointment by Permaju Industries Berhad as independent adviser for the proposed settlement of debt owing to related parties to be fully satisfied via the issuance of new irredeemable convertible preference shares in Permaju Industries Berhad;

(v) Conditional mandatory take-over offer by Datuk Tiah Thee Kian to acquire all the remaining ordinary shares in TA Enterprise Berhad not already held by Datuk Tiah Thee Kian and the persons acting in concert at a cash offer price of RM0.66 per offer share; and

(vi) Appointed by Pinehill Pacific Berhad as Independent Adviser for the proposed disposal of the plantation assets in the district of Hilir Perak, Perak, measuring approximately 8,999.13 acres to United Plantations Berhad for a total cash consideration of RM413,574,302.49.

Premised on the foregoing, BDO is capable and competent in carrying out its role and responsibilities as the Independent Adviser to advise the non-interested shareholders of ECMLFG in relation to the Proposed Acquisition.

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6. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following factors in forming our opinion:

		Section in the IAL
(i)	Rationale for the Proposed Acquisition.	7
(ii)	Basis and justification of the Purchase Consideration	8
(iii)	Evaluation of salient terms of the SPA	9
(iv)	Financial effects of the Proposed Acquisition	10
(v)	Industry outlook and prospects	11
(vi)	Risk factors associated with the Proposed Acquisition	12

7. RATIONALE FOR THE PROPOSED ACQUISITION

We take cognisance of the following rationale to be derived from the Proposed Acquisition as outlined in Section 3 of Part A of the Circular.

On 12 December 2017, the shareholders of ECMLFG have approved the proposed diversification of ECMLFG Group's business to include hotel ownership and management. The said business diversification is expected to benefit ECMLFG by providing new revenue and earnings stream as well as capital appreciation from long term increase in the property values.

Since then, ECMLFG had completed the acquisition of Tune Hotel Penang on 1 October 2018, Tune Hotel Kota Kinabalu on 29 April 2019 and a 50% equity interest in TP Sepang Sdn Bhd on 16 May 2018 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 currently ongoing and the expected completion date of the acquisition cannot be determined at this juncture, pending fulfilment of certain conditions precedent by the extended time period ending 2 March 2020 or such longer period as may be agreed by the parties.

Based on the audited financial statements as at 31 December 2018, we noted that the contribution of the Hospitality Businesses to ECMLFG in terms of revenue and PAT are 44.8% and 32.1%, respectively.

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

(i) The acquisition of Danga Bay Property represents a further addition to ECMLFG's portfolio of hotels operating under existing hospitality franchise of the "TuneHotels.com" brand. Notwithstanding that the Danga Bay Property is currently loss-making, the purchase consideration of RM16.45 million is equivalent to the market value as at 1 July 2019 as ascribed by Henry Butcher based on the profit method of valuation, which analyses the present worth of the projected future cash flow of the subject property over an assumed holding period. Assuming ECMLFG is able to turnaround and improve the performance of the Hospitality Business for Danga Bay amidst the expectation of an improved tourism industry in Malaysia driven by amongst others the Government's initiatives to promote the industry, there is potential upside on the value of the Danga Bay Property; and

(ii) The KL Property 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 rated hotel standards, with an open air car park on the Vacant Land. Pursuant to the refurbishment exercise, the Remaining Renovation Costs to be incurred for the KL Property (further details are set out in Section 2.5, Part A of the Circular) may qualify for tax allowances (i.e. industrial building allowances for construction costs and capital allowances for fitting costs), 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.

We also noted the outlook and future prospects of the tourism and hospitality industry in Malaysia as detailed in Section 4, Part A of the Circular.

Notwithstanding Danga Bay Property was in a loss making position in FYE 2018, we noted that the proposed acquisition of Danga Bay Property is in line with the continuation of ECMLFG's business diversification initiative and the location of Danga Bay Property is situated in the development region of Iskandar Malaysia. The outlook and prospects of the tourism and hospitality industry where the Danga Bay Property is located appears to be positive. Furthermore, the purchase consideration of RM16.45 million of Danga Bay Property is equivalent to the market value as ascribed by Henry Butcher.

Based on the above, we are of the view that the rationale of the Proposed Acquisition is reasonable. Nevertheless, shareholders of ECMLFG should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in Section 12 of the IAL.

8. BASIS AND JUSTIFICATION OF THE PURCHASE CONSIDERATION.

As set out in Section 2.3 of the Circular, the Purchase Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration, amongst others, the aggregate market values of the Danga Bay Property and the KL Property of RM62.04 million as at 1 July 2019 as appraised by Henry Butcher, as summarised below:

Hospitality Assets	Date of valuation	Methods of valuation	Market value (RM'000)
Danga Bay Property	1 July 2019	Profit method counter-checked with comparison approach	16,450
KL Property:			
(i) MoMo's Kuala Lumpur	1 July 2019	Residual method	28,530
(ii) Vacant Land	1 July 2019	Comparison approach	2,560
(iii) The Chow Kit, an Ormond hotel	1 July 2019	Residual method	14,500
Total			**62,040**

ECMLFG has appointed Henry Butcher, an independent valuer to undertake the valuation and to estimate the market value of Danga Bay Property and KL Property which have been prepared in compliance with the Asset Valuation Guidelines issued by the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia. Please refer to Appendix I of the Circular for the valuation certificate for the Danga Bay Property and the KL Property.

In evaluating the said Purchase Consideration, we have reviewed the valuation reports by Henry Butcher for the Danga Bay Property and KL Property.

We noted that Henry Butcher has adopted only one valuation method in the valuation of KL Property which is residual method for MoMo's Kuala Lumpur and The Chow Kit, an Ormond hotel and comparison approach for the Vacant Land.

We are of the view the residual method adopted by Henry Butcher in arriving at the market value of MoMo's Kuala Lumpur and The Chow Kit, an Ormond hotel is reasonable as the properties are redevelopment projects that are undergoing active construction works, with no historical records available for analysis on its historical revenue and cost. In respect of the Vacant Land, we are of the view that the comparison approach adopted by Henry Butcher as the only method in arriving at the market value of the Vacant Land is reasonable in view that there is no immediate plan to develop the Vacant Land nor any development proposal was submitted to the local authority.

8.1. Methods of Valuation

(i) <u>Profit method</u>

The profit method of valuation is a discounted cash flow technique and used to determine the market value of properties, whose value is driven by the profitability of the business that occupy the building to be valued. The past records of gross revenue are adjusted to cover for fixed cost and expenses and other operating expenses to arrive at net operating profit. A projection of future revenues and expenses will then be forecasted using reasonable and calculated data and to be capitalised at an acceptable market rate to arrive at the present capital value of the property.

(ii) <u>Residual method</u>

The residual method of valuation involves a computation of the gross development value (GDV) of the development, from which all expenses or gross development cost (GDC) to complete the development including a margin for developer's profit are deducted. The remainder or residual sum, appropriately discounted for effluxion of time, reflects the development value of the property.

For the ongoing reconstruction works of the property, the GDV is calculated based on the market value of the property upon its works completion. As for the GDC components, it is extracted from costings summary provided. The balance to incur to completion as at the date of valuation is regarded as GDC.

(iii) <u>Comparison Approach</u>

The comparison approach is the market approach of comparing the property with similar properties that were either transacted recently within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, tenure, time element and other relevant factors to arrive at the opinion of value.

8.2. Valuation of Danga Bay Property

In arriving at its opinion of market value of the Danga Bay Property, Henry Butcher had selected the profit method of valuation as it analyses the present worth of the projected future cash flow over an assumed holding period. As extracted from the Henry Butcher Valuation Report, the market value of the Danga Bay Property is RM16.45 million based on the profit method. We noted that Henry Butcher further used the comparison approach (in which a higher market value of RM19.42 million was derived) only as a counter-check to the market value of the Danga Bay Property based on the profit method. The profit method is the preferred method for an income generating property like Danga Bay Property and it reflects the investment potential of the property.

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8.2. Valuation of Danga Bay Property

The key bases and assumptions adopted by Henry Butcher in arriving at the market value of the Danga Bay Property using the profit method and our comments are set out below:

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>BDO's comments</th></tr>
<tr><td>1.</td><td><u>Average Occupancy Rate (AOR)</u>
<table><tr><th>Year</th><th>AOR</th></tr><tr><td>2019 (“Year 1”)</td><td>60%</td></tr><tr><td>2020 (“Year 2”)</td><td>62%</td></tr><tr><td>2021 (“Year 3”)</td><td>64%</td></tr><tr><td>2022 (“Year 4”)</td><td>66%</td></tr><tr><td>2023 (“Year 5”)</td><td>68%</td></tr><tr><td>Year 6 onwards (“Terminal Year”)</td><td>70%</td></tr></table></td><td>We noted that Henry Butcher has adopted the average occupancy rate that is expected to increase over time by 2% per year from 60% in Year 1 to 70% in the Terminal Year after taking into consideration the following:-

(i) The historical AOR of Danga Bay Property:
<table><tr><th>Year</th><th>AOR</th></tr><tr><td>2014</td><td>61.8%</td></tr><tr><td>2015</td><td>55.2%</td></tr><tr><td>2016</td><td>48.1%</td></tr><tr><td>2017</td><td>55.5%</td></tr><tr><td>2018</td><td>60.4%</td></tr></table>
We noted there was decline of AOR for year 2015 and 2016 as we were given to understand that this is due to the pulling out of short term permanent group bookings made by tourists cum investors from overseas during the active launching of project developments at Danga Bay during that period. However, AOR slowly recovered and recorded a substantial increase from year 2017 onwards.

In addition, we noted that the compounded annual growth rate (CAGR) from year 2015 to 2018 and year 2016 to 2018 are 3.0% and 12.1% respectively, which are higher compared with 2% of increase in AOR as adopted by Henry Butcher.

(ii) As extracted from the Henry Butcher Valuation Report, the hotel industry in Johor had enjoyed steady growth in terms of AOR from year 2011 of 52.0% to 62.5% in year 2017.

(iii) The expectation of improved tourism industry of Malaysia in view of the upcoming Visit Malaysia 2020 and Visit Johor 2020 campaign and also the hotel's location being close to the vicinity of Danga Bay and the border of Singapore.

Based on the above, the basis for the assumption is reasonable.</td></tr>
</table>

BDO

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>BDO’s comments</th></tr>
<tr>
<td>2.</td>
<td><u>Average Room Rate (ARR)</u>

<table>
<tr><th>Year</th><th>ARR</th></tr>
<tr><td>Year 1</td><td>RM95.00</td></tr>
<tr><td>Year 2</td><td>RM96.90</td></tr>
<tr><td>Year 3</td><td>RM98.84</td></tr>
<tr><td>Year 4</td><td>RM100.81</td></tr>
<tr><td>Year 5</td><td>RM102.83</td></tr>
<tr><td>Terminal Year</td><td>RM104.89</td></tr>
</table>
</td>
<td>We noted that Henry Butcher had adopted an annual increase rate of 2% for ARR starting from RM95 in Year 1 which represents an increase of about RM1.90 to RM2.06 per annum, which Henry Butcher had deemed as fair and reasonable based on the optimistic long term forecast of the property.

The historical ARR of Danga Bay Property is as follows:

<table>
<tr><th>Year</th><th>ARR</th></tr>
<tr><td>2014</td><td>RM105.81</td></tr>
<tr><td>2015</td><td>RM103.80</td></tr>
<tr><td>2016</td><td>RM96.75</td></tr>
<tr><td>2017</td><td>RM92.06</td></tr>
<tr><td>2018</td><td>RM93.43</td></tr>
</table>

The ARR of RM95.00 projected for Year 1 falls within the range of the historical ARR of the Danga Bay Property of the most recent 3 years from year 2016 to 2018. In addition, the ARR of RM104.89 projected for the Terminal Year falls within the range of the historical ARR of the Danga Bay Property from year 2014 to 2018.

Based on the above, the basis for the assumption is reasonable.</td>
</tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>BDO’s comments</th></tr>
<tr><td>3.</td><td><u>Projected cost of sales</u>
<table>
<tr><th>Projection Year</th><th>Cost of sales as a percentage of room revenue</th></tr>
<tr><td>Year 1 to Terminal Year</td><td>30.1%</td></tr>
</table>
</td><td>We noted that Henry Butcher has adopted the projected cost of sales as percentage of room revenue of 30.1% from Year 1 to Terminal Year, after taking into consideration the historical cost of sales as a percentage of room revenue as follows:-
<table>
<tr><th>Year</th><th>Cost of sales as a percentage of room revenue</th></tr>
<tr><td>2014</td><td>23.2%</td></tr>
<tr><td>2015</td><td>28.8%</td></tr>
<tr><td>2016</td><td>31.3%</td></tr>
<tr><td>2017</td><td>28.5%</td></tr>
<tr><td>2018</td><td>34.7%</td></tr>
</table>
We noted that the cost of sales as a percentage of room revenue was in the increasing trend from year 2014 to 2016, however, the percentage drops to 28.5% in year 2017 before increasing to 34.7% in year 2018. In view of the volatility and inconsistent trend of the cost of sales as a percentage of room revenue, the adopted projected cost of sales as a percentage of room revenue of 30.1%, which is slightly above the average for the year 2014 to 2018 (29.3%) is reasonable.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>BDO’s comments</th></tr>
<tr>
<td>4.</td>
<td><u>Projected undistributed operating expenses</u>
<table>
<tr><th>Projection Year</th><th>Undistributed operating expenses as a percentage of total revenue</th></tr>
<tr><td>Year 1 to Terminal year</td><td>36.0%</td></tr>
</table>
</td>
<td>The undistributed operating expenses mainly consist of admin & general expenses, employee expenses, sales & marketing expenses, utilities costs, property operation & maintenance as well as other operating expenses.

We noted that Henry Butcher has adopted the projected undistributed operating expenses as percentage of total revenue of 36.0% from Year 1 to Terminal Year, after taking into consideration the historical undistributed operating expenses as follows:-
<table>
<tr><th>Year</th><th>Undistributed operating expenses as a percentage of total revenue (%)</th></tr>
<tr><td>2014</td><td>23.7%</td></tr>
<tr><td>2015</td><td>25.3%</td></tr>
<tr><td>2016</td><td>40.1%</td></tr>
<tr><td>2017</td><td>35.2%</td></tr>
<tr><td>2018</td><td>40.2%</td></tr>
</table>
We noted that the cost of sales as a percentage of room revenue was in an increasing trend from year 2014 to 2016, however, the percentage drops to 35.2% in year 2017 before increasing back to 40.2% in year 2018. In view of the volatility and inconsistent trend of the cost of sales as a percentage of room revenue, the adopted projected undistributed operating expenses as a percentage of room revenue of 36%, which is slightly below the average for the recent 2 years in year 2017 to 2018 (37.7%) and above the average for the year 2014 to 2018 (32.9%) is reasonable.</td>
</tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>BDO’s comments</th></tr>
<tr><td>5.</td><td><u>Projected fixed overheads</u>

Projected to remain at RM130,000 per annum from Year 1 to Year 5 and increase by 3% in the Terminal year.</td><td>The fixed overheads mainly consist of property tax, quit rent and insurance expense.

We noted that Henry Butcher has adopted the projected property tax and quit rent of RM130,000 per annum from Year 1 to Terminal Year, with the assumption that these expenses are unlikely to fluctuate excessively over the years.

The historical fixed overheads are as follows:-

<table><tr><th>Year</th><th>Fixed overhead</th></tr><tr><td>2014</td><td>RM136,806</td></tr><tr><td>2015</td><td>RM132,357</td></tr><tr><td>2016</td><td>RM128,234</td></tr><tr><td>2017</td><td>RM129,736</td></tr><tr><td>2018</td><td>RM129,444</td></tr></table>
The average of 5-year historical period from year 2014 to 2018 was RM131,315. The projected fixed overheads of RM130,000 is slightly below the average of 5-year historical period, but above the recent historical fixed overheads in year 2016 to 2018. The increase in the Terminal Year of 3% from RM130,000 to RM133,900 is to account for the long term inflation rate of Malaysia.

Based on the above, the basis for the assumption is reasonable.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>BDO's comments</th></tr>
<tr><td>6.</td><td><u>Projected fees</u>
<table><tr><th>Projection Year</th><th>Fees as a percentage of total revenue</th></tr><tr><td>Year 1 to Terminal year</td><td>8.5%</td></tr></table></td><td>The fees payable are projected based on the franchise agreement, service agreement and hotel management agreement ("Contractual agreements").

We also noted letter to waive franchise fees dated 6 June 2017 and letter of extension to the waiver of franchise fees dated 30 May 2018 and 30 May 2019 ("Extension of waiver letter") from OHSB.

The fees payable are as follows:
<table><tr><th rowspan="2">Type of fees</th><th rowspan="2">Payee</th><th colspan="2">Fees as a percentage of room revenue based on:</th></tr><tr><th>(i) Contractual agreements</th><th>(ii) Extension of waiver letter</th></tr><tr><td>Franchise fees</td><td>OHSB</td><td>4.0%</td><td>0.0%</td></tr><tr><td>Advertising and promotion fees</td><td>OHSB</td><td>2.0%</td><td>6.0%</td></tr><tr><td>Hotel management fees</td><td>NMSB</td><td>2.5%</td><td>2.5%</td></tr></table>
Based on the above, the basis for the assumption is reasonable.</td></tr>
<tr><td>7.</td><td><u>Projected capital expenditure reserve</u>
<table><tr><th>Projection Year</th><th>Capital expenditure reserve as a percentage of total revenue</th></tr><tr><td>Year 1 to Terminal year</td><td>2%</td></tr></table></td><td>We noted that Henry Butcher has adopted the projected capital expenditure reserve as a percentage of total revenue of 2% from Year 1 to Terminal Year on the expectation that hotel businesses usually will renovate and/or refurbish every 5 to 10 years depending on needs. Henry Butcher indicated that it is the industry norm to have this reserve for long term renovation/refurbishment of the hotel and Henry Butcher opined that the range from 2% to 3% of total revenue is fair and reasonable.

We also noted that there is provision of property operation and maintenance of 8% as a percentage of total revenue. The projected capital expenditure reserve of 2% per year is an addition to this property operation and maintenance expenses and will be accumulated to 10% of the total revenue as the renovation and refurbishment are projected to be undertaken in year 5 and year 10 respectively.

Based on the above, the basis for the assumption is fair and reasonable.</td></tr>
</table>

No.	Key bases and assumptions	BDO's comments
8.	**<u>Discount rate and terminal capitalisation rate</u>** **Projection Year**: Year 1 to Terminal Year — **Discount rate**: 9% The terminal capitalisation rate adopted is 7%.	We noted that in arriving at the capitalisation rate, Henry Butcher has considered the yields for the selected historical transactions on hotels range from 2.46% to 6.13% and the yields for the office sector and retail sector range from 5.5% to 6.5%. In addition, Henry Butcher has added additional 2% to derive the discount rate of 9% to reflect all short term risks and expectations on the hotel business. Based on the above and after considering the expected yield for hotel sector and the 30 years Malaysian Government bond rate, the discount rate of 9% is fair and reasonable.

We are of the view that the valuation methodologies adopted by Henry Butcher for the Danga Bay Property are reasonable. The purchase consideration for the Danga Bay Property of RM16.45 million is equivalent to the market value of the Danga Bay Property of RM16.45 million. Accordingly, we view that the purchase consideration for the proposed acquisition of the Danga Bay Property is fair and reasonable.

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8.3. Valuation of MoMo's Kuala Lumpur

Henry Butcher has adopted the residual method of valuation as the only method in arriving at the market value of MoMo's Kuala Lumpur in view that the property is a redevelopment project that is undergoing active construction works, with no historical records available for analysis on its historical revenue and cost to provide a reasonable forecast.

Under the residual method, the market value of the MoMo's Kuala Lumpur on an "as is where is" basis is derived based on the following:

GDV[(a)]
Less: Risk and remuneration[(b)]
Less: Costs to incur to completion[(c)]
Less: Present value factor[(d)]
Market value of MoMo's Kuala Lumpur

The details are set out as follows:

(a) In arriving at the GDV of the MoMo's Kuala Lumpur, Henry Butcher has made a comparison with sales of similar types of properties, details of which are set out as follows:

	MoMo's Kuala Lumpur	**Hilton Garden Inn** (Comparable 1)		**Sky Express Hotel** (Comparable 2)		**GEO Hotel** (Comparable 3)	
Source	-	The Edge dated 9/10/2018		Jabatan Penilaian dan Perkhidmatan Harta ("*JPPH*")		JPPH	
Date of transaction	-	1 October 2018		12 January 2016		15 September 2017	
Location	Jalan Tuanku Abdul Rahman, Kuala Lumpur	Jalan Tuanku Abdul Rahman, Kuala Lumpur		Jalan Pudu, Kuala Lumpur		Jalan Hang Kasturi, Kuala Lumpur	
Land tenure	Freehold	Freehold		Freehold		Freehold	
Star rating	3	3		3		3	
Transacted price	-	RM240,000,000		RM58,000,000		RM85,500,000	
No. of rooms	99	532		171		180	
Analysed price per room	-	RM451,128		RM339,181		RM475,000	
Time adjustment	-	0% (< 12 months)		+10% (< 3 years)		+5% (< 2 years)	
Adjusted room value	**-**	**RM451,128**		**RM373,099**		**RM498,750**	
Adjustment factors: i) Location	Town centre.	Better exposure	-5%	Located at fringe of town centre	+5%	Located at busy intersection	-15%

ii) Number of rooms	99	Above 200 rooms	+5%	Below 200 rooms	0%	Below 200 rooms	0%
iii) Facilities	- Safe box - 43” Smart TV - Open mini kitchen	More in room features, complementary use of gym and swimming pool, more parking bays	-10%	Slightly more parking bays	-5%	Similar facilities	0%
iv) Room size	- 11sq.m. – 16sq.m.	25sq.m. above	-10%	20sq.m. above	-10%	19sq.m. above	-10%
Total adjustments	-		-20%		-10%		-25%
Adjusted room value (RM per sq. feet)		**RM360,902**		**RM335,789**		**RM374,063**	
Adopted value (RM per sq. feet)		**RM374,000 (Comparable 3)**					

Henry Butcher had selected Comparable 3 with the adjusted value of RM374,063 per room (rounded to RM374,000 per room) as the best comparable as MoMo’s Kuala Lumpur and Comparable 3 are both located at a busy intersection with similar exposure offering about the same type of accommodations and services. Based on the above, as in adopting Comparable 3, Henry Butcher has considered its location at a busy intersection and similar facilities, we are of the view that it is reasonable to be used as a comparable to derive the market value of MoMo’s Kuala Lumpur.

(b) Henry Butcher has allocated 5% from the GDV as developer’s risk and remuneration to undertake the redevelopment works. In view that the completion date of MoMo’s Kuala Lumpur is within a short term time period (less than 6 months), Henry Butcher opined that 5% of GDV is fair and reasonable. We are of the view that the allocation of 5% from the GDV as developer’s risk and remuneration is reasonable after considering that the completion date will be less than 6 months.

(c) As the property is undergoing renovation works as at the date of inspection, the estimated costs to incur to complete the property in operating condition is total estimated cost of renovation less cost incurred as at 30 June 2019. The total renovation costs of RM6.4 million were based on an open tender exercise conducted by the Vendor previously.

(d) The balance of the GDV less the GDC, being the residual value, is discounted over a development period of 4 months at a discount rate of 8% as the reconstruction works are expected to complete by end of October 2019 (four months from date of valuation). Henry Butcher has adopted the discount rate of 8% based on market capitalisation rate of 6%. We noted that Henry Butcher has considered the yields for the selected historical transactions on hotels range from 2.46% to 6.13% and the yields for the office sector and retail sector range from 5.5% to 6.5% in arriving at the market capitalisation of 6%. Then, an additional 2% to reflect the short term risks and expectation to derive the discount rate of 8%. We are of the view that the discount rate of 8% is reasonable.

We are of the view that the valuation methodology adopted by Henry Butcher for MoMo's Kuala Lumpur is reasonable. The purchase consideration for the MoMo's Kuala Lumpur RM28.53 million is equivalent to the market value of MoMo's Kuala Lumpur on an 'as is where is' basis of RM28.53 million as appraised by Henry Butcher. Accordingly, we view that the purchase consideration for the proposed acquisition of MoMo's Kuala Lumpur is fair and reasonable.

8.4. Valuation of The Chow Kit, an Ormond hotel

Similar to that of MoMo's Kuala Lumpur, Henry Butcher has adopted the residual method of valuation as the only method in arriving at the market value of The Chow Kit, an Ormond hotel in view that the property is a redevelopment project that is undergoing active construction works, with no historical records available for analysis on its historical revenue and cost to provide a reasonable forecast.

Under the residual method, the market value of The Chow Kit, an Ormond hotel on an "as is where is" basis is derived based on the following:

GDV[(a)]
Less: Risk and remuneration[(b)]
Less: Costs to incur to completion[(c)]
Less: Present value factor[(d)]
Market value of The Chow Kit, an Ormond hotel

The details are set out as follows:

(a) In arriving at the GDV of The Chow Kit, an Ormond hotel, Henry Butcher has made a comparison with sales of similar types of properties, details of which are set out as follows:

	The Chow Kit, an Ormond hotel	**Hilton Garden Inn** (Comparable 1)	**Sky Express Hotel** (Comparable 2)	**GEO Hotel** (Comparable 3)
Source	-	The Edge dated 9/10/2018	JPPH	JPPH
Date of transaction	-	1 October 2018	12 January 2016	15 September 2017
Location	Jalan Tuanku Abdul Rahman, Kuala Lumpur	Jalan Tuanku Abdul Rahman, Kuala Lumpur	Jalan Pudu, Kuala Lumpur	Jalan Hang Kasturi, Kuala Lumpur
Land tenure	Leasehold	Freehold	Freehold	Freehold
Star rating	3	3	3	3
Transacted price	-	RM240,000,000	RM58,000,000	RM85,500,000

No. of rooms	113	532		171		180	
Analysed room value	-	RM451,128		RM339,181		RM475,000	
Time adjustment	-	0% (< 12 months)		+10% (< 3years)		+5% (< 2 years)	
Adjusted room value	**-**	**RM451,128**		**RM373,099**		**RM498,750**	
Adjustment factors: i) Location	Town centre.	Within same locality	0%	Located at fringe of town centre	+10%	Located at busy intersection	-10%
ii) Number of rooms	113	Above 200 rooms	+5%	Below 200 rooms	0%	Below 200 rooms	0%
iii) Facilities	- Open wardrobe - 43" Smart TV - Mini fridge - Small library - Meeting room - Ground floor restaurant	More in room features, complementary use of gym and swimming pool, more parking bays	-10%	Slightly more parking bays	-5%	Similar facilities	0%
iv) Land Tenure	Leasehold 47 years lease remaining -	Freehold	-20%	Freehold	-20%	Freehold	-20%
Total adjustments			-25%		-15%		-30%
Adjusted room value (RM per sq. feet)		**RM338,346**		**RM317,134**		**RM349,125**	
Adopted value (RM per sq. feet)		**RM349,000 (Comparable 3)**					

Henry Butcher had selected Comparable 3 with the adjusted value of RM349,125 per room (rounded to RM349,000 per room) as the best comparable as The Chow Kit, an Ormond Hotel and Comparable 3 are both located at a busy intersection with similar exposure offering about the same type of accommodations and services.

(b) Henry Butcher has allocated 5% from the GDV as developer's risk and remuneration to undertake the redevelopment works. In view that the completion date of The Chow Kit, an Ormond Hotel is within a short term time period (less than 6 months), Henry Butcher opined that 5% of GDV is fair and reasonable. We are of the view that the allocation of 5% from the GDV as developer's risk and remuneration is fair after considering that the completion date will be less than 6 months.

(c) As the property is undergoing renovation works as at the date of inspection, the estimated costs to incur to complete the property in operating condition is total estimated cost of renovation less cost incurred as at 30 June 2019. The total renovation costs of RM28.3 million were based on an open tender exercise conducted by the Vendor previously.

(d) The balance of the GDV less the GDC, being the residual value, is discounted over a development period of 4 months at a discount rate of 8% as the reconstruction works are expected to complete by end of October 2019 (four months from date of valuation Henry Butcher has adopted the discount rate of 8% based on market capitalisation rate of 6%. We noted that Henry Butcher has considered the yields for the selected historical transactions on hotels range from 2.46% to 6.13% and the yields for the office sector and retail sector range from 5.5% to 6.5% in arriving at the market capitalisation of 6%. Then, an additional 2% to reflect the short term risks and expectation to derive the discount rate of 8%. We are of the view that the discount rate of 8% is reasonable.

We are of the view that the valuation methodology adopted by Henry Butcher for The Chow Kit, an Ormond Hotel is reasonable. The purchase consideration for The Chow Kit, an Ormond Hotel of RM14.50 million is equivalent to its market value on an 'as is where is' basis of RM14.50 million as appraised by Henry Butcher. Accordingly, we view that the purchase consideration for the proposed acquisition of The Chow Kit, an Ormond Hotel is fair and reasonable.

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8.5 Valuation of Vacant Land

Henry Butcher has adopted the comparison approach of valuation as the only method in arriving at the market value of the Vacant Land in view that there is no immediate plan to develop the Vacant Land nor any development proposal was submitted previously to the local authority.

Summarised below are the comparable sales evidences as well as the key bases and assumptions used by Henry Butcher:-

	Vacant Land	No.62 (Comparable 1)		No.38 (Comparable 2)		No.338 (Comparable 3)	
Source	-	JPPH		JPPH		JPPH	
Date of transaction	-	31 December 2018		28 December 2018		26 March 2018	
Type of property	None	2-storey shop house - intermediate lot		3-storey shop house - end lot		5.5-storey shop house - corner lot	
Land tenure	Leasehold	Freehold		Freehold		Freehold	
Land Area	3,746 sq. ft.	1,738 sq. ft.		2,002 sq. ft.		4,435 sq. ft.	
Transacted price	-	RM1,620,000		RM3,800,000		RM9,700,000	
Estimated building cost	-	RM187,200		RM415,440		RM1,909,785	
Analysed land value	**-**	**RM824.40 per sq. ft.**		**RM1,690.52 per sq. ft.**		**RM1,756.64 per sq. ft.**	
Adjustment factors: i) Location	Jalan Belia, off Jalan Sultan Ismail – less crowded area	Jalan Dato' Haji Yusoff - less preferred location	+20%	Jalan Raja Laut - busy road in city centre	-30%	Jalan Raja Laut - busy road in city centre	-30%
ii) Corner Premium	Corner lot	Intermediate lot	+5%	Corner lot	0%	Corner lot	0%
iii) Land Tenure	Leasehold with 49 years of lease remaining	Freehold	-25%	Freehold	-25%	Freehold	-25%
Total			0%		-55%		-55%
Adjusted land value (RM per sq. feet)		**RM824.40**		**RM760.73**		**RM790.49**	
Adopted value (RM per sq. feet)		**RM760 (Comparable 2)**					

Henry Butcher had selected Comparable 2 with the adjusted value of RM 761 per sq. ft. (rounded to RM 760 per sq. ft.) as the best comparable in view of its nearer location and transaction date. The adjusted value of RM761 per sq. ft. is further adjusted downwards by 10% to RM684 per sq. ft. due to the negative factor of the frontage of the Vacant Land being blocked by a public toilet. Although Comparable 2 and Comparable 3 are both located at Jalan Raja Laut, Comparable 2 is located fronting the main road which is similar to the Vacant Land. In addition, the location of Comparable 2 is nearer to the Vacant Land.

We are of the view that the valuation methodology adopted by Henry Butcher for the Vacant Land is reasonable. The purchase consideration for the Vacant Land of RM2.56 million is equivalent to its market value RM2.56 million as appraised by Henry Butcher. Accordingly, we view that the purchase consideration for the proposed acquisition of the Vacant Land is fair and reasonable.

8.6 Remaining Renovation Costs

In respect of the KL Property, we noted that Remaining Renovation Costs (estimated to be approximately RM26.34 million) to be borne by ECMLFG Group has been deducted by Henry Butcher in arriving at the market value of the KL Property as at 1 July 2019 of RM45.59 million.

The total renovation costs of RM28.3 million (The Chow Kit, an Ormond hotel) and RM6.4 million (MoMo's Kuala Lumpur) was based on an open tender exercise conducted by the Vendor previously. Based on the total gross floor area of 70,752 sq. ft. *(based on the previously combined Tune Hotel Kuala Lumpur),* the total renovation cost is equivalent to approximately RM490 per sq. ft., which is within the range of the construction cost of 3-star budget hotels of RM395 per sq. ft. to RM543 per sq. ft. as stated in the industrial guideline handbook (JUBM & Arcadis Construction Cost Handbook 2019).

As detailed in Section 2.5 of Part A of the Circular, we noted that the costs incurred by the Vendor prior to signing of the SPA of The Chow Kit, an Ormond hotel and MoMo's Kuala Lumpur are RM7.9 million and RM0.5 million respectively. Thus, the Remaining Renovation Costs to be incurred of RM26.34 million.

Based on the above, we are of the view that the Remaining Renovation Costs is fair and reasonable.

8.7 Summary

In arriving at the fairness evaluation of the Proposed Acquisition, we have compared the Purchase Consideration against the market value of the Hospitality Assets as appraised by Henry Butcher as follows:

Hospitality Assets	Purchase Consideration, RM'000	Market Value, RM'000
Danga Bay Property	16,450	16,450
KL Property	45,590	45,590
Total	**62,040**	**62,040**

Based on the table above, the total Purchase Consideration is equivalent to the Market Value of the Hospitality Assets as appraised by Henry Butcher. No premium or discount of Purchase Consideration over Market Value is being paid or received.

Therefore, we are of the view the Proposed Acquisition is fair and reasonable.

9. EVALUATION OF THE SALIENT TERMS OF THE SPA

As extracted from Section 2.2 of Part A of the Circular, the salient terms of the SPA and our comments are as follows:

Salient terms of the SPA		BDO's comments
9.1	**Agreement of 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" Hospitality Business. The Hospitality Assets are sold to the Purchaser free from any encumbrances and on an "as is where is basis" as inspected by the Purchaser on 26 July 2019 *(fair wear and tear excepted)* ("Agreed Condition") but subject to the tenancy agreements entered between the Vendor and the tenant for the KL Property ("Relevant Tenant 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.	The terms are deemed reasonable as it serves to protect the interest of ECMLFG as the Hospitality Assets is sold free from the existing charges and all encumbrances.
9.2	**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. * *In addition to the Purchase Consideration, ECMLFG is obliged to assume the Remaining Renovation Costs (estimated to be approximately RM26.34 million, as disclosed in Section 2.5, Part A of the Circular) pursuant to the SPA as set out in Sections 9.7(B)(i) and Sections 9.7(B)(iii) of the IAL.* 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	As discussed in the Section 8 of the IAL, the basis of the Purchase Consideration of RM62.04 million is reasonable as it is based on "willing buyer willing seller" basis and equivalent to the market value as per the valuation reports by Henry Butcher. This is reasonable as the Remaining Renovation Costs has been deducted in arriving at the market value of the KL Property. It is reasonable that the remaining balance of Purchase Consideration is paid to vendor after settling the amount owing to the existing charge.

	Salient terms of the SPA	BDO's comments
	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 9.3 of the IAL)* 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.	It is a reasonable commercial term for ECMLFG to pay the vendor the late payment interest at 8% per annum for the extended payment period granted 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.	It is reasonable for the legal possession of the Hospitality Assets in the Agreed Condition shall be deemed delivered to the Purchasers after the presentation of the memorandum of transfer in respect of the Hospitality Assets and all documents for the discharge of the existing charges in respect of the Hospitality Assets.
9.3	**9.3.1 Condition(s) 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 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	The conditions precedent of the SPA are reasonable terms as they require ECMLFG and the vendor to procure the relevant requisite approvals and to be in compliance with the applicable laws and regulatory requirements. As at LPD, all conditions precedent have not been satisfied. Although the discharging of the existing charges is not made a condition precedent, the Hospitality Assets is sold free from the existing charges and all encumbrances whereby the Purchase Consideration shall be paid by the Purchaser to the existing chargee on behalf of the Vendor to redeem the Hospitality Assets.

Salient terms of the SPA	BDO's comments
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.	We also noted the 6 months period or such longer period as may be mutually agreed by the parties, to achieve the various conditions precedent, are reasonable.
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 Renovation Costs in accordance with Section 2.2.7(B)(iii), Part A of the Circular; (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 has lodged a private caveat on the Hospitality Assets, the	These terms are common commercial term in an agreement for similar transaction to the Proposed Acquisition.

Salient terms of the SPA		BDO's comments
	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. On the other hand, if all the Conditions Precedent have been fulfilled and/or waived by the Conditions Precedent Fulfilment Due Date, the SPA shall become unconditional and the parties shall proceed with the completion of the sale and purchase of the Hospitality Assets together with the Hospitality Businesses, which shall include the payment of the Purchase Consideration by the Purchaser to the existing chargee on behalf of the Vendor to redeem the Hospitality Assets and the Transfers.	
9.4	**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 *(excluding Conditions Precedent)* which in the reasonable opinion of the Vendor would have material adverse effect on the transactions contemplated by the SPA,	These terms are common commercial term in an agreement for similar transaction to the Proposed Acquisition. In the event of default by the Purchaser, the Purchaser shall pay an amount equivalent to 10% of the Purchase Consideration as liquidated damages. We also noted the Remaining Renovation Costs paid by the Purchaser shall be reimbursed by the Vendor to the Purchaser. Thus, these terms are considered reasonable and are not to detriment of the non-interested shareholder of ECMLFG.

Salient terms of the SPA		BDO's comments
	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 9.7(B)(iii) of the IAL; (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 9.4 of the IAL 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 9.3 of the IAL.	

Salient terms of the SPA		BDO's comments
9.5	**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 (excluding Conditions Precedent) 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 9.7(B)(iii) of the IAL; (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	These terms are common commercial term in an agreement for similar transaction to the Proposed Acquisition and serve to safeguard the interest of ECMLFG. In the event of default by the Vendor, ECMLFG is entitled to the option of specific performance, or the Vendor shall be liable to pay ECMLFG a sum equivalent to 10% of Purchase Consideration as agreed liquidated damages and reimbursed the Remaining Renovation Costs.

Salient terms of the SPA		BDO's comments
	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 9.4 of the IAL 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 9.3 of the IAL.	
9.6	**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 9.4 and 9.5 of the IAL 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;	These terms provide safeguard to ECMLFG as they serve to protect the interest of ECMLFG in the event the transfer cannot be registered in favour of the Purchaser or rejected by the relevant land office/ registry.

Salient terms of the SPA		BDO's comments
	(ii) reimburse the Remaining Renovation Costs in accordance with Section 9.7(B)(iii) of the IAL; 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.	
9.7	**Covenants and Obligation of the Parties** (A) In relation to the Danga Bay Property (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	This clause is reasonable as it serves to ensure smooth transition of Danga Bay Property (together with existing tenancies and operational agreements) as a going concern from the Vendor to ECMLFG.

Salient terms of the SPA	BDO's comments
and Licences for Danga Bay to the Purchaser on the Completion Date.	
(B) In relation to the KL Property	
(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;	This clause is reasonable as it serves to ensure smooth transition of the beneficial right of the KL Property during renovation stage from the Vendor to ECMLFG.
(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 and the Hospitality Business for KL ("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.	This clause outlines the responsibility of the Vendor to pay the renovation cost incurred prior to the novation date and the Remaining Renovation Costs to be paid by ECMLFG.
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;	In the event of the agreement is terminated, the Vendor shall reimburse the Remaining Renovation Costs paid by ECMLFG within 3 days after receiving notice from ECMLFG.

Salient terms of the SPA		BDO's comments
	(iv) Pending Completion Date and provided that the Conditions Precedent in Sections 9.3(i) and 9.3 (iii) of the IAL 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 9.7(B)(v) of the IAL, be terminated on the Completion Date;	This term would grant ECMLFG a license to operate the KL building upon completion of the renovation works prior to completion date. This term is reasonable.
	(v) The parties shall sign and the Vendor shall procure for the tenant of the Relevant Tenancy Agreements 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, including but not limited to the operational agreements and employment agreements ("Operational Agreements and Employment 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 and Employment 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	This clause is reasonable as it serves to ensure smooth transition of the KL Building (*together with existing tenancies and operational agreements*) from the Vendor to ECMLFG.
	(vi) The parties acknowledge that the cost and expenses incurred by the Vendor 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.	This term is reasonable as it is consistent with the provision of clauses of 9.7 (B) (i) and 9.7 (B) (ii) above.

Salient terms of the SPA		BDO's comments
	(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, (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) NMSB *(formerly known as Tune Hotels Management Sdn Bhd)* to transfer of the 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.	This term is reasonable as the license to operate and power of attorney shall be automatically terminated in the event the SPA is terminated. These terms are reasonable as the transfer of Tune Hotels franchise for nominal consideration of RM1 is expected to complement the existing portfolio of Tune Hotels of the Group, being the franchisor of the Tune Hotels.Com brand and at the same time leveraging on an existing franchise. We also noted that the transfer of the hotel management business will also enable the Group to have access to the expertise and experiences of NMSB in hotel and hospitality management, given NMSB's existing history in the industry.
9.8	**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	This clause is reasonable to safeguard ECMLFG interest in connection with the non-compliance by the vendor of Vacant Land prior to completion date.

Salient terms of the SPA		BDO's comments
	the Vendor of the express condition of the Vacant Land.	We noted that it is intended for the Vacant Land to be set up as an open air car park for "The Chow Kit" and "Momo's Kuala Lumpur". Upon completion of the transfer of the land title, ECMLFG intends to apply for a waiver of the express condition and/or the conversion of the category of land use (if required) from "building" to "commercial". The land conversion premium is estimated to be approximately RM0.25 million and shall be borne by ECMFLG based on negotiations between the parties after taking into consideration, amongst others, ECMLFG's future plans for the Vacant Land. As the conversion of Vacant Land to the open air car park is part of the overall development of "The Chow Kit" and "Momo's Kuala Lumpur", the land conversion premium estimated to be approximately RM0.25 million and be borne by ECMLFG is reasonable.

Premised on the above, we are of the view that the salient terms of the SPA are considered reasonable.

Further, we have reviewed the salient terms of the franchise agreement, service agreement and hotel management agreement for Danga Bay Property (as set out in Appendix II of the Circular) in relation to the Proposed Acquisition and we are of the view that the salient terms of these agreements are reasonable.

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BDO

10. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken note of the effects of the Proposed Acquisition as set out in Section 6 of Part A of the Circular.

We noted that the Proposed Acquisition will not have any effect on the issued share capital and substantial shareholders' shareholdings of ECMLFG as the Purchase Consideration will be satisfied wholly in cash and does not involve any issuance of new ECMLFG Shares.

We also noted that The Proposed Acquisition will not have any effect on the NA, NA per share and gearing of ECMLFG Group as at 31 December 2018 if the Purchase Consideration is funded entirely by internally generated funds.

As set out in Section 2.4, Part A of the Circular, the exact mix of funding (whether funded via internally generated funds and/or borrowings) will be decided at a later date.

For illustration purpose, the proforma effects of the Proposed Acquisition based on the latest audited consolidated financial statements of ECMLFG Group as at 31 December 2018 on the Earnings, EPS and gearing (if funded entirely by bank borrowings) are as follows:

	Audited FYE 31 December 2018	**Pro forma effects after the Proposed Acquisition**
PAT attributable to owners of the Company (RM'000)	5,136	5,038(i)
EPS (sen)	1.30	1.28
Gearing (times)	0.06	0.41(ii)

Notes:-

(i) After adding the loss after tax from the operations of the Danga Bay Property, 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)

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 Part A of the Circular. As such, there is no historical financial information attributable to the said asset.

(ii) Assuming the Purchase Consideration is funded entirely by bank borrowings.

Moving forward, the effect of the Proposed Acquisition on the consolidated earnings and EPS of ECMLFG Group is dependent on the level of returns generated from the Hospitality Businesses in the future.

Nonetheless, the Board is of the view that the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of ECMLFG Group, driven by the Hospitality Businesses due to favourable outlook and prospects of the tourism and hospitality industry.

Premised on the above, the overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested shareholders of ECMLFG.

11. INDUSTRY OUTLOOK AND PROSPECTS

We take cognisance of the industry overview and prospects as detailed in Section 4, Part A of the Circular.

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

We noted the outlook and future prospects of the tourism and hospitality industry in Malaysia as detailed in Section 4.1, Part A of the Circular.

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%. Domestic tourism expenditure recorded a total of RM92,561 million with a growth rate of 11.4% when compared to 2017 in which domestic tourism expenditure recorded a total of RM83,103 million.

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

The nation’s tourism industry recorded a positive tourist arrivals growth of +4.9% for the January-July 2019 period, registering a total of 15,769,672 tourist arrivals compared to 15,035,692 in the same period last year.

(Source: Tourism Malaysia website (mytourismdata.tourism.gov.my), October 2019)

The tourism industry is one of the primary drivers of economic growth, accounting for 15.2% of GDP in 2018. Malaysia was ranked 15th in terms of tourist arrivals and 21st among 50 countries in terms of tourism receipts. While Malaysia is blessed with beautiful and unique natural assets, multiracial and cultural diversity as well as a variety of food and entertainment, the tourism industry has yet to achieve its true potential.

(Source: Chapter 1: Economic Management and Prospects, Economic Outlook 2020, Ministry of Finance Malaysia)

Tourism is one of the major contributors to economic growth and is identified as the main sources of foreign exchange earnings. In 2018, gross value added of tourism industries grew 10% to RM220.6 billion, accounting for 15.2% of Malaysia’s GDP.

The number of tourist arrivals and receipts is expected to expand following the launch of Visit Malaysia 2020 (VM2020). For 2019, tourist arrivals are estimated to reach 28.1 million, with total receipts of RM92.2 billion.

The food and beverages and accommodation subsector is projected to record a strong growth of 9.2% in 2019 mainly supported by household and tourist spending. In 2020, the growth is expected to expand by 8.9% following increasing tourist arrivals and receipts amid VM2020, which targets 30 million tourists and RM100 billion receipts. Furthermore, the extended Visa On Arrival (VOA) from 7 to 13 entry-points nationwide for Chinese and Indian tourists are anticipated to provide additional impetus to the growth of the subsector. The hosting of Asia-Pacific Economic Cooperation (APEC) meetings starting December 2019 until November 2020 and the commencement of a new outdoor theme park are expected to spur the growth of the subsector.

Many countries in the world, including Malaysia, have identified tourism as one of the main sources for socio-economic development within the national policies. With an abundance of natural resources; well-diversified cultural and cuisines; modern infrastructure; and strategic location, Malaysia has great potential to boost further the tourism industry. In this regard, various efforts have been undertaken by the Government and media partners to market and brand Malaysia as one of the most preferred tourist destinations in the region, while promoting innovative tourism products. The Government has also intensified efforts to improve safety and security in the country, including measures to curb intrusion and other threats. These efforts are expected to raise the number of tourist arrivals and receipts, which in turn will increase business opportunities and income, particularly to small-to-medium enterprises (SMEs).

(Source: Chapter 3, Macroeconomic Outlook, Economic Outlook 2020, Ministry of Finance.)

Visit Malaysia 2020 (VMY2020) is the Government's primary effort to brand Malaysia as a top destination for tourism, with a target of achieving 30 million tourist arrivals. The Government will continue to allocate 50% of tourism tax to respective State Governments to support their efforts in conjunction with VMY2020. To fulfil the aspirations of VMY2020, the Government has allocated RM1.1 billion to the Ministry of Tourism, Arts and Culture, including an allocation of RM90 million to drive awareness, promotions and programmes for the VMY2020 campaign. A substantial portion of the departure levy imposed on outbound air passengers beginning 1 September 2019 will be allocated for tourism infrastructure projects.

(*Source: Annual Budget 2020, Ministry of Finance Malaysia*)

Another government initiated tourism drive is the Joint International Tourism Development Programme (JITDP), a joint effort between Tourism Malaysia and Malaysia Airports Holdings Berhad, which involves building strategic partnerships with online travel agents, airlines and travel agencies to draw in more foreign visitors.

(Source: Chapter 3, Macroeconomic Outlook, Economic Outlook 2020, Ministry of Finance.)

Comments:

As the tourism industry is an important contributor to Malaysia's overall GDP, the government have been aggressively promoting tourism in Malaysia abroad through promotional campaigns like the Visit Malaysia 2020 and the Joint International Tourism Development Programme. We noted that the domestic tourism industry is expected to grow as a result of the myriad of Government lead initiatives mentioned above.

11.2 Prospects of the Danga Bay Property

We noted the prospects of the Danga Bay Property as detailed in Section 4.2.1, Part A of the Circular.

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.

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.

Johor had enjoyed steady growth in term of the average occupancy rate from 2011 to 2017. However, it experienced a drop in 2018 to 58.7% due to the decline of tourists' arrivals, rise in the supply of hotels and rooms in popular locations as well as the expansion of Airbnb. The average occupancy rate for Johor was recorded at 58.7% last year.

The growing demand for home-share schemes (i.e. Airbnb and similar platforms) and declining tourist arrivals exert pressure on occupancy and room rates especially for budget to 3-star hotels as both are sharing similar target market who are especially price sensitive to accommodation.

The occupancy rates of the Danga Bay Property were 48.1%, 55.5% and 60.4% in years 2016, 2017 and 2018, respectively.

(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 as 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, ECMLFG's management envisage a positive outlook for the Danga Bay Property.

(Source: Management of ECMLFG)

In light of the recent Budget 2020 Speech, a few tax exemption policies have been announced by the Malaysian Government in conjunction with Visit Malaysia 2020 in order to promote tourism activities in Malaysia.

One of announced policies is the 50% income tax exemption for companies that organise arts and cultural activities, international sports and recreational competitions. Another announced tax incentive for tourism is the tax exemption of 70% of statutory income for 5 years for sports and tourism projects with pioneer status and also an investment tax allowance of 60% on qualified capital expenditure incurred within 5 years.

(Source: Budget 2020 Speech)

We noted that on August 2019, the Menteri Besar of Johor has launched the Visit Johor 2020 campaign. During the launch event, it was stated by the Menteri Besar that the State of Johor is expecting around 17.4 million tourists in 2020 which will provide an economic boost to operators and businesses in the tourism industry.

Johor's Tourism, Women, Family and Community Development Committee Chairman, Ms. Liow Cai Tung, stated that the state government of Johor has planned for some 20 festivals to be organized in Johor. Of the few planned events that were mentioned were the Chingay Festival, the Johor Orchid Festival and the Festival of Lights in Little India.

(Source: "Joh the tiger is mascot for Visit Johor Year 2020", The Star online, 19 August 2019)

Comments:

We noted that the management of ECMLFG envisage a positive outlook for the Danga Bay Property mainly due to the positive promotional efforts stemming from the Visit Malaysia 2020 and Visit Johor 2020 campaign coupled with the strategic location of the hotel from Danga Bay and its proximity with Singapore.

11.3 Prospects of the KL Property

We noted the prospects of the KL Property as detailed in Section 4.2.2, Part A of the Circular.

Klang Valley is ranked as the number one destination in Malaysia visited by international tourists. The existing supply of hotel rooms (unrated to 5 star hotels) as at Q1 2019 recorded 41,275 rooms (in 226 hotels) for Kuala Lumpur and 22,425 rooms (in 169 hotels) for Selangor. 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).

(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), October 2019)

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, ECMLFG's management envisage the KL Property to yield satisfactory performance in the future.

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. "The Chow Kit" and "MoMo's Kuala Lumpur" shall be the first hotel to be established under the Ormond and the MoMo's brand respectively. Moving forward, ECMLFG will continue to expand the Group's chain of hotels under these new hotel brand names to reduce the Group's reliance on the "Tune Hotels.Com" brand.

(Source: Management of ECMLFG)

Other than incentives that were announced in Budget 2020 as stated in Section 11.2 of this IAL, there is also an entertainment duty exemption on admission tickets for stage performance held in Kuala Lumpur from 1st January 2020 to 31 December 2020. Performances include concerts, dances, theatres and cultural performances by both local and international artists.

(Source: Budget 2020 Speech)

Comments:

As detailed in Section 4.2.2, Part A of the Circular, we noted that the management of ECMLFG envisage the KL Property to yield satisfactory performance in the future based on the growth of number of tourist arrival in Kuala Lumpur and the renovation and refurbishment works which are expected to improve the branding of the KL Property's

hotels as well as the KL Property's strategic location within Kuala Lumpur City Centre. Furthermore, tax incentives that were announced by the government in Budget 2020 could potentially draw in more foreign tourists via more concentrated tourism or tourism related promotional activities.

Based on the above, we are of the view that the prospect of the Proposed Acquisition appears to be positive in view of the Visit Malaysia 2020 campaign and the Budget 2020 tax incentives as well as the strategic location of Danga Bay Property and KL Property.

12. RISK FACTORS ASSOCIATED WITH THE PROPOSED ACQUISITION

In considering the Proposed Acquisition, the non-interested shareholders of ECMLFG are advised to give careful consideration to the risk factors as set out in Section 5, Part A of the Circular.

We noted that in 2017, ECMLFG Group has 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 ECMLFG Group for its hotel ownership and management business.

As disclosed in the Section 5 of the Circular, we also noted the following key risk factors relating to the Proposed Acquisition.

12.1 Brand recognition

We noted that there is brand recognition risk in the Proposed Acquisition, as the Danga Bay Property 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. The KL Property 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.

12.2 Hotel renovation risk

We also noted that there is the hotel renovation risk for the acquisition of The KL Property as the renovation of the KL Property is currently at the initial stage and there may be variations to the Remaining Renovation Costs to be incurred due to changes in design specifications, material supply or labour shortages and any other completion delays that will result in delays in the opening and commencement of the hotel operation. As such, there is no guarantee that the renovation works will yield the expected positive financial results for ECMLFG Group. In order to mitigate this risk, the Board will closely monitor the renovation works to ensure a smooth progress.

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12.3 Investment risk

In addition, we noted that there is the investment risk in the Proposed Acquisition as the market value of the hotel properties is affected by 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 market value of the property may also fluctuate as a result of other factors outside of ECMLFG Group's control. As such, there is no guarantee that the expected benefits from the Proposed Acquisition will be realised or that the ECMLFG 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.

12.4 Compulsory acquisition

We also noted that there is the risk of compulsory acquisition in the Proposed Acquisition, as the Government of Malaysia has the power to compulsorily acquire any land in Malaysia in exchange with compensation based on the fair market value as prescribed in the Land Acquisition Act 1960 and other relevant laws. As such, ECMLFG Group's financial position would be adversely affected in the event where the compensation paid is less than the price paid in the Proposed Acquisition. 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.

12.5 Non-compliance of express condition of the Vacant Land

Lastly, we note that there is the risk of 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 as set out in Section 2.1.2, Part A of the Circular. 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, OHSB 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.

We wish to highlight that although measures will be taken by the Board of ECMLFG to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operation and its financial performance, position or prospects of ECMLFG Group.

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13. CONCLUSION AND RECOMMENDATION

You should carefully consider the terms of the Proposed Acquisition based on all relevant and pertinent factors including those which are set out above, and other considerations as set out in this IAL, the Circular and any other publicly available information.

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors which are summarised as follows:

Assessment	Our evaluation
Rationale for the Proposed Acquisition	We noted the Proposed Acquisition is in line with and a continuation of ECMLFG Group's business diversification initiative whereby:- (i) the acquisition of Danga Bay Property represents a further addition to ECMLFG Group's portfolio of hotels operating under existing hospitality franchise of the "TuneHotels.com" brand; and (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 rated hotel standards, with an open air car park on the Vacant Land. Further, ECML has been granted the licence to use the Ormond and MoMo's brands in Malaysia for a 5-year royalty-free period and will reduce the Group's reliance on the "Tune Hotels.com" brand. Notwithstanding Danga Bay Property was in loss making position in FYE 2018, we noted that the proposed acquisition of Danga Bay Property is in line with the continuation of ECMLFG's business diversification initiative and the location of Danga Bay Property is situated in the development region of Iskandar Malaysia and the outlook and prospects of the tourism and hospitality industry where the Danga Bay Property is located. Furthermore, the purchase consideration of RM16.45 million of Danga Bay Property is equivalent to the market value as ascribed by Henry Butcher. Premised on this, we are of the view that the rationale for the Proposed Acquisition is **<u>reasonable</u>**. Nevertheless, non-interested shareholders of ECMLFG should note that the potential benefits arising from the Proposed Acquisitions are subject to certain risk factors as disclosed in Section 5 Part A of the Circular.
Basis and justification of Purchase Consideration	The Purchase Consideration is equivalents to the total Market Value of the Hospitality Assets as at 1 July 2019 of RM62.04 million as appraised by Henry Butcher. Based on this, we are of the view that the Proposed Acquisition is **<u>fair</u>**.

Evaluation of salient terms of the SPA	The salient terms of the SPA for the Proposed Acquisition are mutually agreed upon by the parties pursuant and are considered **reasonable** and not detrimental to the interest of the non-interested shareholders of ECMLFG.
Financial effects of the Proposed Acquisition	The Proposed Acquisition does not involve any issuance of new shares by ECMFLG. Hence, it will not have any effect on the issued share capital and substantial shareholders' shareholdings of ECMLFG. The Proposed Acquisition will not have any effect on the NA, NA per share and gearing of ECMLFG Group as at 31 December 2018 if the Purchase Consideration is funded entirely by internally generated funds. As set out in Section 2.4, Part A of the Circular, the exact mix of funding (whether funded via internally generated funds and/or borrowings) will be decided at a later date. Moving forward, the effect of the Proposed Acquisition on the consolidated earnings and EPS of ECMLFG Group is dependent on the level of returns generated from the Hospitality Businesses in the future. Nonetheless, the Board is of the view that the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of ECMLFG Group, driven by the Hospitality Businesses due to favourable outlook and prospects of the tourism and hospitality industry. Premised on the above, the overall financial effects of the Proposed Acquisition are not detrimental to the interests of the non-interested shareholders of ECMLFG.
Industry outlook and prospects	We noted that the management of ECMLFG envisage a positive outlook for the Danga Bay Property mainly due to the Visit Malaysia 2020 and Visit Johor 2020 campaigns and also the strategic location of the hotel. We noted that the management of ECMLFG envisage the KL Property to yield satisfactory performance in the future based on the growth in the number of tourist arrival in Kuala Lumpur and 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 Kuala Lumpur City Centre. Based on the above, we are of the view the prospect of the Proposed Acquisition appears to be positive in view of the Visit Malaysia 2020 campaign as well as the strategic location of Danga Bay Property and KL Property.

Risk factors associated with the Proposed Acquisition	In view that ECMLFG 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 ECMLFG Group for its hotel ownership and management business. The other key risk factors relating to the Proposed Acquisition are (i) brand recognition; (ii) hotel renovation risk; (iii) investment risk; (iv) compulsory acquisition and (v) non-compliance of express condition of the Vacant Land. We wish to highlight that although measures will be taken by the Board to limit or mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not crystallise and give rise to material and adverse impact on the operation and its financial performance, position or prospects of ECMLFG Group. We are of the view that the risks are reasonable and the Board and management of ECMLFG are expected to take measures to mitigate the risks to the extent possible.

Based on the above, BDO views that the Proposed Acquisition is **fair** and **reasonable** and is **not detrimental** to the non-interested shareholders of ECMLFG.

Accordingly, we advise and recommend that the shareholders **vote in favour** of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Yours faithfully
for and on behalf of
BDO CAPITAL CONSULTANTS SDN BHD

WONG WING SEONG
Executive Director - Advisory

PAM LEE WEN AI
Executive Director - Advisory

PART C

LETTER TO THE SHAREHOLDERS OF OUR COMPANY IN RELATION TO THE PROPOSED CHANGE OF NAME

ECM LIBRA FINANCIAL GROUP BERHAD

(Registration No: 200501031433 (713570-K))
(Incorporated in Malaysia)

Registered office:

2nd Floor, West Wing
Bangunan ECM Libra
8 Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur

5 November 2019

Board of Directors

Dato' Seri Kalimullah bin Masheerul Hassan *(Executive Chairman)*
Lim Kian Onn *(Managing Director)*
Datuk Kamarudin bin Md Ali *(Independent Non-Executive Director)*
Dato' Othman bin Abdullah *(Independent Non-Executive Director)*
Mahadzir bin Azizan *(Independent Non-Executive Director)*
Gareth Lim Tze Xiang *(Non-Independent Non-Executive Director)*

To: Our shareholders

Dear Sir / Madam,

PROPOSED CHANGE OF NAME OF OUR COMPANY FROM "ECM LIBRA FINANCIAL GROUP BERHAD" TO "ECM LIBRA GROUP BERHAD"

1. INTRODUCTION

On 17 October 2019, ECMLFG announced its proposal to change our Company's name from "ECM Libra Financial Group Berhad" to "ECM Libra Group Berhad".

THE PURPOSE OF PART C OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED CHANGE OF NAME AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED CHANGE OF NAME WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART C OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED CHANGE OF NAME.

2. DETAILS OF THE PROPOSED CHANGE OF NAME

The proposed use of name of "ECM Libra Group Berhad" has been approved by the Companies Commission of Malaysia ("**CCM**") on 16 October 2019. The Proposed Change of Name *(if approved by you)* will be effective from the date of the issuance of the Notice of Registration of New Name by the CCM. The Constitution of our Company will be amended accordingly to reflect the change of name of our Company.

3. RATIONALE FOR THE PROPOSED CHANGE OF NAME

The Proposed Change of Name is undertaken to better reflect our Group's business in view that our Group has diversified its principal activities to include the business of hotel ownership and management as approved by the shareholders of ECMLFG on 12 December 2017 and has divested its fund management business through the disposal of 100% equity interest in Libra Invest Berhad, which was completed on 8 July 2019.

4. EFFECTS OF THE PROPOSED CHANGE OF NAME

The Proposed Change of Name will not have any effect on the issued share capital, substantial shareholders' shareholdings, NA, gearing and earnings of our Company.

5. APPROVALS REQUIRED

The Proposed Change of Name is subject to the approval of our shareholders at an EGM to be convened in relation to the Proposed Change of Name.

The Proposed Change of Name is not conditional upon any other corporate exercise being or proposed to be undertaken by our Company.

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

None of our Directors and/or major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Change of Name.

7. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Change of Name, is of the opinion that the Proposed Change of Name is in the best interest of our Company. Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Change of Name to be tabled at the forthcoming EGM.

8. EGM

We will hold our EGM, the notice of which is enclosed in this Circular, at MAKAN at Tune Hotel KLIA2, Lot Pt 13, Jalan KLIA 2/2, 64000 KLIA, Selangor on Tuesday, 3 December 2019 at 2.30 p.m. for the purpose of considering and if thought fit, passing the resolution to give effect to the Proposed Change of Name.

If you decide to appoint a proxy or proxies for the EGM, you must complete the Form of Proxy for the EGM strictly in accordance with the instructions contained therein and lodge the Form of Proxy at our registered office at 2nd Floor, West Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

Yours faithfully
For and on behalf of the Board of Directors of
ECM LIBRA FINANCIAL GROUP BERHAD

DATUK KAMARUDIN BIN MD ALI
Independent Non-Executive Director

HENRY BUTCHER MALAYSIA
International Asset Consultants

Our Ref.: VR/06-19/0319, VR/06-19/0320, VR/06-19/0321 & VR/06-19/0322

The Board of Directors
ECM Libra Financial Group Berhad
2nd Floor, Bangunan ECM Libra,
No. 8, Jalan Damansara Endah,
Damansara Heights,
50490 Kuala Lumpur.

Date: August 22, 2019

Dear Sirs/ Madam,

CERTIFICATE OF VALUATION OF TWO ONGOING REDEVELOPMENT BOUTIQUE HOTELS AND A PARCEL OF LEASEHOLD COMMERCIAL TERRACE PLOT LOCATED IN KUALA LUMPUR AND A SEVEN STOREY PURPOSE BUILT BUDGET HOTEL LOCATED IN JOHOR BHARU IDENTIFIED AS: -

1) **A 113-ROOMS ONGOING REDEVELOPMENT BOUTIQUE HOTEL TO BE KNOWN AS THE CHOW KIT, NO. 1012, JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR (THE SUBJECT PROPERTY 1 – THE CHOW KIT);**
2) **A 99-ROOMS ON-GOING REVELOPMENT BOUTIQUE HOTEL TO BE KNOWN AS MOMO'S KUALA LUMPUR, NO. 316, JALAN TUANKU ABDUL RAHMAN, 50100 KUALA LUMPUR (THE SUJECT PROPERTY 2 – MOMO'S KUALA LUMPUR);**
3) **LOT 1590 SECTION 46, HELD UNDER PAJAKAN NEGERI 10025, BANDAR KUALA LUMPUR, DISTRICT OF KUALA LUMPUR, STATE OF WILAYAH PERSEKUTUAN KUALA LUMPUR (THE SUBJECT PROPERTY 3 – LOT 1590 SECTION 46);**
4) **TUNE HOTEL – DANGA BAY, LOT PTB 22819, JALAN SKUDAI, MUKIM BANDAR JOHOR BAHRU, 80200 JOHOR BAHRU (THE SUBJECT PROPERTY 4 – TUNE HOTEL DANGA BAY).**

(COLLECTIVELY KNOWN AS "THE SUBJECT PROPERTIES")

This certificate has been prepared for the purpose of submission to Bursa Malaysia Securities Berhad and for inclusion in the Circular in pursuant to the proposed acquisition of the Subject Properties by ECM Libra Financial Group Berhad (ECM) in a related party transaction.

In accordance with the instructions from ECM, we have conducted a valuation of the Subject Properties vide our Valuation Report bearing reference nos. VR/06-19/0319, VR/06-19/0320, VR/06-19/0321 and VR/06-19/0322 all dated August 22, 2019 for the purpose of submission to the Bursa Malaysia Securities Berhad. The date of inspection of the Subject Properties was on July 1, 2019. Additionally, the Subject Property 4 was subsequently inspected again on July 8, 2019. The material date of valuation for the Subject Properties is as at July 1, 2019.

We confirm that we have valued the Subject Properties based on the valuation basis as stated herein. This report is prepared in accordance with Securities Commission Malaysia's Asset Valuation Guidelines and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

The basis of valuation adopted is the Market Value which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

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Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy
RICS
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Property Type	**The Chow Kit** The Subject Property 1 comprises an ongoing redevelopment to reconstruct a boutique hotel comprises 113 rooms to be known as The Chow Kit erected on a leasehold land located at the intersection of Jalan Tuanku Abdul Rahman and Jalan Sultan Ismail, in the heart of Kuala Lumpur City Center. The postal address of the Subject Property 1 upon completion is The Chow Kit, No. 1012, Jalan Sultan Ismail, 50250 Kuala Lumpur. **Momo's Kuala Lumpur** The Subject Property 2 comprises a major renovation proposal to refurbish a boutique hotel comprises 99 rooms to be known as MoMo's Kuala Lumpur erected on a freehold land located near the intersection of Jalan Tuanku Abdul Rahman and Jalan Sultan Ismail, in the heart of Kuala Lumpur City Center. The postal address of the Subject Property 2 upon completion is MoMo's Kuala Lumpur, No. 316, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur. ❖ *Both Subject Property 1 and 2 are reconstructed on a site previously occupied by Tune Hotel Kuala Lumpur. These two hotels will operate independently on their respective brand upon work completion.* **Lot 1590 Section 46** The Subject Property 3 comprises a parcel of vacant leasehold commercial terrace plot. The Subject Property 3 forms part of several vacant terrace shop plots. The Subject Property 3 is the corner plot located along Jalan Belia and has side exposure onto Jalan Sultan Ismail. **Tune Hotel Danga Bay** The Subject Property 4 comprising 218 guest rooms budget hotel known as Tune Hotel @ Danga Bay, located at the intersection of Jalan Skudai and the Coastal Highway, within Danga Baya, Johor Bahru, Johor together with 91 road surface car park bays and one bus bay. The Subject Property 4 was officially rated as one-star hotel by Ministry of Tourism, Arts and Culture Malaysia (MOTAC). Out of 218 rooms available, 216 rooms have similar size of 12 sq. m. (about 129 sq. ft.) with the other two rooms size is 20 sq. m. (about 215 sq. ft.) each. There are four vacant retail lots previously tenanted on the ground floor, but are now vacant and may be renovated to form part of the hotel lobby. There is also a dining area but not in operation located on the first floor. The Subject Property 4 does not have any recreational facility and all rooms are provided with basic amenity. The postal address of the Subject Property is Tune Hotel – Danga Bay, Lot PTB 22819, Jalan Skudai, Mukim Bandar Johor Bahru, 80200

	Johor Bahru, Johor Darul Takzim, Malaysia.		
Number of Rooms	The Chow Kit Momo's Kuala Lumpur Tune Hotel Danga Bay	– – –	113 (proposed) 99 (proposed) 218
Hotel Operators	The Chow Kit & Momo's Kuala Lumpur	–	ECML Hotel (Subject to ECMLFG shareholders approval for the proposed acquisition of hotels).
	Tune Hotel Danga Bay	–	The Subject Property 4 is operated by Notel Management Sdn. Bhd. (formerly known as Tune Hotels Management Sdn. Bhd.) for a period commencing on 1 January 2011 or the date of opening of the Subject Property, whichever is later, and expire or terminate concurrently with the franchise agreement for the Subject Property 4. 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 a 9 months' advance written notice to Tune Hotels.com (BVI) Limited. The management fees are 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.

Certificate of Fitness/ Renovation Approval	**<u>The Chow Kit</u>** During the operation of the previous hotel, the Subject Property 1 was issued with Certificate for Occupation (CFO) by DBKL bearing Ref. No. 30479, cross reference with approved building plan bearing Ref. No. BP T320060097 dated August 26, 2008. The Subject Property has obtained the renovation approval which refers to submitted drawings bearing Ref. Ruj. Pelan BP T3 OSC 2018 1944 dated August 3, 2018 issued by DBKL for redevelopment of a boutique hotel. **<u>Momo's Kuala Lumpur</u>** During the operation of the previous hotel, the Subject Property 2 was issued with Certificate of Completion and Compliance (CCC) by RSP Architect Sdn Bhd vide a copy of Borang F (Form F) bearing Ref. No. LAM/WP/No. 2541 dated June 14, 2013. The CCC was made copy to DBKL and Lembaga Arkitek Malaysia (LAM). For the current ongoing renovation works, the Subject Property has obtained the renovation approval which refers to submitted drawings bearing Ref. Ruj. Pelan BP T3 OSC 2018 3513 dated November 26, 2018 issued by DBKL. **<u>Tune Hotel Danga Bay</u>** The Subject Property 4 was issued with Certificate of Completion and Compliance (CCC) by SA Architect Sdn Bhd vide a copy of Borang F (Form F) bearing Ref. No. LAM/J/No. 0972 dated May 3, 2010. The CCC was made copy to MBJB and Lembaga Arkitek Malaysia (LAM).
Star Rating	**<u>The Chow Kit & Momo's Kuala Lumpur</u>** According to the management, The Chow Kit and MoMo's Kuala Lumpur are both designed to match 3-star rated hotel and will be operated as boutique hotels upon completion. Additionally, the management noted that they would consider applying for star rating at a later stage. **<u>Tune Hotel Danga Bay</u>** The Subject Property 4 was officially rated as a one-star hotel by the Ministry of Tourism, Arts and Culture Malaysia in June 2017. The rating is renewable every 2 years and the owner is seeking for renewal.
Brief Building Description	**<u>The Chow Kit</u>** The Subject Property 1 is a redevelopment project to build a 113-rooms boutique hotel to be known as The Chow Kit. It is to be rebuilt by partially demolishing the previous structures and renovate in accordance to the approved drawings for a 7½ storey building to accommodate 113 rooms.

	As the proposed building is renovated from the existing partially demolished structure, it is generally constructed on reinforced concrete framework resting on deep piled foundation with brick infill rendered externally and plastered internally. As at the date of valuation, the renovation work completion is approximately 20.19% and is expected to be fully completed by the 4th quarter 2019. **<u>Momo's Kuala Lumpur</u>** The Subject Property 2 is a redevelopment project to build a 99-rooms boutique hotel to be known as MoMo's Kuala Lumpur. It is to be rebuilt by partially demolishing the previous structures and renovate in accordance to the approved drawings for a 7½ storey building to accommodate 99 rooms. As the proposed building is renovated from the existing partially demolished structure, it is generally constructed on reinforced concrete framework resting on deep piled foundation with brick infill rendered externally and plastered internally. As at the date of valuation, the renovation work completion is approximately 7.82% and is expected to be fully completed by the 4th quarter 2019. **<u>Tune Hotel Danga Bay</u>** The Subject Property 4 comprises a 7-storey purpose built budget hotel with 218 rooms known as Tune Hotel @ Danga Bay. The building is built from reinforced concrete frameworks with plastered brickwall infills rendered externally and plastered internally supporting reinforced concrete flat roof. There is no food and beverage service available at Tune Hotel @ Danga Bay. Although there is a small dining area, all food and drinks are catered from outside on ad-hoc basis. The Subject Property 4 is approximately 9 years in age since started operation.
Town Planning	The Chow Kit – Zoned as "Main Commercial" Momo's Kuala Lumpur – Zoned as "Main Commercial" Lot 1590 Section 46 – Zoned for Commercial use *(designated for shophouse as per land title)* Tune Hotel Danga Bay – Zoned Commercial
Tenure	**<u>The Chow Kit</u>** Leasehold for 99 years expiring on February 12, 2066 thus leaving an unexpired term of about 47 years.

	Momo's Kuala Lumpur Freehold **Lot 1590 Section 46** Leasehold for a term of 99 years expiring on April 13, 2068. The unexpired term is about 49 years. **Tune Hotel Danga Bay** Freehold
Title No.	**The Chow Kit** Pajakan Negeri 24460, Lot 1305 Section 46, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. **Momo's Kuala Lumpur** Geran 76084, Lot 20001 Section 46, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. **Lot 1590 Section 46** Pajakan Negeri 10025, Lot 1590 Section 46, Town & District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. **Tune Hotel Danga Bay** Geran 358300, Lot 46867, Town and District of Johor Bahru, State of Johor Darul Takzim.
Category of land use	All Subject Properties are categorised as Bangunan ("Building")
Surveyed Land Area	The Chow Kit – 611.561 sq. m. *(approximately 6,583 sq. ft.)* Momo's Kuala Lumpur – 383 sq. m. *(approximately 4,123 sq. ft.)* Lot 1590 Section 46 – 348 sq. m. (about 3,746 sq. ft.) Tune Hotel Danga Bay – 4,257 sq. m *(approximately 45,822 sq. ft.)*
Registered Owner	All Subject Properties belong to Tune Hotels Sdn Bhd
Express Condition	**The Chow Kit** Tanah ini hendaklah digunakan hanya untuk bangunan perdagangan sahaja. *(This land shall be used only for commercial building only)* **Momo's Kuala Lumpur** Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan hotel sahaja. *(This land shall be used for commercial building for hotel purpose only)*

	Lot 1590 Section 46 1) The lessees shall within two 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; 2) The lessees shall pay and discharge 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 any other Authority. **Tune Hotel Danga Bay** 1) Tanah ini hendaklah digunakan untuk hotel dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan. 2) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan/dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan. 3) Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa berkenaan hendaklah dipatuhi.
Restriction in Interest	**The Chow Kit & Momo's Kuala Lumpur** Nil. **Lot 1590 Section 46** The land hereby leased shall not be transferred charged or sub-leased without the consent of the Ruler in Council. **Tune Hotel Danga Bay** 1) Tuanpunya tanah ini tidak dibenarkan menawar atau menjual unit-unit (parcels) bangunan yang akan dibina di atas tanah ini melainkan bangunan telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan. 2) Petak-petak bangunan yang didirikan di atas tanah ini apabila sahaja bertukar miliknya kepada seorang Bumiputera/Syarikat Bumiputera maka tidak boleh terkemudian daripada itu dijual, dipajak, digadai atau dipindahmilik daripada apa cara sekalipun kepada orang bukan Bumiputera/Syarikat bukan Bumiputera tanpa persetujuan Pihak Berkuasa Negeri.

	3) Petak-petak bangunan yang didirikan di atas tanah ini tidak boleh dijual atau dipindahmilik dengan apa cara sekalipun kepada bukan Warganegara/Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri.
Encumbrances	**The Chow Kit** Charged twice to Public Bank Berhad vide Presn. Nos. PDSC27742/2012 and PDSC51113/2014 dated July 10, 2012 and December 23, 2014, respectively. **Momo's Kuala Lumpur** Charged twice to Public Bank Berhad vide Presn. Nos. PDSC27743/2012 and PDSC52571/2014 dated July 10, 2012 and December 30, 2014, respectively. **Lot 1590 Section 46** Charged twice to Public Bank Bhd. vide followings:- i. Presn No. PDSC27741/2012 dated July 10, 2012. ii. Presn. No. PDSC51123/2014 dated December 23, 2014. **Tune Hotel Danga Bay** The Subject Property is presently charged to Public Bank Berhad vide Presentation No. 102842/2014 dated December 7, 2014.
Endorsements	**The Chow Kit** Private Caveat lodged by Public Bank Berhad vide Presn. No. PDB9657/2012 dated June 7, 2012. **Momo's Kuala Lumpur** Private Caveat lodged by Public Bank Berhad vide Presn. No. PDB9657/2012 dated June 7, 2012. **Lot 1590 Section 46** Private Caveat lodged by Public Bank Bhd, vide Presentation No. PDB9657/2012 dated June 7, 2012. **Tune Hotel Danga Bay** Private Caveat lodged by Public Bank Berhad vide Presn. No. 38186/2014 dated November 16, 2014.
Location & Surrounding Locality	**The Chow Kit & Momo's Kuala Lumpur** The Subject Property 1 and 2 are adjacent to each other and located at the intersection of Jalan Tuanku Abdul Rahman and Jalan Sultan Ismail, one of the busiest junctions in the city centre. The location is strengthened by a comprehensive network of infrastructures connecting to various parts of Kuala Lumpur. It is situated less than 2 kilometers due west of the world renowned Suria KLCC and it is linked by major arterial roads such as Jalan Sultan Ismail which connects to Jalan Kuching, where one can travel easily to the northern, southern and western of Klang Valley easily. It is also about 600 meters away from AKLEH (Ampang – Kuala Lumpur Elevated Highway) which allow travelling to the eastern part of Klang Valley relatively easy.

Location & Surrounding Locality	**Lot 1590 Section 46** The Subject Property 3 is located along Jalan Belia, off Jalan Sultan Ismail, which is approximately 2km due west from Kuala Lumpur City Centre. The subject property is accessible from Jalan Raja Laut and Jalan Tuanku Abdul Rahman turning onto Jalan Sri Amar and finally onto Jalan Belia. It is also accessible from Jalan Sultan Ismail turning onto an unnamed back alley road where the subject property also fronts. It should be noted that the Subject Property 3 is located directly behind the Subject Property 1 and 2. ❖ *Subject Property 1 - 3 also enjoy being close to Light Railway Transit (LRT) and Monorail service, with the nearest stations (Sultan Ismail and Medan Tuanku, respectively) located about 300 meters away.* ❖ *Notable office buildings in the immediate vicinity include Menara TH Perdana, Menara Liberty, Wisma Sime Darby, Menara MARA, Menara Centara, Menara Raja Laut and JKG Tower to name a few. Shopping complexes that can be found in the vicinity are Pertama Complex, Campbell Complex, Sogo Maju Junction, Quill City Mall, Jakel Mall and Semua House. Suria KLCC, with the iconic twin towers as the most famous landmark in Kuala Lumpur, are located less than 2 kilometers away from the Subject Property.* ❖ *Some of the hotels available in close proximity include Hotel Grand Continental, Hilton Garden Inn Kuala Lumpur, Seri Pacific Hotel, Sunway Putra Hotel, The Regency Hotel, Prescott Inn, Leo Pacific Hotel, Stripe Hotel and Sheraton Imperial Hotel. Further away within the Golden Triangle, some household names available include Westin Hotel, JW Marriot, Shangri-La, Grand Hyatt, Novotel, Pullman Hotel, Mandarin Oriental, Concorde Hotel, Banyan Tree and Park Royal to name a few.*
	Tune Hotel Danga Bay The Subject Property 4 is located at the intersection of Jalan Skudai and the Coastal Highway, within Danga Bay and lies about 5 kilometres due north-west of Johor Bahru City Centre. It is accessible from Johor Bahru City Centre via Jalan Tun Abdul Razak, Persiaran Tun Sri Lanang, Persiaran Abu Bakar Sultan and finally onto Jalan Skudai leading to the Subject Property. It also can accessible via Inner Ring Road (Jalan Lingkaran Dalam) which provides direct accessibility from Singapore via the Custom, Immigration & Quarantine (CIQ) Complex before exiting onto Jalan Skudai Interchange, finally onto internal service road of Danga Bay leading to the Subject Property. Properties within the immediate vicinity are predominantly of mixed commercial, institution and residential in character. Geographically, the Subject Property is situated within the development region of Iskandar Malaysia ("IM"). IM is a strategic and important special economic zone located at the southern-most tip of Peninsular Malaysia and mainland Asia. It covers the logistics triangle from Senai Internal Airport to the

	north and the Port of Tanjung Pelepas (PTP) to the south-west, together with Johor Port in Pasir Gudang to the south-east, encompassing a total land area of about 2,217 sq. km. (547,832.68 acres). Prominent landmarks located along Persiaran Abu Bakar and Jalan Skudai include BMW Auto Bavaria, Istana Besar, Kebun Bunga Istana, Zoo Johor, Sultan Abu Bakar Mosque, Kompleks Islam Negeri Johor, Bangunan Mahkamah Syariah Negeri Johor, Hospital Sultanah Aminah and Danga Bay. Danga Bay is 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 spread over 1,800 acres of land with wide waterfront shoreline and is touted to be the most luxurious waterfront homes in Johor Bahru.
Site Description	**The Chow Kit** The subject site is a regular shaped corner terrace commercial plot with a surveyed land area of 611.561 sq. m. (about 6,583 sq. ft.). It is generally flat in terrain and lies about the same level with the surrounding service roads. Being a corner lot, the subject site is fronting onto Jalan Tuanku Abdul Rahman with side exposure to Jalan Sultan Ismail. The rear boundary is fronting onto an unnamed small service road. As at the date of inspections, we noted that the existing structure has been partly demolished to allow for redevelopment of the Subject Property 1. **Momo's Kuala Lumpur** The subject site is a regular shaped terrace commercial plot with a surveyed land area of 383 sq. m. (about 4,123 sq. ft.). It is generally flat in terrain and lies about the same level with the surrounding service roads. As at the date of inspections, we noted that the existing structure has been partly demolished to allow for redevelopment of the Subject Property 2. **Lot 1590 Section 46** The Subject Property 3 forms part of several vacant terrace shophouse plot. The subject site is a corner plot and has a trapezoid shaped with a titled land area of 348 sq. m (approximately 3,746 sq. ft.). It has a direct frontage of about 28.83 ft. (8.787 m.) onto Jalan Belia and site frontage onto Jalan Sultan Ismail. The maximum depth of about 90 ft. (27.431 m.) on the north-eastern boundary.

	It is generally flat in terrain and levelled with surrounding roads. The subject site was partly used as car park on part of the site and adjacent lots are currently used as temporarily storage yard for the on-going redevelopment of The Subject Property 1 and 2. The south-western boundary was fenced with site hoarding. It should be noted that a Dewan Bandaraya Kuala Lumpur (DBKL) operated public toilet is located in front of the boundary of the Subject Property 3 that fronts onto Jalan Belia. Our verbal enquiry with DBKL Planning department revealed that the public toilet is currently a fixture in the location. **Tune Hotel Danga Bay** The subject site is near rectangular in shape and encompassing a titled land area of 4,257 sq. m. (about 45,822 sq. ft.). The site is generally flat in terrain and lies about the same level as the surrounding service roads. As at the date of inspections, the site compound is demarcated by five feet plastered and painted brick wall and metal stripes fencing.

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VALUATION METHODOLOGY

1) THE CHOW KIT

In determining the Market Value of the Subject Property 1, we have only adopted the "Residual Method" in formulating our opinion of the **Market Value** of the Subject Property 1.

We are unable to use the "Profit Method" of valuation as the Subject Property 1 is a redevelopment project undergoing active construction works, with no historical records available for analysis on its historical revenue and cost to provide a reasonable forecast. **We have therefore only adopted the "Residual Method" in arriving at the Market Value.**

The Subject Property 1 is currently undergoing reconstruction works in accordance with its approved redevelopment proposal. **We have therefore taken into consideration the balance of costs to complete as part of the Market Value computation. As such, the Market Value presented in this Certificate of Value is on "As-Is" basis as at July 1, 2019.**

The **Residual Method** of valuation involves a computation of the gross development value (GDV) of the development, from which are deducted all expenses and costs (GDC) to complete the development including a margin for developer's profit. The remainder or residual sum, appropriately discounted for time effluxion reflects the development value of the Subject Property 1.

For the ongoing reconstruction works of the Subject Property 1, the GDV is calculated based on the Market Value of the Subject Property 1 upon its works completion. As for the GDC components, it is extracted from costings summary as provided by ECM and balance to incur to completion as at the date of valuation is regarded as GDC.

In arriving at the GDV of the Subject Property 1 as completed, we have taken into consideration among others the following sale transactions: -

Comparables	1	2	3
Property	Hilton Garden Inn, Jalan Tuanku Abdul Rahman, Kuala Lumpur.	Sky Express, Jalan Pudu, Kuala Lumpur	Geo Hotel, Jalan Hang Kasturi, Kuala Lumpur
Source	The Edge dated October 9, 2018	Jabatan Penilaian dan Perkhidmatan Harta	Jabatan Penilaian dan Perkhidmatan Harta
Tenure	Freehold	Freehold	Freehold
No. of Rooms	532	171	180
Consideration	RM240,000,000	RM58,000,000	RM85,500,000
Transaction Date	October 1, 2018	January 12, 2016	September 15, 2017
Vendor	Royal Group	Advent Nexust Sdn. Bhd.	Geo Metal Sdn. Bhd.
Purchaser	SHREIT	Pinnacle Supreme Sdn Bhd	MH1 My 1 Sdn. Bhd.
Value per room	RM451,128	RM339,181	RM475,000
Adjustment Made	Time factor, location and surrounding, total number of rooms, facilities and tenure.		
Final Adjusted Value (per room)	RM338,346	RM317,135	RM349,125

From the above, we noted that the range of adjusted values are from RM317,135 to RM349,125 per room. We have, however, selected Comparable 3 with the adjusted value of RM349,125 per room **(rounded to RM349,000 per room)** as the best comparable as they are both located at a busy intersection with similar exposure offering about the same type of accommodations and services.

Hence, our GDV concludes as follow:-

No. of Rooms	113
Value Per Room	RM349,000
Total GDV	RM39,437,000

Similar to other development project, we acknowledge the risk and remuneration factor for the developer and in this instance, we have allocated 5% from the GDV as developer's risk and remuneration to undertake the redevelopment works. Next, we have made allowance for costs to incur to complete the Subject Property 1 in operating condition as GDC in the calculation. The GDC summary as provided by ECM are as shown below:-

Items	**Amount (RM)**
Total Projected Fee	28,302,475
Costs Incurred to Date (as at June 30, 2019)	5,714,624
Balance (Cost to be incurred)	**22,587,851**

The renovation costs of RM28,302,475 *(The Chow Kit)* and RM6,399,598 *(Momo's Kuala Lumpur as presented in the Valuation Report bearing Ref. No. VR/06-19/0320)* totaling RM34,702,703 was concluded from an open tender exercise conducted by the vendor previously. With the total gross floor area of 70,752 sq. ft. *(based on the previously combined Tune Hotel Kuala Lumpur)*, the total renovation cost is equivalent to approximately RM490 per sq. ft., which is within the range for the construction cost of 3-star budget hotels *(RM395 per sq. ft. to RM543 per sq. ft.)* as stated in the industrial guideline handbook *(JUBM & Arcadis Construction Cost Handbook 2019)*.

Considered that the Subject Property 1 was torn down to its bare structure, it approximates to a construction of a new building than a normal internal renovation as all interior walls and fittings were demolished and removed. Note that the JUBM handbook serves only as industrial guideline and therefore we used it as reference to determine the reasonable range. Based on this, the renovation cost is deemed as fair and reasonable.

It should be noted that the Residual Method for this valuation exercise is a simple residual method and not a full-scale residual method applied normally to a project development. As this is only a short-term renovation/refurbishment work, the cost of any financing, if obtained, is expected to be immaterial. Hence, we have adopted this simple residual method, excluding financing costs, to derive the Market Value of the Subject Property 1 on "As Is" basis. Further, as the renovation works are sourced internally and did not incur any external financing cost, we deem it appropriate to adopt the same in our computation.

As the Subject Property 1 reconstruction works are expected to complete by end of October 2019 (four months from date of valuation), we have allowed a Present Value factor at the rate of 8% to reflect on risk on development.

Hence, the Market Value of the Subject Property 1 on "As Is" basis is as follow:-

Gross Development Value (GDV)		RM39,437,000
Less Risk and Remuneration 5%		RM 1,971,850
		RM37,465,150
Less Cost to Incur to Completion		RM22,587,851
		RM14,877,298
Present Value Factor @ 8%		0.97467
	Total	RM14,500,456
	say	**RM14,500,000**

2) MOMO'S KUALA LUMPUR

In determining the Market Value of the Subject Property 2, we have only adopted the "Residual Method" in formulating our opinion of the **Market Value** of the Subject Property 2.

We are unable to use the "Profit Method" of valuation as the Subject Property 2 is a redevelopment project undergoing active construction works, with no historical records available for analysis on its historical revenue and cost to provide a reasonable forecast. **We have therefore only adopted the "Residual Method" in arriving at the Market Value.**

The Subject Property 2 is currently undergoing reconstruction works in accordance with its approved redevelopment proposal. **We have therefore taken into consideration the balance of costs to complete as part of the Market Value computation. As such, the Market Value presented in this Report is on "As-Is" basis as at July 1, 2019.**

The **Residual Method** of valuation involves a computation of the gross development value (GDV) of the development, from which are deducted all expenses and costs (GDC) to complete the development including a margin for developer's profit. The remainder or residual sum, appropriately discounted for time effluxion reflects the development value of the Subject Property 2.

For the ongoing reconstruction works of the Subject Property 2, the GDV is calculated based on the Market Value of the Subject Property 2 upon its works completion. As for the GDC components, it is extracted from costings summary as provided by the Client and balance to incur to completion as at the date of valuation is regarded as GDC.

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In arriving at the GDV of the Subject Property 2 as completed, we have taken into consideration among others the following sale transactions: -

Comparables	**1**	**2**	**3**
Property	Hilton Garden Inn, Jalan Tuanku Abdul Rahman, Kuala Lumpur.	Sky Express, Jalan Pudu, Kuala Lumpur	Geo Hotel, Jalan Hang Kasturi, Kuala Lumpur
Source	The Edge dated October 9, 2018	Jabatan Penilaian dan Perkhidmatan Harta	Jabatan Penilaian dan Perkhidmatan Harta
Tenure	Freehold	Freehold	Freehold
No. of Rooms	532	171	180
Consideration	RM240,000,000	RM58,000,000	RM85,500,000
Transaction Date	October 1, 2018	January 12, 2016	September 15, 2017
Vendor	Royal Group	Advent Nexust Sdn. Bhd.	Geo Metal Sdn. Bhd.
Purchaser	SHREIT	Pinnacle Supreme Sdn Bhd	MH1 My 1 Sdn. Bhd.
Value per room	RM451,128	RM339,181	RM475,000
Adjustment Made	Time factor, location and surrounding, total number of rooms, facilities and room size.		
Final Adjusted Value (per room)	RM360,902	RM335,789	RM374,063

From the above, we noted that the range of adjusted values are from RM335,789 to RM374,063 per room. We have, however, selected Comparable 3 with the adjusted value of RM374,063 per room **(rounded to RM374,000 per room)** as the best comparable as they are both located at a busy intersection with similar exposure offering about the same type of accommodations and services.

Hence, our GDV concludes as follow:-

No. of Rooms	99
Value Per Room	RM374,000
Total GDV	RM37,026,000

The renovation costs of RM6,399,598 *(Momo's Kuala Lumpur)* and RM28,302,475 *(The Chow Kit as presented in the Valuation Report bearing Ref. No. VR/06-19/0319)* totaling RM34,702,703 was concluded from an open tender exercise conducted by the vendor previously. With the total gross floor area of 70,752 sq. ft. *(based on the previously combined Tune Hotel Kuala Lumpur)*, the total renovation cost is equivalent to approximately RM490 per sq. ft., which is within the range for the construction cost of 3-star budget hotels *(RM395 per sq. ft. to RM543 per sq. ft.)* as stated in the industrial guideline handbook *(JUBM & Arcadis Construction Cost Handbook 2019)*.

Considered that the Subject Property 2 was torn down to its bare structure, it approximates to a construction of a new building than a normal internal renovation as all interior walls and fittings were demolished and removed. Note that the JUBM handbook serves only as industrial guideline and therefore we used it as reference to determine the reasonable range. Based on this, the renovation cost is deemed as fair and reasonable.

It should be noted that the Residual Method for this valuation exercise is a simple residual method and not a full-scale residual method applied normally to a project development. As this is only a short-term renovation/refurbishment work, the cost of any financing, if obtained, is expected to be immaterial. Hence, we have adopted this simple residual method, excluding financing costs, to derive the Market Value of the Subject Property 2 on "As Is" basis. Further, as the renovation works are sourced internally and did not incur any external financing cost, we deem it appropriate to adopt the same in our computation.

Similar to other development project, we acknowledge the risk and remuneration factor for the developer and in this instance, we have allocated 5% from the GDV as developer's risk and remuneration to undertake the redevelopment works. Next, we have made allowance for costs to incur to complete the Subject Property 2 in operating condition as GDC in the calculation. The GDC summary as provided by ECM are as shown below:-

Items	**Amount (RM)**
Total Projected Fee	6,399,598
Costs Incurred to Date (as at June 30, 2019)	500,591
Balance (Cost to be incurred)	**5,899,007**

As the Subject Property 2 reconstruction works are expected to complete by end of October 2019 (four months from date of valuation), we have allowed a Present Value factor at the rate of 8% to reflect on risk on development.

Hence, the Market Value of the Subject Property 2 on "As Is" basis is as follow:-

Gross Development Value (GDV)		RM37,026,000
Less Risk and Remuneration 5%		RM 1,851,300
		RM35,174,700
Less Cost to Incur to Completion		RM 5,899,007
		RM29,275,693
Present Value Factor @ 8%		0.97467
	Total	RM28,534,140
	say	**RM28,530,000**

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3) LOT 1590 SECTION 46

We have adopted the **"Comparison Approach"** in formulating our opinion of the Market Value of the Subject Property 3 as **there is no immediate plan to develop the Subject Property 3 nor any development proposal was submitted previously to the local authority. We have therefore only adopted the "Comparison Approach" in arriving at the market value.**

The **Comparison Approach** is the market approach of comparing the Subject Property 3 with similar properties that were either transacted recently within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, tenure, time element and other relevant factors to arrive at our opinion of value.

There is a dearth of vacant commercial shop lot plot transactions within the Subject Property 3 vicinity. We therefore have collated the following shop offices transactions and deducted the building value to arrive at the vacant shop plot value.

Comparables	1	2	3
Property/ Location	No. 62, JalanDato Haji Eusoff	No. 38, Jalan Raja Laut	No. 338, Jalan Raja Laut
Source	Jabatan Penilaian dan Perkhidmatan Harta	Jabatan Penilaian dan Perkhidmatan Harta	Jabatan Penilaian dan Perkhidmatan Harta
Tenure	Freehold	Freehold	Freehold
Property Type	2 storey shop house – intermediate lot	3 storey shop house – end lot	5.5 storey shop house – corner lot
Land Area	1,738 sq. ft.	2,002 sq. ft.	4,435 sq. ft.
Built Up Area	*2,600 sq. ft.	5,770 sq. ft.	15,915 sq. ft.
Consideration	RM 1,620,000	RM 3,800,000	RM 9,700,000
Transaction Date	December 31, 2018	December 18, 2018	March 26, 2018
Vendor	Teng Seng Gen + 3	Long Seut Hwa + 7	Raya Realty Sdn. Bhd.
Purchaser	Eagle Eye Security Sdn. Bhd.	Tan Choo Chou	Penn-Mart Toys (M) Sdn. Bhd.
**Land Value Analysis	RM 824 per sq. ft.	RM 1,691 per sq. ft.	RM 1,757 per sq. ft.
Adjustment Made	- Upward adjustment for location. - Upward adjustment for corner premium. - Downward adjustment for tenure.	- Downward adjustment for location. - Downward adjustment for tenure.	- Downward adjustment for location. - Downward adjustment for tenure.
Adjusted Value per sq. ft.	RM 824 per sq. ft.	RM 761 per sq. ft.	RM 790 per sq. ft.

** Estimated building area based on site inspection*
***Analysed rate after deduct building value.*

Based on the above factors, the adjusted land value ranges from RM 761 per sq. ft. to RM 824 per sq. ft. with Comparable 2 and 3 being a more suitable one as it is located nearer to the Subject Property 3. We have, therefore, selected Comparable 2 with the adjusted value of RM 761 per sq. ft. (rounded to RM 760 per sq. ft.) as the best comparable (nearer location and transaction date).

However, the frontage of the Subject Property 3 fronting Jalan Belia is blocked by DBKL operated public toilet. We have therefore deducted -10% downward adjustment due to the negative factor of the frontage being blocked.

Hence, our valuation computation as follows: -

	Adjusted land value rate	RM760	per sq. ft.
(less)	*Main frontage blocked by public toilet @ 10%*	*RM76*	*per sq. ft.)*
		RM684	per sq. ft.
(multiply)	Land Area	3,746	sq. ft.
	Market Value	**RM2,562,264**	
	Says	**RM2,560,000**	

We have only adopted the "Comparison Approach" of valuation as **there is no immediate plan to develop the Subject Property 3 nor any development proposal was submitted previously to the local authority. We have therefore only adopted the "Comparison Approach" in arriving at the market value.**

4) TUNE HOTEL DANGA BAY

We have adopted the **"Profit Method"** and **"Comparison Approach"** in formulating our opinion of the **Market Value** of the Subject Property 4.

a. Profit Method

The Profit Method of Valuation is by a Discounted Cash Flow technique and used to determine the Market Value of properties with special licensing requirement, whose value is driven by the profitability of the business that occupy the building to be valued. The past records of gross revenue are adjusted to cover for fixed cost and expenses and other operating expenses to arrive at operating profit, which will then deduct other incomes or expenses to arrive at net operating profit. A projection of future revenues and expenses will then be forecasted using reasonable and calculated data and to be capitalized at an acceptable market rate to arrive at the present capital value of the property.

Given the previous year's financial performance, we have forecasted a cash flow projection for the next five years, after which we calculated the terminal value based on the sixth year estimated performance for the remaining term of the tenure. The projected cash flow was derived and based on the historical fiscal performance between year 2014 – 2018. We have forecasted the following key components as below:-

Average Occupancy Rate (AOR)

With the expectation of improved tourism industry in Malaysia for the foreseeable future, beginning from Visit Malaysia Year 2020, we have allowed an average increase of 2% for Occupancy Rate every year which we feel is fair and reasonable barring any unforeseen event that may hamper the tourism industry.

The projections are as follow:-

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Terminal)
Occupancy Rate	60%	62%	64%	66%	68%	70%

Average Room Rate (ARR)

We have adopted an annual increase rate of 2% for Average Room Rate starting from RM95 in Year 1 which represents an increase of about RM1.90 to RM2.06 per annum, which we opine is reasonably and fair bar any unforeseen event that may hamper the tourism industry. Our projections are as shown below:-

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Terminal)
ARR	RM95.00	RM96.90	RM98.84	RM100.81	RM102.83	RM104.89

Revenue and Expenses

From the previous years' financial statement, we have analyzed various expenses to total revenue ratios in percentage format and apply as projected figure in our forecast computation accordingly. This adopted ratio is within range of the actual past performance and assumption is made that it will continue in the similar trend. However, for property taxes (quit rent and assessment), since it did not change annually, we have maintained the adjusted figure throughout Year 1 to Year 5 and adjust upward 3% for the Terminal Year.

For the ratio of room cost of sales, we adopted the rate based on our observation on the historical data and the adopted rate is also around the average rate. However, the adopted rate of 30% is still higher than year 2016 and 2017.

On top of that, we have added Capital Expenditure Reserve to the cash flow projection from Year 1 onwards at 2% per annum of total revenue. To be prudent, we have decided to include this item as hotel businesses usually will renovate and/or refurbish every 5 to 10 years depending on the needs.

Terminal Yield and Discount Rate

In arriving at our conclusion of capitalization rates, our internal research data which shows the indicated initial yield for selected transacted hotels range from 2.46% to 6.13%. Generally investors are willing to accept a lower short term return on its investment on the basis of perceived further future growth and capital value appreciation. We have also note that other commercial market segments such as office sector and retail sector yields range between 5.5% to 6.5%. We therefore opine that 7% as the capitalization rate is fair for the Subject Property 4. We have then allowed an additional 2% to arrive at our discount rate of 9% to reflect all short term risks and expectations.

Our forecasted Year 1 financial statement is as below:-

PERIOD	**Year 1 - 2019**	
Occupancy	60.00%	
Rooms	218	
Average Room Rate (ARR)	RM95.00	
Rooms Occupied (Paid)	47,742	
Rooms Available	79,570	
REVENUES	Amount RM	m Revenue
Rooms	RM4,535,490	
Add-Ons Revenue	RM99,781	2.2%
Food & Beverage	RM18,142	0.4%
Advertising, Rental & Other Income	RM113,387	2.5%
Total Revenues	**RM4,766,800**	
COST OF SALES		
Room Cost of Sales	RM1,360,647	30.0%
Add-Ons Cost of Sale	RM73,702	65.0%
Total Cost of Sales	RM1,434,349	30.1%
TOTAL DEPARTMENTAL PROFIT	**RM3,332,451**	
UNDISTRIBUTED OPERATING EXPENSES		
Admin and General	RM90,710	2.0%
Employee Expenses	RM680,324	15.0%
Sales & Marketing	RM36,284	0.8%
Utilities Costs	RM498,904	11.0%
Property Operation & Maintenance	RM362,839	8.0%
Other Operating Expenses	RM45,355	1.0%
Total Other Expenses	RM1,714,415	36.0%
Total Operating Expenses to Total Revenue Ratio	**66.06%**	
GROSS OPERATING PROFIT	**RM1,618,036**	**33.9%**
OTHER DEDUCTIONS		
Fees (Franchise, Advertising & Promo, MRSF, Hotel Ma	RM405,178	8.5%
Fixed Overhead	RM130,000	
CAPEX Allowance	RM95,336	2.0%
Total Other Deductions	RM630,514	13.2%
Profit/(Loss) before tax	**RM987,522**	**20.72%**

From our cash flow projections and implementations of appropriate yield rates in our Profit Method of Valuation, we have arrived at the Market Value of **RM16,450,000 or RM75,000 per room** (rounded figures).

b. Comparison Approach

"Comparison Approach" is a method comparing the Subject Property 4 with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, hotel star ratings and time element to arrive at our opinion of value.

For the purpose of this valuation, we have adopted the following comparables:-

Comparables	1	2	3
Property	Z Hotel, Jalan Wong Ah Fook, Johor Bahru, Johor.	Garden Hotel, Jalan Jenang, Batu Pahat, Johor	Hotel Sentral, Jalan Tenteram, Johor Bahru, Johor.
Source	Jabatan Penilaian dan Perkhidmatan Harta	Jabatan Penilaian dan Perkhidmatan Harta	Jabatan Penilaian dan Perkhidmatan Harta
Tenure	Freehold	Freehold	Freehold
No. of Rooms	110	85	132
Consideration	RM28,000,000	RM8,000,000	RM19,000,000
Transaction Date	July 11, 2017	November 19, 2018	May 16, 2011
Vendor	Mesmerize View Sdn. Bhd.	Gallant Valley Sdn. Bhd.	Naza Hotel (Malaysia) Sdn. Bhd.
Purchaser	Ingenious Business Software Sdn. Bhd.	Ridge Hill Sdn. Bhd.	Grandluxe Asset (M) Sdn. Bhd.
Value per room	RM254,545	RM94,118	RM143,939
Adjustment Made	Time factor, location and surrounding and star rating.		
Final Adjusted Value (per room)	RM178,182	RM117,647	RM120,909

From our adjustments on the comparables based on Comparison Approach, we noted that the range of adjusted values are from RM117,647 to RM178,182 per room. We have, however, selected Comparable 1 with the adjusted value of **RM178,182 per room** as the best comparable as it was the most recently transacted in Johor Bahru to better reflect the local market condition.

The next step, however, is to make further adjustment on room size factor. Out of 216 from 218 rooms available at the Subject Property 4, the rooms size is only 12 sq. m. (about 129 sq. ft.), whereas the selected best comparable (Comparable 1) offers room sizes ranging from 344 sq. ft. to 1,119 sq. ft..

As the Subject Property 4 rooms size is less than half of the smallest room of Comparable 1, we have decided to make room size adjustment as shown below: -

Adjusted Value Per Room of Comparable 1	RM178,182
Less 50% for Room Size Adjustment	RM89,091
Adjusted Value Per Room of the Subject Property	**RM89,091**

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Hence, our total Market Value derived from Comparison Approach is as follow: -

Value Per Room	RM89,091
Total No. of Room	218
Total Market Value	RM19,421,838
Say	**RM19,420,000**

Based on the two methods adopted, the findings of Market Values of the Subject Property 4 are as follow:-

Profit Method **RM16,450,000**

Counter-checked with

Comparison Method **RM19,420,000**

Adopt RM16,450,000

In arriving at our opinion of Market Value, we have selected Profit Method of valuation as it analysed the present worth of the projected future cash flow over an assumed holding period. This is the preferred method for hotel as an income generating property and reflects the Subject Property 4 investment potential. Therefore we have used Comparison Approach as a counter-check method only.

OPINION OF MARKET VALUE

It is our opinion that the Market Values of the freehold & leasehold unencumbered interests respectively in the Subject Properties in its existing physical condition are as follows: -

1) The Chow Kit	-	RM14,500,000	(Ringgit Malaysia: Fourteen Million and Five Hundred Thousand Only)
2) Momo's Kuala Lumpur	-	RM28,530,000	(Ringgit Malaysia: Twenty Eight Million Five Hundred and Thirty Thousand Only)
3) Lot 1590 Section 46	-	RM2,560,000	(Ringgit Malaysia: Two Million Five Hundred and Sixty Thousand Only)
4) Tune Hotel Danga Bay	-	RM16,450,000	(Ringgit Malaysia: Sixteen Million Four Hundred and Fifty Thousand Only)
TOTAL MV	**-**	**RM62,040,000**	**(Ringgit Malaysia: Sixty Two Million and Forty Thousand Only)**

Yours faithfully,
HENRY BUTCHER MALAYSIA SDN BHD

LOW KHEE WAH
B. (Hons) Estate Mgmt., MRISM
Registered Valuer (V-724)

HENRY BUTCHER MALAYSIA SDN BHD

LKW/osk/jeah

(A) FRANCHISE AGREEMENT

(i) Grant of franchise

Tune Hotels.Com (BVI) Limited grants to OHSB, 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 OHSB by a 9 months' advance written notice to Tune Hotels.Com (BVI) Limited.

(iii) Payment obligations of OHSB

OHSB 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 *(which was waived effective from 1 June 2017 pursuant to a letter from Tune Hotels.Com (BVI) Limited dated 6 June 2017);* 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 OHSB if, amongst others, OHSB 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, OHSB undergoes any material change of ownership or control, or OHSB 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 OHSB'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 OHSB from an exclusive grant to a non-exclusive grant.

(B) SERVICE AGREEMENT

(i) Provision of services

OHSB appoints NMSB 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 OHSB;

(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 OHSB

OHSB shall pay to NMSB, 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 *(which was increased by 4% effective from 1 June 2017 pursuant the letters from Tune Hotels.Com (BVI) Limited and NMSB dated 6 June 2017 and 7 June 2017 respectively)*;

(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;

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

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

(iv) Termination

(a) NMSB may terminate the service agreement by written notice in the event OHSB 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 NMSB 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

OHSB engages and appoints NMSB 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 hotel management 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

OHSB shall pay to NMSB, 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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(A) TENANCY AGREEMENT BETWEEN OHSB AND U MOBILE SDN BHD ("U MOBILE")

(i) Permitted Use

OHSB grants to U Mobile the right to install and operate its fittings, plant, machinery, materials, cables, telecommunications and other equipment necessary or desirable as part of the telecommunications network and services operated by U Mobile or any of its related companies.

(ii) Term

The term of the tenancy is for a term of 3 years commencing on 1 November 2016 and expiring on 31 October 2019 *(with renewal of the terms pending negotiation between the parties)*.

When the term ends and:-

(a) U Mobile wishes to occupy the premises for a further term as to be mutually agreed upon by both parties; and

(b) gives notice to that effect to OHSB not less than 3 months before the term expires,

OHSB may agree for a further tenancy of the premises to U Mobile, subject to:-

(1) the terms and conditions of the tenancy agreement applying to the renewal term; and

(2) OHSB and U Mobile agreeing to the revised rent and any additional terms which will be mutually agree upon for the renewal term.

(iii) Rent and payment of rent

The monthly rental is RM2,200 *(exclusive 6% Goods and Services Tax)*. At the start of each renewal term, the rent may be adjusted so that any adjusted rent will be payable on and from each rent adjustment date. U Mobile must:-

(a) pay the rent to OHSB during the term without deduction or right of set-off;

(b) on the date the agreement is signed, pay the first instalment up to the first business day of the following month; and

(c) pay all subsequent monthly rental in advance within the first week of each month.

(iv) Termination

(a) OHSB can terminate the tenancy agreement by 7 days' written notice upon the occurrence of an event of default under the tenancy agreement and U Mobile has failed to remedy the breach within 30 days or both parties had mutually agreed the compensation to OHSB where the breach is incapable of remedy;

(b) U Mobile can terminate the tenancy agreement by 7 days' written notice in the event OHSB has committed a material breach of any of its obligation under the tenancy agreement and has not remedied the breach within 30 days or made reasonable monetary compensation to U Mobile where such breach is not capable of being remedied within 60 days after U Mobile had requested OHSB to do so; and

(c) Save for the instances of breach and notwithstanding clauses (iv)(a) and (b), either party may terminate the tenancy agreement for any other reasons by giving 3 months' prior written notice, save in respect of any prior breaches by either party and upon the refund of the security deposit minus any deduction of any costs reasonably incurred by OHSB.

(B) LICENSING AGREEMENT WITH ORMOND GROUP PTE LTD

(i) Grant of right

Ormond Group Pte Ltd grants ECML a non-exclusive, non-assignable and non-transferable right for ECML to use the trademarks of the Ormond and Momo's brands in Malaysia for the purposes of operating and/or managing an Ormond and Momo's brand hotel business.

(ii) Term

The right to use the brands shall be for an initial term of 5 years from 2 July 2019 ("**Initial Term**") and may be renewed for such further period upon terms and conditions as the parties may mutually agree in writing provided that ECML shall give Ormond Group Pte Ltd 3 months' notice in writing before the expiry of the Initial Term of such intention to renew the right.

(iii) Termination

In the event of a breach of any of the terms or conditions in the agreement, Ormond Group Pte Ltd has the right to terminate the right granted to ECML with immediate effect.

In addition to the above, Ormond Group Pte Ltd shall be entitled at its sole discretion to terminate the right granted to ECML without any reason at any time with 30 days' prior written notice to ECML.

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. They confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in this Circular false or misleading.

The information relating to the Vendor has been obtained from OHSB and the sole responsibility of our Board is limited to ensuring that such information is accurately reproduced in this Circular and our Board accepts no further or other responsibility in respect of such information.

2. CONSENT AND CONFLICT OF INTEREST

Mercury Securities

Mercury Securities, being the Principal Adviser to our Company for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular and all references thereto, in the form and context in which they appear.

As at the LPD, Mercury Securities is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser to our Company for the Proposed Acquisition.

BDO

BDO, being the Independent Adviser to our Company for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular and all references thereto, in the form and context in which they appear.

As at the LPD, BDO is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Independent Adviser to our Company for the Proposed Acquisition.

Henry Butcher

Henry Butcher, being the valuer for the Hospitality Assets, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular, the valuation certificate in relation to the Hospitality Assets as set out in Appendix I of this Circular and all references thereto in this Circular, in the form and context in which they appear.

As at the LPD, Henry Butcher is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the valuer for the Hospitality Assets.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Material commitments

Save as disclosed below, there are no material commitments incurred or known to be incurred by our Group which may, upon being enforceable, have a material adverse effect on our Group's profits or NA:-

	As at 30 June 2019 (RM'000)
Approved and contracted for	
Proposed acquisition of Tune Hotel KLIA Aeropolis	833
Rental expenses	187

Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by our Group which may, upon being enforceable, have a material adverse effect on our Group's profits or NA.

4. MATERIAL LITIGATION

As at the LPD, our Board is not aware of any material litigation, claims and/or arbitration involving the Hospitality Assets, either as plaintiff or defendant, and our Board is not aware of any proceedings, pending or threatened, involving the Hospitality Assets or any part thereof.

5. DOCUMENTS FOR INSPECTION

Copies of the following documents are 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 on Mondays to Fridays *(except public holidays)* from the date of this Circular up to and including the date of the forthcoming EGM:-

(i) Constitution of ECMLFG;

(ii) audited consolidated financial statements of ECMLFG for the 11-month FPE 31 December 2016, FYE 31 December 2017 and FYE 31 December 2018 as well as the unaudited consolidated financial statements of ECMLFG for the 6-month FPE 30 June 2019;

(iii) the valuation certificate by Henry Butcher referred to in Appendix I of this Circular, as well as their respective valuation reports;

(iv) the SPA;

(v) the franchise agreement, service agreement and hotel management agreement for the Danga Bay Property as referred to in Section 2.8, Part A of this Circular;

(vi) the Relevant Tenancy Agreements for KL as referred to in Section 2.2.1, Part A of this Circular and the licensing agreement with Ormond Group Pte Ltd for the KL Property as referred to in Section 2.8, Part A of this Circular; and

(vii) letter of consent referred to in Section 2 of this Appendix IV.

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ECM LIBRA FINANCIAL GROUP BERHAD

(Registration No: 200501031433 (713570-K))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of ECM Libra Financial Group Berhad ("**ECMLFG**" or the "**Company**") will be held at MAKAN at Tune Hotel KLIA2, Lot Pt 13, Jalan KLIA 2/2, 64000 KLIA, Selangor on Tuesday, 3 December 2019 at 2.30 p.m.,or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions by way of poll:-

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF HOSPITALITY ASSETS *(AS DEFINED HEREIN)* TOGETHER WITH THE HOSPITALITY BUSINESSES *(AS DEFINED HEREIN)* BY ECML HOTELS SDN BHD ("ECML") *(A WHOLLY-OWNED SUBSIDIARY OF ECMLFG)* FROM OMT HOTELS SDN BHD *(FORMERLY KNOWN AS TUNE HOTELS SDN BHD)* ("OHSB") FOR A TOTAL CASH CONSIDERATION OF RM62.04 MILLION AND TO ASSUME THE REMAINING COSTS AND EXPENSES *(ESTIMATED TO BE APPROXIMATELY RM26.34 MILLION)* FOR THE RENOVATION WORKS ON THE KL PROPERTY *(AS DEFINED HEREIN)* ("PROPOSED ACQUISITION")

"**THAT** subject to all the requisite approvals of the relevant authorities and/or parties being obtained, approval be and is hereby given to the Company to acquire through ECML the following:-

(i) all that 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) all that 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)*;

  (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)*; 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)*,

  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 operations of (i) a limited-service hotel known as "Tune Hotel @ Danga Bay" and (ii) 2 hotels currently under development to be known as (a) "The Chow Kit", an Ormond hotel and (b) "MoMo's Kuala Lumpur" (Collectively, the "**Hospitality Businesses**") 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, upon the terms and conditions as set out in the sale and purchase agreement dated 8 August 2019 ("**SPA**").

THAT pursuant to and as part of the Proposed Acquisition, approval be and is hereby given to the Company or ECML or any subsidiaries of the Company to accept the transfer of (i) the franchise business of Tune Hotels from Tune Hotels.Com (BVI) Limited and (ii) the hotel management and operation services business from Notel Management Sdn Bhd *(formerly known as Tune Hotels Management Sdn Bhd)*.

(Collectively, referred to as the "**Proposed Business Transfer**").

THAT to facilitate the Proposed Acquisition, approval be and is hereby granted to ECML to undertake all transactions contemplated under the SPA, including to undertake the renovation works on the KL Property.

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds, things and execute all necessary documents as the Board may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Acquisition and Proposed Business Transfer with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Acquisition and Proposed Business Transfer or as the Board may deem necessary or expedient; and deal with all such matters and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition and Proposed Business Transfer, in the interest of the Company."

SPECIAL RESOLUTION

PROPOSED CHANGE OF NAME OF THE COMPANY FROM "ECM LIBRA FINANCIAL GROUP BERHAD" TO "ECM LIBRA GROUP BERHAD" ("PROPOSED CHANGE OF NAME")

"**THAT** the name of the Company be and is hereby changed from "ECM Libra Financial Group Berhad" to "ECM Libra Group Berhad" with effect from the date of issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia ("**CCM**")

THAT all references in the Constitution of the Company with the name "ECM Libra Financial Group Berhad", wherever the same may appear, shall be substituted with the name "ECM Libra Group Berhad" subject to and upon issuance of the Notice of Registration of New Name by the CCM.

AND THAT the Board or any of the Company Secretaries be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Change of Name with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Change of Name or as they may deem necessary or expedient; and deal with all such matters and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Change of Name, in the interest of the Company."

BY ORDER OF THE BOARD

LIM KAM CHOY (MIA 13106)
JASMINDAR KAUR A/P SARBAN SINGH (MAICSA 7002687)
Company Secretaries

Kuala Lumpur
5 November 2019

<u>Notes:-</u>

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 26 November 2019 shall be eligible to attend, speak and vote at the Extraordinary General Meeting ("**EGM**").*

2. *A member entitled to attend and vote at the EGM is entitled to appoint not more than 2 proxies to attend and vote in his stead. A proxy may but does not need to be a member of the Company. Where a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the EGM shall have the same rights as the member to speak at the EGM. Notwithstanding this, a member entitled to attend and vote at the EGM is entitled to appoint any person as his proxy to attend and vote instead of the member at the EGM. There shall be no restriction as to the qualifications of the proxy.*

3. *In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*

4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than 1 proxy to attend and vote at the EGM, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which, the appointment shall be invalid.*

5. *The instrument appointing a proxy must be deposited at the Company's Registered Office at 2nd Floor, West Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time for holding the EGM or at any adjournment thereof.*

6. *By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms pursuant to the Personal Data Protection Act 2010 set out below:-*

   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company or its Share Registrar for the purpose of the processing and administration of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company or its Share Registrar to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company or its Share Registrar, the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company or its Share Registrar of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ECM LIBRA FINANCIAL GROUP BERHAD
(Registration No: 200501031433 (713570-K))
(Incorporated in Malaysia)

FORM OF PROXY

I/We ________________________________ of NRIC / Passport / Company No. ______________________
(Full Name in Capital Letters)

of ____
(Full Address)

being (a) member(s) of ECM Libra Financial Group Berhad, hereby appoint(s) ________________________
(Full Name in Capital Letters)

__________________ of NRIC / Passport No. __________________________ of _____________________
(Full Address)

____

or failing him/her ______________________________ of NRIC / Passport No. ______________________ of
(Full Name in Capital Letters)

____ or
(Full Address)

failing him/her, the Chairman of the meeting as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting ("**EGM**") of our Company to be held at MAKAN at Tune Hotel KLIA2, Lot Pt 13, Jalan KLIA 2/2, 64000 KLIA, Selangor on Tuesday, 3 December 2019 at 2.30 p.m., or at any adjournment thereof, as the case may be, on the following resolutions referred to in the notice of EGM:-

Resolutions		**For**	**Against**
Ordinary resolution	Proposed Acquisition		
Special resolution	Proposed Change of Name		

(Please indicate with an "X" in the appropriate box against the resolutions how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this ______________ day of _______________ 2019.

For appointment of two proxies, percentage or shareholdings to be represented by the proxies:-		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		**100%**

____
Signature / Common Seal of Member(s)

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 26 November 2019 shall be eligible to attend, speak and vote at the EGM.*

2. *A member entitled to attend and vote at the EGM is entitled to appoint not more than 2 proxies to attend and vote in his stead. A proxy may but does not need to be a member of the Company. Where a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the EGM shall have the same rights as the member to speak at the EGM. Notwithstanding this, a member entitled to attend and vote at the EGM is entitled to appoint any person as his proxy to attend and vote instead of the member at the EGM. There shall be no restriction as to the qualifications of the proxy.*

3. *In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*

4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than 1 proxy to attend and vote at the EGM, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which, the appointment shall be invalid.*

5. *The instrument appointing a proxy must be deposited at the Company's Registered Office at 2nd Floor, West Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time for holding the EGM or at any adjournment thereof.*

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   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company or its Share Registrar for the purpose of the processing and administration of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company or its Share Registrar to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company or its Share Registrar, the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company or its Share Registrar of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
ECM LIBRA FINANCIAL GROUP BERHAD
2nd Floor, West Wing, Bangunan ECM Libra
8 Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur

1st fold here