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

PROPOSED PRIVATE PLACEMENT OF UP TO 47,992,500 NEW ORDINARY SHARES IN ECMLG, REPRESENTING UP TO APPROXIMATELY 10% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES OF ECMLG, TO INDEPENDENT THIRD PARTY INVESTOR(S) TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER

1. INTRODUCTION

On behalf of the Board of Directors of ECMLG (“**Directors**”) (“**Board**”), Inter-Pacific Securities Sdn Bhd (“**Interpac**”) wishes to announce that the Company proposes to undertake a private placement of up to 47,992,500 new ordinary shares in ECMLG (“**ECMLG Shares**” or the “**Shares**”), representing up to approximately 10% of the existing total number of issued ECMLG Shares, to independent third party investor(s) to be identified later at an issue price to be determined later (“**Placement Shares**”) (“**Proposed Private Placement**”).

The Proposed Private Placement is undertaken to address the shortfall in the public shareholding spread of the Company. Based on the Record of Depositors of ECMLG as at 16 November 2023, ECMLG’s public shareholding spread stood at 22.60% and hence, the Company does not comply with the public shareholding spread requirement as stipulated under Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) which states that a listed issuer must ensure that at least 25% of its total listed shares *(excluding treasury shares)* are in the hands of public shareholders (“**Public Spread Requirement**”).

Further details of the Proposed Private Placement are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will be undertaken in accordance with the authority granted by the shareholders of the Company (“**Shareholders**”) to the Directors at the Company’s annual general meeting ("**AGM**") held on 22 May 2023 to allot and issue Shares not exceeding 10% of the total number of issued Shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (“**Act**”) (“**General Mandate**”). The General Mandate shall continue in force until the conclusion of the next AGM of the Company. In the event the Proposed Private Placement transcends beyond the next AGM, approval will be sought from the Shareholders at the next AGM for renewal of the General Mandate.

Further, at the Company's extraordinary general meeting held on 11 October 2023, the Shareholders have approved the waiver of their pre-emptive rights under Section 85 of the Act and Clause 15 of the Company’s Constitution to be offered new Shares ranking equally to the existing issued Shares arising from any issuance and allotment of Shares pursuant to the General Mandate. The said waiver is valid for the same validity period of the General Mandate.

2.1 Size of placement

As at 7 November 2023, being the latest practicable date prior to this announcement (“**LPD**”), the Company has 479,925,823 issued Shares and none of the Shares are held as treasury shares. The Proposed Private Placement entails the issuance of up to 47,992,500 Shares, representing up to approximately 10% of the existing total number of issued Shares as at the LPD.

2.2 Placement arrangement

The Placement Shares are intended to be placed to independent third party investor(s) to be identified later. Such investor(s) shall be party(ies) which qualify under Schedule 6 or 7 of the Capital Markets and Services Act, 2007. The Placement Shares are not intended to be placed to the following persons:-

(i) a director, major shareholder or chief executive of the Company or a holding company of the Company ("**Interested Person**");

(ii) a person connected with an Interested Person; or

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in 1 or more tranches *(as the placees may be identified and procured over a period of time rather than simultaneously)* within a period of 6 months from the date of approval by Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued Shares.

2.4 Listing and quotation of the Placement Shares

An application will be made to Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

2.5 Basis and justification of the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 10% to the 5-market day volume-weighted average market price ("**VWAP**") of the Shares up to and including the last trading day immediately preceding the price-fixing date, to be determined by the Board after taking into consideration the prevailing market conditions.

As the Proposed Private Placement may be implemented in 1 or more tranches, there could potentially be several price-fixing dates and issue prices.

For illustrative purposes only, the illustrative issue price of the Placement Shares is assumed to be RM0.1710 per Placement Share, which represents a discount of approximately 9.95% to the 5-market day VWAP of the Shares up to and including the LPD of RM0.1899 *(Source: Bloomberg)*.

2.6 Details of fund-raising exercises undertaken by the Company in the past 12 months

There are no other fund-raising exercises undertaken by ECMLG in the past 12 months preceding the date of this announcement.

3. USE OF PROCEEDS

Based on an illustrative issue price of RM0.1710 per Placement Share, the total gross proceeds to be raised from the Proposed Private Placement is approximately RM8.21 million, and are intended to be used in the following manner:-

Use of proceeds	Expected timeframe for use from receipt of proceeds	Amount (RM'000)
(i) Working capital for ECMLG and its subsidiaries' ("**Group**") hospitality business	Within 12 months	8,112
(ii) Estimated expenses for the Proposed Private Placement	Immediate	95
Total		**8,207**[(1)(2)]

Notes:-

(1) *Any additional proceeds raised in excess of RM8.21 million will be allocated for the Group's working capital purposes. Conversely, if the proceeds raised are less than RM8.21 million, the amount earmarked for working capital will be reduced accordingly.*

(2) *Pending the use of proceeds from the Proposed Private Placement, the proceeds shall be placed in interest-bearing deposits and/or invested in money market instruments as the Board may deem fit. Any interests and/or gains arising therefrom shall be used for the Group's working capital purposes.*

(i) Working capital for the Group's hospitality business

As at 31 October 2023, the Group's cash and bank balances and deposits with licensed financial institutions stood at RM28.9 million, of which a majority portion has been earmarked for acquisition of hospitality assets.

The Group intends to use the proceeds to be raised from the Proposed Private Placement mainly for working capital purposes in the following manner:-

Use of proceeds	Percentage allocation (%)	Amount (RM'000)
Sales and marketing expenses including advertisements and promotional activities for the Group's hospitality business	40	3,245
Operating and administrative expenses such as staff costs, payments to trade and other payables, purchase of inventories, utilities, cleaning services charges, transportation costs, insurance as well as other expenses[(1)]	60	4,867
Total	**100**	**8,112**

Note:-

(1) *The actual breakdown of these expenses cannot be determined at this juncture as it will depend on the actual operating and administrative requirements of the Group at the relevant time.*

(ii) Estimated expenses for the Proposed Private Placement

The breakdown of the estimated expenses for the Proposed Private Placement is as follows:-

Estimated expenses	Amount (RM'000)
Professional fees	69
Fees to relevant authorities	21
Miscellaneous expenses and contingencies	5
Total	**95**

If the actual expenses incurred are higher than the budgeted amount, the deficit will be funded from the gross proceeds allocated for working capital purposes. Conversely, any surplus funds following payment of expenses will be used for working capital of the Group.

4. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is undertaken to address the shortfall in the public shareholding spread of the Company. Based on the Record of Depositors of ECMLG as at 16 November 2023, ECMLG's public shareholding spread stood at 22.60% and hence, the Company does not comply with the Public Spread Requirement. Non-compliance with the Public Spread Requirement may result in Bursa Securities taking or imposing any type of action or penalty pursuant to Paragraph 16.19 of the Listing Requirements and suspending trading in the securities of ECMLG pursuant to Paragraph 16.02 of the Listing Requirements.

The Board, after due consideration of the various proposals, is of the view that the Proposed Private Placement is the most appropriate method to address the shortfall in the public shareholding spread of the Company in an expeditious and cost-effective manner. Assuming all 47,992,500 Placement Shares are placed to public shareholders, the Company's pro forma public shareholding spread will increase to 29.63% after the Proposed Private Placement and the Company will then comply with the Public Spread Requirement. In addition, the proceeds to be raised from the Proposed Private Placement may be allocated towards the proposed use as set out in Section 3 of this announcement.

In comparison, a pro-rata issuance of securities such as a rights issue may not be able to address the shortfall in the public shareholding spread of the Company and it is likely to take a longer time to complete.

Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to strengthen the financial position of the Group.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INDUSTRY OUTLOOK AND PROSPECTS

5.1 Outlook and prospects of tourism and hospitality industry in Malaysia

In 2022, the domestic tourism in Malaysia experienced a significant rise in the number of visitor arrivals and tourism expenditure due to the increase of trips made by residents of Malaysia after struggling with the pandemic crisis for almost 2 years. A total of 171.6 million domestic visitors were recorded in 2022 (2021: 66.0 million domestic visitors) with an increase of 160.1 per cent as compared to the previous year (2021: -49.9%). Meanwhile, a total of 207.8 million trips (2021: 72.4 million trips) were made by domestic visitors within the country with the average trip slightly increasing from 1.10 trips to 1.21 trips per visitor.

Overall, domestic tourism expenditure rose by 248.1 per cent in 2022 (2021: -54.5%). A total of RM64.1 billion was spent on domestic tourism in 2022 compared to RM18.4 billion recorded in the previous year. This gain resulted in an increase in average expenditure per trip to RM308 compared to RM254 in 2021. Meanwhile, in 2022, the average length of stay increased to 2.5 days as compared to 2.2 days in the previous year.

(Source: Domestic Tourism Survey 2022, Department of Statistics Malaysia)

As Malaysia gears up for higher tourists arrival, the Government is intensifying efforts to fortify the tourism sector in conjunction with the Visit Malaysia promoting campaign. A notable allocation of RM65 million has been directed towards programmes and activities centred around promoting culture and heritage as well as enriching the tourist experience. Additionally, pivotal infrastructure projects are underway to mitigate traffic congestion in popular tourist destinations. These initiatives encompass the construction and enhancement of roads in high-traffic areas like Cameron Highlands and Melaka. Moreover, strategic projects include the development of new roads and bridges to connect Port Dickson and Sepang, as well as the enhancement of the North-South Expressway, with an initial focus on Johor for Phase 1. These infrastructure improvements underline the Government’s dedication to providing a seamless and enjoyable experience for tourists, improving accessibility and connectivity across the nation’s vibrant tourist spots.

The services sector increased by 6% in the first half of 2023, mainly attributed to the wholesale and retail trade; transportation and storage; and food and beverages and accommodation subsectors. The performance of the sector in the second half of the year is anticipated to rise by 5.1% driven by tourism- and travel-related subsectors following higher tourist arrivals and improved consumer spending. Overall, the sector is projected to grow by 5.5% in 2023, with nearly all subsectors recording positive growth, except for the finance and insurance subsector.

The food and beverages and accommodation subsector is projected to record a significant growth of 10.4% in 2023 following the expansion in all segments. The subsector grew by 10.7% in the first half of 2023 supported by high hotel occupancy rates and patronage at eateries, mainly attributed to the increase of tourist arrivals to 9.2 million. The subsector is expected to increase by 10.1% in the second half of the year, on the back of vibrant tourism related activities. The favourable outlook is in line with the revised projection of 18.6 million tourist arrivals in 2023 by the Ministry of Tourism, Arts and Culture. The upsurge revision is echoed in the Global Muslim Travel Index 2023, of which Malaysia continues to maintain the top position as a Muslim travel destination for five consecutive years.

The services sector is forecast to increase by 5.6% in 2024 driven by expansion in all subsectors. In addition, vibrant tourism-related activities as well as continuous consumer spending are expected to further spur the growth of the sector.

The food and beverages and accommodation subsector is poised to grow by 7.9%, attributed to the steady rise in tourist arrivals that will drive the hospitality industry, surpassing the pre-pandemic level. The tourism industry will benefit from the provision and upgrading of tourism facilities as well as the adoption of digital platforms for promotional activities. In addition, 2024 visit state year programmes in Melaka, Perak and Perlis are expected to contribute to the subsector's growth.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

The next Visit Malaysia Year has been set for 2026, with a target of 26.1 million foreign tourist arrivals and an estimated domestic expenditure of RM97.6 billion. The Government will provide RM350 million to boost promotion and tourism activities for Malaysia to regain its position as the world's preferred tourist destination.

(Source: Annual Budget 2024, Ministry of Finance Malaysia)

5.2 Prospects and future plans of the Group

The ECM Group is mainly involved in the hospitality business, being the main contributor to the Group's revenue. Over the past few years, the Group's hospitality business has been severely impacted in light of the continued repercussions of the coronavirus disease 2019 ("**Covid-19**") pandemic and the constraints placed on travel by governments worldwide which include closure of borders, stringent lockdown as well as restricted movements.

In the year 2022, Malaysia transitioned into an endemic phase of Covid-19, with the progressive lifting of Covid-19 related restrictions and re-opening of international borders. This has resulted in a better financial performance across the Group's hospitality assets, driven by the rebound in demand for both rooms and food and beverage. For the 9-month financial period ended ("**FPE**") 30 September 2023, the Group's hospitality business recorded a profit after tax ("**PAT**") of RM2.2 million.

The management expects positive momentum within its hospitality portfolio as domestic and inbound travel demand remains robust. The management will continue its focus on realising operational efficiencies whilst delivering outstanding guest experience and service to better position the Group and its assets to perform in response to the challenges of rising costs and inflation. Additionally, the Group also expects to deploy its capital and opportunistically build its hospitality asset base, including recent acquisitions of hospitality assets along the Desaru Coast which were announced on 8 September 2023.

The proceeds to be raised from the Proposed Private Placement will be allocated mainly for the working capital for the Group's hospitality business. This allows the Group to conserve sufficient cash reserves for its working capital purposes to weather through any uncertainties or challenges whilst reducing the need to rely on bank borrowings.

Barring any unforeseen circumstances and premised on the economy and industry outlook, the Board is cautiously optimistic of the prospects of the Group.

(Source: Management of ECMLG)

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are as follows:-

	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	479,925,823	107,545,860
Placement Shares to be issued pursuant to the Proposed Private Placement *(up to)*	47,992,500	8,206,718 [(1)]
Enlarged issued share capital *(up to)*	**527,918,323**	**115,752,578**

Note:-

(1) Based on an illustrative issue price of RM0.1710 per Placement Share.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

6.2 Substantial Shareholders' shareholdings

The substantial Shareholders' shareholdings based on the register of substantial Shareholders as at the LPD and the pro forma effects of the Proposed Private Placement on their shareholdings are as follows:-

	As at the LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	**No of Shares**	**%[(1)]**	**No of Shares**	**%[(1)]**	**No of Shares**	**%[(2)]**	**No of Shares**	**%[(2)]**
Dato' Seri Kalimullah bin Masheerul Hassan	70,562,815	14.70	-	-	70,562,815	13.37	-	-
Dato' Lim Kian Onn	66,296,278	13.81	134,843,286[(3)]	28.10	66,296,278	12.56	134,843,286[(3)]	25.54
Truesource Pte Ltd	56,694,973	11.81	-	-	56,694,973	10.74	-	-
Plato Capital Limited	-	-	56,694,973[(4)]	11.81	-	-	56,694,973[(4)]	10.74
Garynma MY Capital Limited	76,711,150	15.98	-	-	76,711,150	14.53	-	-
Garynma MY Holdings Limited	-	-	76,711,150[(5)]	15.98	-	-	76,711,150[(5)]	14.53
Trident Trust Company (Singapore) Pte Limited	-	-	76,711,150[(6)]	15.98	-	-	76,711,150[(6)]	14.53
Tune Group Sdn Bhd	99,767,386	20.79	-	-	99,767,386	18.90	-	-
Tan Sri Anthony Francis Fernandes	-	-	99,767,386[(7)]	20.79	-	-	99,767,386[(7)]	18.90
Datuk Kamarudin bin Meranun	-	-	99,767,386[(7)]	20.79	-	-	99,767,386[(7)]	18.90

Notes:-

(1) Computed based on the total number of 479,925,823 issued Shares as at the LPD.

(2) Computed based on the enlarged total number of 527,918,323 issued Shares after the Proposed Private Placement.

*(3) Deemed interested by virtue of his interest in Plato Capital Limited and his interest via a trust established by him and his spouse as the settlors and of which their children and issues are beneficiaries ("**Garynma Trust**") which holds 100% beneficial interest 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.*

(4) Deemed interested by virtue of it being the holding company of Truesource Pte Ltd pursuant to Section 8(4) of the Act.

(5) Deemed interested by virtue of it being the holding company of Garynma MY Capital Limited pursuant to Section 8(4) of the Act.

(6) Deemed interested by virtue of it being the trustee of Garynma Trust which holds 100% beneficial interest in Garynma MY Holdings Limited pursuant to Section 8(4) of the Act.

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

6.3 Net assets ("NA") and gearing

The pro forma effects of the Proposed Private Placement on the NA and gearing of the Group are as follows:-

	Audited as at 31 December 2022 (RM'000)	After the Proposed Private Placement[(1)] (RM'000)
Share capital	107,546	115,753
Retained earnings	68,260	68,165[(2)]
Reserves	(12,773)	(12,773)
Total equity / NA	**163,033**	**171,145**
No. of issued Shares ('000)	479,926	527,918
NA per Share (RM)	0.34	0.32
Total borrowings	38,423	38,423
Gearing (times)	0.24	0.22

<u>*Notes:-*</u>
(1) Assuming all 47,992,500 Placement Shares are issued at an illustrative issue price of RM0.1710 per Placement Share.
(2) After deducting estimated expenses for the Proposed Private Placement of RM95,000.

6.4 Earnings and earnings per Share ("EPS")

The potential effects of the Proposed Private Placement on the consolidated earnings and EPS of the Company moving forward will depend on, amongst others, the number of Placement Shares to be issued and the level of returns generated from the use of the proceeds to be raised from the Proposed Private Placement.

Assuming that the earnings of the Group remain unchanged, the EPS of the Company will be diluted as a result of the increase in the number of issued Shares following the issuance of the Placement Shares.

For illustration purposes, assuming that the Proposed Private Placement had been completed at the beginning of the financial year ended ("**FYE**") 31 December 2022, the pro forma effects of the Proposed Private Placement on the consolidated earnings and EPS of the Company are as follows:-

	Audited FYE 31 December 2022	After the Proposed Private Placement
Loss after taxation ("**LAT**") attributable to owners of the Company (RM'000)	(2,628)	(2,723)[(1)]
Weighted average number of Shares in issue for the FYE 31 December 2022 ('000)	479,926	527,918
Loss per Share (sen)	(0.55)	(0.52)

<u>*Note:-*</u>
(1) After deducting estimated expenses for the Proposed Private Placement of RM95,000.

The pro forma effects above have not taken into consideration any returns which may be generated from the proceeds to be raised from the Proposed Private Placement.

6.5 Convertible securities

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

7. APPROVALS REQUIRED

The Proposed Private Placement is subject to approvals being obtained from the following:-

(i) Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and

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

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major Shareholders, chief executive of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposed Private Placement.

9. DIRECTORS' STATEMENT

The Board, having considered the current public shareholding spread of the Company and after careful deliberation as well as taking into consideration the rationale, use of proceeds and all other aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposed Private Placement is expected to be completed by the 2^{nd} quarter of 2024.

11. APPLICATION TO THE AUTHORITIES

The application in relation to the Proposed Private Placement will be submitted to Bursa Securities today.

12. ADVISER AND PLACEMENT AGENT

Interpac has been appointed by the Company to act as the Principal Adviser and the Placement Agent for the Proposed Private Placement.

This announcement is dated 23 November 2023.

1. Historical financial information of the Group

The following table sets out a summary of the financial performance of the Group for the FYE 31 December 2019, FYE 31 December 2020, FYE 31 December 2021, FYE 31 December 2022 as well as the 9-month FPE 30 September 2023:-

	Unaudited		**Audited**			
	9-month FPE 30 September 2023 (RM'000)	**9-month FPE 30 September 2022 (RM'000)**	**FYE 31 December 2022 (RM'000)**	**FYE 31 December 2021 (RM'000)**	**FYE 31 December 2020 (RM'000)**	**FYE 31 December 2019 (RM'000)**
Revenue	26,275	15,721	24,833	13,314	12,286	11,743
Other income	870	786	720	1,076	1,819	1,032
Changes in inventories	130	101	78	5	187	(62)
Purchase of inventories	(1,729)	(1,337)	(2,235)	(1,540)	(1,422)	(567)
Net (losses) / reversals on impairment of financial assets	-	-	(33)	23	(47)	(43)
Other impairment losses	-	-	-	-	(7,623)	-
Operating expenses	(24,182)	(19,545)	(27,652)	(20,233)	(22,833)	(14,894)
Profit / (Loss) from operations	**1,364**	**(4,274)**	**(4,289)**	**(7,355)**	**(17,633)**	**(2,791)**
Finance costs	(1,928)	(1,410)	(2,104)	(1,965)	(1,713)	(1,017)
Investments in associates and joint ventures, net of tax						
- loss on dilution of equity interest	-	-	(142)	-	-	-
- share of results	29,554	288	4,590	2,149	(3,265)	(1,212)
Profit / (Loss) before tax	**28,990**	**(5,396)**	**(1,945)**	**(7,171)**	**(22,611)**	**(5,020)**
Taxation	(78)	(12)	(683)	1,436	987	(195)
PAT / (LAT) from continuing operations	**28,912**	**(5,408)**	**(2,628)**	**(5,735)**	**(21,624)**	**(5,215)**
PAT from discontinued operation	**-**	**-**	**-**	**-**	**-**	**35,549**
PAT / (LAT) attributable to owners of the Company	**28,912**	**(5,408)**	**(2,628)**	**(5,735)**	**(21,624)**	**30,334**
Basic and diluted EPS / (loss) per Share (sen)						
- from continuing operations	6.02	(1.13)	(0.55)	(1.19)	(4.51)	(1.09)
- from discontinued operation	-	-	-	-	-	7.41
	6.02	(1.13)	(0.55)	(1.19)	(4.51)	6.32

(i) 9-month FPE 30 September 2023 vs 9-month FPE 30 September 2022

For the 9-month FPE 30 September 2023, the Group recorded revenue of RM26.3 million, representing an increase of RM10.6 million or 67.5% from RM15.7 million for the 9-month FPE 30 September 2022. The increase in revenue was mainly due to the better performance of the hospitality segment as a result of the higher room occupancies across the hospitality assets and higher food and beverage revenue.

The Group recorded a PAT of RM28.9 million for the 9-month FPE 30 September 2023 as compared to a LAT of RM5.4 million in the previous corresponding financial period. The PAT was mainly due to higher share of profits from associates and joint ventures of RM29.6 million for the 9-month FPE 30 September 2023 (9-month FPE 30 September 2022: share of profits from associates and joint ventures of RM0.3 million) resulted from the disposal of all the ordinary shares in TYK Capital Sdn Bhd owned by Positive Carry Sdn Bhd *(a 30.0%-owned associated company of ECMLG)*, which contributed a share of profits of RM27.2 million.

(ii) FYE 31 December 2022 vs FYE 31 December 2021

For the FYE 31 December 2022, the Group recorded revenue of RM24.8 million, representing an increase of RM11.5 million or 86.5% from RM13.3 million for the FYE 31 December 2021. The increase in revenue was mainly attributable to higher room occupancies and average room rates across the Group's hospitality assets with the lifting of travel restrictions for local and international tourists as Malaysia transitioned into an endemic phase of Covid-19.

The Group recorded a lower LAT of RM2.6 million for the FYE 31 December 2022, representing a decrease of 54.4% from a LAT of RM5.7 million for the FYE 31 December 2021. The decrease in LAT was primarily due to the higher revenue achieved and the Group's continuous effort on cost reductions and efficiencies.

(iii) FYE 31 December 2021 vs FYE 31 December 2020

For the FYE 31 December 2021, the Group recorded revenue of RM13.3 million, representing an increase of RM1.0 million or 8.1% as compared to RM12.3 million for the FYE 31 December 2020. The increase in revenue was primarily driven by higher rooms and food and beverage revenue particularly when inter-district and interstate travel, as well as dining-in was allowed. As international borders were still closed in 2021, the Group focused its sales and marketing efforts on domestic travellers and staycations.

The Group recorded a lower LAT of RM5.7 million for the FYE 31 December 2021, representing a decrease of 73.6% from a LAT of RM21.6 million for the FYE 31 December 2020. The decrease in LAT was mainly due to higher share of profits from associates and joint ventures of RM2.1 million for the FYE 31 December 2021 (FYE 31 December 2020: share of losses from associates and joint ventures of RM3.3 million) as well as a number of non-recurring material expenses incurred for the FYE 31 December 2020 relating to:-

(a) impairment losses recognised upon reflecting the recoverable amount of the hospitality assets amounting to RM7.6 million;

(b) pre-opening expenses for The Chow Kit, an Ormond Hotel and MoMo's Kuala Lumpur amounting to RM1.9 million; and

(c) stamping and acquisition-related transaction costs for the hospitality assets amounting to RM2.5 million.

(iv) FYE 31 December 2020 vs FYE 31 December 2019

For the FYE 31 December 2020, the Group recorded revenue of RM12.3 million, representing an increase of RM0.6 million or 5.1% as compared to RM11.7 million for the FYE 31 December 2019. The increase in revenue was mainly due to the revenue contribution from the 4 new hotels acquired in FYE 31 December 2020.

The Group recorded a higher LAT from continuing operations of RM21.6 million for the FYE 31 December 2020, representing an increase of 315.4% from a LAT of RM5.2 million for the FYE 31 December 2019. This reflects the difficult operating conditions in light of the Covid-19 pandemic. The increase in LAT was mainly due to higher share of losses from joint ventures of RM3.3 million for the FYE 31 December 2020 (FYE 31 December 2019: share of losses from joint ventures of RM1.2 million) as well as a number of non-recurring material expenses incurred for the FYE 31 December 2020 relating to:-

(a) impairment losses recognised upon reflecting the recoverable amount of the hospitality assets amounting to RM7.6 million (FYE 31 December 2019: nil);

(b) pre-opening expenses for The Chow Kit, an Ormond Hotel and MoMo's Kuala Lumpur amounting to RM1.9 million (FYE 31 December 2019: nil); and

(c) stamping and acquisition-related transaction costs for the hospitality assets amounting to RM2.5 million (FYE 31 December 2019: RM0.5 million).

2. Value creation and impact of the Proposed Private Placement to the Company and its Shareholders

Based on the Record of Depositors of ECMLG as at 16 November 2023, ECMLG's public shareholding spread stood at 22.60% and hence, the Company does not comply with the Public Spread Requirement. Non-compliance with the Public Spread Requirement may result in Bursa Securities taking or imposing any type of action or penalty pursuant to Paragraph 16.19 of the Listing Requirements and suspending trading in the securities of ECMLG pursuant to Paragraph 16.02 of the Listing Requirements.

The Proposed Private Placement is undertaken to address the shortfall in the public shareholding spread of the Company. Assuming all 47,992,500 Placement Shares are placed to public shareholders, the Company's pro forma public shareholding spread will increase to 29.63% after the Proposed Private Placement and the Company will then comply with the Public Spread Requirement.

At the same time, the Proposed Private Placement will enable the Company to raise funds for its hospitality business without incurring interest costs as compared to other means of financing such as through bank borrowings or the issuance of debt instruments. Notwithstanding that the Proposed Private Placement may result in dilution to the shareholdings of the existing Shareholders and NA per Share, the proposed use of the proceeds to be raised from the Proposed Private Placement is expected to contribute positively to the future earnings of the Group. Further, upon completion of the Proposed Private Placement, the enlarged capital base is also expected to strengthen the financial position of the Group.

Further details on the effects of the Proposed Private Placement are set out in Section 6 of this announcement.

3. The adequacy in addressing the Group's financial requirements and steps taken to improve its financial condition

In FYE 31 December 2020, the Group's hospitality business was adversely affected by the Covid-19 pandemic which resulted in closure of borders, stringent lockdown as well as restricted movements within Malaysia. Since then, the Group has implemented various measures focusing on cost reductions and improving operational efficiencies. These measures include prudent cash flow management, optimisation of existing human resources and cutting down non-essential expenses.

In the year 2022, as Malaysia transitioned into an endemic phase of Covid-19, with the progressive lifting of Covid-19 related restrictions and re-opening of international borders, the financial performance of the Group's hospitality business has since been improving and the Group's hospitality assets have achieved higher room occupancies and average room rates. For the 9-month FPE 30 September 2023, the Group's hospitality business recorded a PAT of RM2.2 million.

As domestic and inbound travel demand is expected to remain robust, the Group expects to deploy its capital and opportunistically build its hospitality asset base, including recent acquisitions of hospitality assets along the Desaru Coast which were announced on 8 September 2023.

As at 31 October 2023, the Group's cash and bank balances and deposits with licensed financial institutions stood at RM28.9 million, of which a majority portion has been earmarked for acquisition of hospitality assets. The proceeds to be raised from the Proposed Private Placement will be allocated mainly for the working capital for the Group's hospitality business. This allows the Group to conserve sufficient cash reserves for its working capital purposes to weather through any uncertainties or challenges whilst reducing the need to rely on bank borrowings.

Barring any unforeseen circumstances, the Board is of the view that the Proposed Private Placement is adequate to meet the Group's financial requirements at this juncture.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK